

The Auditor-General
Audit Report No.45 2012–13
Performance Audit

Cross-Agency Coordination of Employment Programs

Department of Education, Employment and Workplace Relations
Department of Human Services

Australian National Audit Office

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Canberra ACT
17 June 2013

Dear Mr President
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Education, Employment and Workplace Relations and the Department of Human Services with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament. The report is titled *Cross-Agency Coordination of Employment Programs*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:

**The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601**

**Telephone: (02) 6203 7505
Fax: (02) 6203 7519
Email: webmaster@anao.gov.au**

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Audit Team

Tracey Martin
Jess Scully
Clare Spring
Stuart Turnbull

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Abbreviations

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| AAS | Annual Assurance Statement |
| BMA | Bilateral Management Arrangement |
| BMC | Bilateral Management Committee |
| CFR | Confidence Framework Report |
| DEEWR | Department of Education, Employment and Workplace Relations |
| DHS | Department of Human Services |
| DIICCS RTE | Department of Innovation, Industry, Climate Change, Science, Research and Tertiary Education |
| FaHCSIA | Department of Families, Housing, Community Services and Indigenous Affairs |
| FMA Act | <i>Financial Management and Accountability Act 1997</i> |
| FTE | Full-time equivalent |
| JSA | Job Services Australia |
| KPI | Key Performance Indicator |
| KPM | Key Performance Measure |
| MSPS | Multilateral Strategic Partnership for Services |
| NPP | New Policy Proposal |
| PMM | Program Manager Meeting |
| RMM | Relationship Manager Meeting |
| RSS | Random Sample Survey |

| | |
|----------|---|
| SFNC IDC | Strategic Fraud and Non-Compliance Inter-Departmental Committee |
| SLA | Service Level Agreement |
| SP IDC | Strategic Partnerships Inter-Departmental Committee |

Glossary

| | |
|----------------------------------|---|
| Bilateral Management Arrangement | <p>The Bilateral Management Arrangement (BMA) is an agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and the Department of Human Services (DHS) to administer the programs, payments and services that are delivered by DHS for programs administered by DEEWR, including:</p> <ul style="list-style-type: none">• education, employment and child care payments, such as ABSTUDY, Newstart Allowance and Child Care Benefit payments; and• education and employment referrals and others services. |
| Bilateral Management Committee | <p>A committee comprising responsible deputy secretaries from DEEWR and DHS which oversees the functioning of the BMA. The responsibilities of the committee include supporting collaborative relationships between the departments, performance monitoring and risk management.</p> |
| Employment programs | <p>The five Australian Government programs, for which DEEWR has policy responsibility, that aim to deliver enhanced employability, acquisition of labour market skills and knowledge, and participation in society through direct financial support and funding of employment training services. These programs are: Employment Services; Indigenous Employment; Disability Employment Services; Remote Jobs and Communities Program; and Working Age Payments.</p> |
| <i>e-reference</i> | <p>Electronic guidelines used by DHS staff to access up-to-date guidance on policies and procedures for delivering programs and services for other government agencies, such as DEEWR.</p> |

| | |
|---|---|
| Multilateral Strategic Partnership for Services | The Multilateral Strategic Partnership for Services (MSPS) between DEEWR, DHS and the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) establishes high level arrangements for the delivery of services by DHS for programs administered by DEEWR and FaHCSIA. The MSPS is complemented by individual BMAs between DEEWR and DHS, and FaHCSIA and DHS. |
| Policy Advices | Policy Advices are documents issued by DEEWR to support delivery of programs and services under the BMA. The advices describe the roles of DHS, DEEWR and other parties (such as Employment Services Providers), and include policy expectations and performance measures for the major programs/payments under the BMA. |
| Protocol | The BMA requires DEEWR and DHS to develop nine Protocols to support cross-agency collaboration in the areas of New and Changed Work, Program and Payment Assurance, Media and Marketing, Legal Services, Complaints Handling, Management of Information, Information Technology Services, Financial Reporting and Audit. The Protocols prescribe processes, frameworks and guidelines to support governance and operational arrangements to be used by DEEWR and DHS. |
| Strategic Partnerships Inter-Departmental Committee | A committee comprising departmental secretaries from DEEWR, DHS and FaHCSIA which oversees the strategic partnership and business operations between DEEWR, DHS and FaHCSIA. |
| Working age | A categorisation referring to people in the population who are aged 15 to 64 years. |

Summary and Recommendations

Summary

Introduction

1. The Australian Government funds a range of employment programs providing income support payments and services such as job search facilities, counselling and training opportunities to working age people. The Department of Education, Employment and Workplace Relations (DEEWR) has overall responsibility for these employment programs and makes use of several different approaches to deliver services. Some employment services are delivered by Employment Services Providers under contract to DEEWR. However, income support and related services are delivered through a partnership between DEEWR and the Department of Human Services (DHS). In 2012–13, DHS will deliver an estimated \$19.8 billion of payments for programs administered by DEEWR (approximately 13 per cent of all DHS payments).¹ The employment program known as Working Age Payments accounts for \$14.8 billion of this amount.

2. The partnership between DEEWR and DHS is supported by a formal agreement: the Bilateral Management Arrangement (BMA). Cross-agency agreements are an important mechanism for supporting collaboration and coordination between agencies. These agreements provide a framework for governance and operations by: establishing individual and joint roles and responsibilities; outlining agreed structures and processes; and providing for transparency and accountability of administration and outcomes. DEEWR has had several cross-agency agreements with Centrelink, and now DHS, for the delivery of employment programs since 1998.² On 1 July 2009, DEEWR and Centrelink entered into a partnership arrangement, which replaced the previous purchaser-provider arrangement between the agencies.³ A key element of the current DEEWR–DHS partnership arrangement, which took effect in November 2009, is that almost all of the funding for service delivery

¹ Under the *Human Services (Centrelink) Act 1997*, DHS has responsibility for the delivery of Australian Government payments and services to clients. In addition to employment programs, DHS delivers education and childcare payments, referrals and services for programs administered by DEEWR. DHS also delivers payments and services for other Australian Government departments.

² Machinery of Government changes in July 2011 resulted in Centrelink becoming a part of DHS.

³ Under the purchaser-provider arrangement, funding for employment program payments and services was appropriated to DEEWR. The funding arrangement was reflected in the then Business Partnership Agreement, with DEEWR adopting a compliance oriented approach to managing Centrelink's service delivery.

under the BMA is now directly appropriated to DHS.⁴ This direct funding arrangement is intended to offer operational efficiencies in service delivery, including a reduction in red tape, and allows DEEWR and DHS to enter into a partnership arrangement that is genuinely collaborative.

The Bilateral Management Arrangement between DEEWR and DHS

3. The BMA aims to achieve five outcomes, including: integration of policy design and service delivery; shared understanding of, and responsibility for, program outcomes and improved program management; and collective responsiveness to government and a collaborative approach to priorities. The BMA specifies the payments and services to be delivered by DHS for programs administered by DEEWR, and the conditions applying to their delivery. It also defines the individual and joint responsibilities of DEEWR and DHS under the partnership arrangement.⁵ The BMA is supplemented by 48 Policy Advices for programs and payments issued by DEEWR to DHS.

4. The BMA establishes cross-agency governance and operational arrangements, which include:

- a governance structure, comprising executive, relationship management and program management level committees, and an Issues Resolution Framework;
- nine Protocols, and other procedures and documents, which support collaboration and information sharing; and
- a confidence framework and associated reporting to monitor the relationship between the departments and provide assurance that policy and program outcomes are being achieved under the partnership.

5. DEEWR and DHS each appoint a Relationship Manager to oversee the administration of the BMA, its Protocols and relationships between the departments. The Relationship Managers are also a primary point of contact for issues under the BMA. Both DEEWR and DHS have a team that supports

⁴ In the Commonwealth Budget, DHS received an appropriation of \$19.8 billion to make payments for programs administered by DEEWR for 2012–13; and received an additional \$155 million from DEEWR for the provision of services for these programs for 2012–13. *Human Services Portfolio Budget Statements*, 2013–14, pp. 17 and 18.

⁵ BMA, 2012, p. 4. The BMA operates in the context of the overarching Multilateral Strategic Partnership for Services (MSPS) between DEEWR, DHS and the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). The MSPS provides high-level arrangements for the delivery of services by DHS for programs administered by DEEWR and FaHCSIA.

the Relationship Manager and assists coordination between relevant departmental staff responsible for different aspects of policy, program and service delivery.

Previous Australian National Audit Office audit

6. A 2008–09 Australian National Audit Office (ANAO) performance audit examined the then DEEWR–Centrelink Business Partnership Agreement (BPA).⁶ The ANAO concluded that the BPA provided a workable model under which DEEWR and Centrelink operated to implement working age programs and services. However, in practical terms, the effectiveness of the BPA was lessened as a result of several gaps and limitations in essential frameworks, documentation and administrative practices.⁷ The audit report recommended that DEEWR and Centrelink strengthen issues resolution; complete and maintain documentation supporting the BPA; develop transparent and cohesive business assurance and risk management approaches; and improve performance measurement, including by aligning Key Performance Measures (KPMs) to cover all outcomes and outputs relevant to the BPA.⁸ While recognising there have been some changes in roles and responsibilities between the departments since 2008–09, the recommendations of the previous audit remain largely relevant under the current BMA.

Audit objective and criteria

7. The audit objective was to assess the administrative effectiveness of the DEEWR–DHS partnership arrangement in supporting the delivery of employment programs. To form a conclusion against the objective, the ANAO assessed DEEWR's and DHS' performance against three high-level criteria:

- governance arrangements established under the BMA support effective cross-agency management of employment programs;
- business practices follow sound principles, agreed policies and guidelines; and

⁶ ANAO Audit Report No.4 2008–09, *The Business Partnership Agreement Between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink*.

⁷ *ibid.*, paragraph 19, p. 18.

⁸ The recommendations made in the report are listed at Appendix 2.

- monitoring arrangements, including Key Performance Measures (KPMs), provide accurate and useful information to assess performance under the BMA.

Overall conclusion

8. In 2011–12 over \$14 billion in working age payments were made to eligible people under the Working Age Payments program, which is supported by the Bilateral Management Arrangement (BMA) between DEEWR and DHS. As at June 2012, over one million people received these payments and related employment program services.⁹ In this respect, the effective operation of the BMA is important to facilitate the accurate and timely delivery of payments and services to large numbers of people. To provide for efficient delivery of these benefits to the community, the operational relationship between the two departments needs to be characterised by strong collaboration and coordination.

9. DEEWR's and DHS' administration of their respective roles under the partnership arrangement to support the delivery of employment programs is reasonably effective, with scope to further develop cross-agency collaboration. Under the BMA, appropriately structured governance arrangements have been put in place to oversee and support the partnership and the resulting delivery of employment programs. DEEWR and DHS have in place a range of Protocols and tools to guide governance and operational arrangements between the departments, although, in practice, they have been applied to varying degrees. Quarterly reporting through the BMA committees results in a focus on operational and service delivery performance and issues, and frequent formal and informal interactions between staff at multiple levels facilitate collaboration and coordination between the departments in designing and delivering employment programs.

10. The BMA has been in place since November 2009. The BMA differs significantly to the previous cross-agency agreement in that it is now a partnership rather than a purchaser-provider arrangement, with DHS directly appropriated almost all of the funding for service delivery, including benefit payments to eligible people. This partnership approach means that the

⁹ DEEWR reported that there were 1 178 872 recipients in total of Newstart Allowance, Youth Allowance Other, Parenting Payment (Single and Partnered), Mobility Allowance, Sickness Allowance, Partner Allowance and Widow Allowance (see DEEWR's 2011–12 Annual Report, pp. 82 and 83).

departments need to negotiate and agree service delivery strategies that meet the intended outcomes of the BMA and acknowledge each department's operational priorities. To give effect to a more collaborative approach, DEEWR and DHS need to consistently apply the agreed outcomes and work practices under the BMA. This would assist the resolution of key issues for employment program delivery in a timely manner. Particular areas for attention are:

- better utilisation of the BMA governance structures, including to support timely issues escalation and resolution, and strengthening the central coordination role played by the Relationship Managers;
- ensuring sufficient flexibility to negotiate and adjust service delivery strategies in response to operational issues, and in accordance with the shared outcomes established in the BMA;
- the currency of Protocols, supporting procedures and documents, and Policy Advices, as the arrangements established in these documents form an agreed approach to collaboration and coordination between the departments;
- consistently following the administrative processes outlined in the BMA and its Protocols, including to support joint risk management and business assurance activities, and the development of new policy proposals; and
- improvement in the coverage and quality of BMA performance monitoring to provide for a stronger focus on the extent of achievement of relevant program objectives and government outcomes.

11. The audit highlighted the tensions and challenges for DEEWR and DHS in managing the cross-agency delivery of employment programs when both departments also have clearly articulated charter responsibilities. While there have been positive developments in the clarification of governance structures and processes since the ANAO's 2008–09 audit of the previous arrangements between DEEWR and Centrelink, further effort is required to strengthen the operation of the current DEEWR–DHS partnership and manage the relationship between these two very significant departments. The ANAO has made three recommendations directed towards DEEWR and DHS: escalating and resolving operational issues in a timely manner; pursuing more consistent and coordinated work practices; and jointly managing risks to the delivery of payments and services under the BMA, as envisaged in the BMA's operational arrangements. Strong executive leadership will be critical to the effective

implementation of these recommendations, which are designed to support the departments' complementary program and service delivery responsibilities.

Key findings by chapter

Overseeing the partnership and managing issues (Chapter 2)

12. DEEWR and DHS have established a three-tiered governance structure to manage the BMA. This governance structure is formalised through executive, relationship management and program management level committees. The committees provide a sound basis for oversight of the partnership. In addition, there are a large number of interactions between staff in DEEWR and DHS as part of the day-to-day management of employment programs, and delivery of associated payments and services. However, the DEEWR and DHS Relationship Managers could more actively oversee the implementation of agreed work practices; monitor the maintenance of Protocols and Policy Advices; and resolve and escalate issues.

13. Each of the BMA committees used action items to support issues identification, and to track the progress of management actions. There was also evidence of the committees considering and seeking to address key issues under the partnership arrangement. However, in practice, the Issues Resolution Framework set out in the BMA has generally not been followed, and resolution of key issues has not always been integrated or timely. For example, DHS adjusted its operational priorities following various natural disasters in January 2011, which led to a reduction in the number of debts raised for income support payments, affecting income support program performance. Under current plans, this debt raising issue will not be resolved until mid-2013. While DEEWR and DHS have worked together to identify and resolve the issue, it was not escalated through the BMA governance structures in accordance with the agreed issues resolution process and timeframes. The departments should escalate and resolve issues in a more timely manner by ensuring that departmental managers apply a practical Issues Resolution Framework.

Strategies to support operational collaboration (Chapter 3)

14. The BMA outlines 'shared outcomes', which are goals for how DEEWR and DHS will work together.¹⁰ The BMA also clearly identifies roles and responsibilities, and establishes funding arrangements and a shared risk management approach. However, these mechanisms could be better applied to enable the departments to work through operational issues and reach agreement on service delivery strategies. In practice, the priorities of the departments in relation to some job seeker assessments have differed since September 2010. During this period, DEEWR has pursued greater use of face-to-face discussions with vulnerable job seekers to improve their employment prospects; whereas DHS has sought efficiencies in service delivery through greater use of electronic channels for customer transactions. The issue has not yet been resolved to the satisfaction of both departments highlighting the tensions that need to be managed to harmonise different strategies that may legitimately be pursued by departments in discharging their respective roles.

15. The BMA is underpinned by nine Protocols, a range of other procedures and documents, and 48 active Policy Advices which are designed to support efficient and effective collaboration between the departments. At the time of this audit, some elements of the agreed Protocols, procedures and documents, and Policy Advices were out-of-date, not well understood by relevant managers, or not followed in practice. Clear and current Protocols, procedures and documents are necessary to establish consistent and coordinated processes. In addition, as envisaged under the BMA, an up-to-date set of Policy Advices would assist in addressing a key risk that policy and service delivery are not aligned.

Managing risk and providing assurance (Chapter 4)

16. The BMA identifies risks to policy and program outcomes, and risks to the success of the partnership. The BMA includes strategies to manage these risks and assigns associated responsibilities to one or both of the departments. It also establishes performance monitoring arrangements for the risks. However, DEEWR and DHS need to better support joint risk management at an operational level. A more collaborative risk management approach would

¹⁰ For example: integration of policy design and service delivery; and fostering a collaborative approach to government priorities.

involve strengthened alignment of the departments' program level risk identification and management processes, including by monitoring key program risks as part of the Program Manager Meetings.

17. The BMA Business Assurance Framework includes Annual Assurance Statements between departmental Secretaries, a random sample survey (RSS) of income support payment accuracy, fraud control, management information approaches, and internal audit. However, there were gaps in the development of components of the Business Assurance Framework in relation to BMA requirements. For example, the RSS Service Level Agreement (SLA) has not been updated since the introduction of the BMA in November 2009.¹¹ DEEWR and DHS continue to negotiate the finalisation of this agreement to reflect DEEWR's requirements rather than those of the former Department of Education, Science and Training.

Performance monitoring and reporting (Chapter 5)

18. The performance information framework in the BMA provides for the use of qualitative information to monitor key aspects of the relationship between DEEWR and DHS; and KPMs that are primarily focused on operational and service delivery matters. A more structured approach could be taken to the development of KPMs to ensure an appropriate level of coverage across employment programs, payments and services. For example, at the time of the audit, there were no KPMs to assess performance for the Disability Employment Services program.

19. The intended outcomes of the BMA include 'shared understanding of and responsibility for program outcomes and improved program management'. Quarterly reporting against the KPMs assists the BMA committees, Relationship Managers and Program Managers in identifying and responding to key operational and service delivery issues which affect program performance. However, this reporting does not address performance against relevant Key Performance Indicators established in the Portfolio Budget Statements, which provide information on the effectiveness of employment programs in achieving their objectives in support of respective government outcomes. There is scope for improvement in the quality and

¹¹ A revised RSS SLA has been in draft form since May 2012.

reliability of the information presented in the quarterly reports to the BMA committees.

Summary of agency responses

20. DEEWR's and DHS' summary responses to the audit are provided below. The agencies' responses to the recommendations are contained in the body of the report following the relevant recommendation. The agencies' full responses are included at Appendix 1.

Department of Education, Employment and Workplace Relations

21. DEEWR acknowledges that it has a key role in working with DHS to develop cross-agency collaboration to support the delivery of employment programs. The ANAO's report acknowledges that while DEEWR and DHS' administration of their respective roles under the partnership arrangements is effective there is scope to further develop cross-agency collaboration.

22. To support the partnership and the delivery of employment programs, DEEWR recognises that the co-ordination role played by the Relationship Manager is pivotal. The DEEWR Relationship Manager is already taking steps to more actively oversight the implementation of agreed work practices, in monitoring the maintenance of Protocols and Policy Advices and in resolving and escalating issues.

Department of Human Services

23. The Department of Human Services welcomes this report and will continue to work with DEEWR to enhance collaboration on the coordination of the delivery of employment programs.

24. The Department of Human Services agrees with the recommendations outlined in the report.

Recommendations

Set out below are the ANAO's recommendations and the Department of Education, Employment and Workplace Relations' and the Department of Human Services' abbreviated responses. More detailed responses are shown in the body of the report immediately after each recommendation.

Recommendation No.1

Paragraph 2.18

To support departmental managers in the timely escalation and resolution of issues under the BMA, the ANAO recommends that DEEWR and DHS revise the Issues Resolution Framework, establish supporting procedures, and monitor the implementation of the framework.

DEEWR response: Agreed.

DHS response: Agreed.

Recommendation No.2

Paragraph 3.28

To support cross-agency collaboration and the alignment of policy and service delivery, the ANAO recommends that DEEWR and DHS implement a systematic process to ensure that the BMA's Protocols, supporting procedures and documents, and Policy Advices are kept up-to-date and accurate.

DEEWR response: Agreed.

DHS response: Agreed.

**Recommendation
No.3**

Paragraph 4.13

To support effective cross-agency collaboration and coordination in delivering government programs, the ANAO recommends that DEEWR and DHS:

- better align program level risk identification and management processes to mitigate any significant risks; and
- monitor program risks as part of the BMA Program Manager Meetings, and record the outcomes of the risk monitoring.

DEEWR response: Agreed.

DHS response: Agreed.

Audit Findings

1. Introduction

This chapter introduces the partnership arrangement between the Department of Education, Employment and Workplace Relations and the Department of Human Services, which enables the delivery of employment program payments and services. It also outlines the audit approach.

Background

1.1 The Australian Government regularly uses a whole-of-government or cross-agency approach as the preferred option for substantial or complex government programs, and to enable effective and efficient program and service delivery. Working effectively across organisational boundaries is a significant issue for public administration, as recognised by the Commonwealth Financial Accountability Review (CFAR):

The starting premise for CFAR is that ‘government’ should not be viewed as a group of individual entities working in isolation, and only coordinating with other entities as needed, but rather as a coherent and connected group of entities working cohesively as required to deliver services to citizens.¹²

1.2 The Australian Government funds a range of employment programs providing income support payments and services such as job search facilities, counselling and training opportunities to working age people. The Department of Education, Employment and Workplace Relations (DEEWR) has overall responsibility for these employment programs and makes use of several different approaches to deliver services. Some employment services are delivered by Employment Services Providers under contract to DEEWR. However, income support and related services are delivered through a partnership between DEEWR and the Department of Human Services (DHS).¹³ Under the *Human Services (Centrelink) Act 1997* and the partnership arrangement, DHS has responsibility for the delivery of Australian Government payments and services, including making working age payments to eligible people.¹⁴

¹² Commonwealth Financial Accountability Review (CFAR), *Sharpening the Focus, A Framework for Improving Commonwealth Performance*, November 2012, p. 10. Available at <http://www.cfar.finance.gov.au/files/2012/11/cfar-position-paper.pdf>; accessed 19 March 2013.

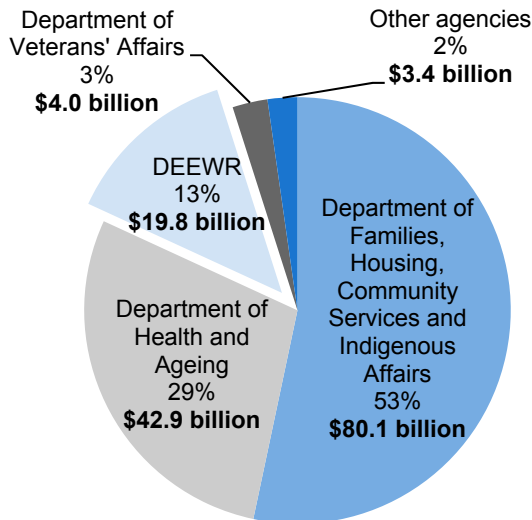
¹³ Under this partnership, DHS also delivers education and childcare payments, referrals and services.

¹⁴ DHS also delivers payments and services for programs administered by other Australian Government departments.

1.3 In 2012–13, DHS will deliver an estimated \$19.8 billion¹⁵ of payments under the BMA, which represents approximately 13 per cent of all DHS payments (see Figure 1.1). The employment program known as Working Age Payments accounts for \$14.8 billion of this amount.

Figure 1.1

DHS payments, categorised by policy department, 2012–13



Source: *Human Services Portfolio Budget Statements 2013–14*, May 2013, pp. 17 and 18.

1.4 The partnership between DEEWR and DHS requires that the departments give effect to their complementary policy and service delivery responsibilities in a manner that is genuinely collaborative. This should facilitate the accurate and timely delivery of payments and services to large numbers of people.

The DEEWR–DHS relationship

1.5 DEEWR has had several cross-agency agreements with Centrelink, and now DHS, for the delivery of employment programs since 1998.¹⁶ On 1 July 2009, DEEWR and Centrelink entered into a partnership arrangement, which replaced the previous purchaser-provider arrangement between the

¹⁵ *Human Services Portfolio Budget Statements 2013–14*, May 2013, p. 17.

¹⁶ Machinery of Government changes in July 2011 resulted in Centrelink becoming a part of DHS.

agencies.¹⁷ A key element of the current DEEWR–DHS partnership arrangement, which took effect in November 2009, is that almost all of the funding for service delivery is now directly appropriated to DHS.¹⁸ This direct funding arrangement is intended to offer operational efficiencies in service delivery, including a reduction in red tape.

1.6 The partnership between DEEWR and DHS is supported by two formal agreements:

- the Multilateral Strategic Partnership for Services (MSPS) between DEEWR, DHS and the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA); and
- the DEEWR–DHS Bilateral Management Arrangement.

Multilateral Strategic Partnership for Services

1.7 The MSPS provides high-level arrangements for the collaboration required between DEEWR, DHS and FaHCSIA to develop and deliver government programs. Under this arrangement, policy development and outcomes are the responsibility of the policy ministers and their departments (DEEWR and FaHCSIA), and service delivery policy, design and delivery outcomes are the responsibility of the Minister for Human Services and DHS.¹⁹ The purpose of the MSPS is for the departments to collectively achieve program outcomes while individually discharging their respective responsibilities.

1.8 The MSPS establishes a Strategic Partnerships Inter-Departmental Committee (SP IDC) comprising the Secretaries of DEEWR, DHS, and FaHCSIA and DHS' Deputy Secretary, Customer Service Delivery. The SP IDC oversees the performance and development of DHS' service delivery system and its alignment with expected policy outcomes; and reports at least annually to the responsible ministers.

¹⁷ Under the purchaser-provider arrangement, funding for employment program payments and services was appropriated to DEEWR. The funding arrangement was reflected in the then Business Partnership Agreement, with DEEWR adopting a compliance oriented approach to managing Centrelink's service delivery.

¹⁸ In the Commonwealth Budget, DHS received an appropriation of \$19.8 billion to make payments for programs administered by DEEWR for 2012–13; and received an additional \$155 million from DEEWR for the provision of services for 2012–13. *Human Services Portfolio Budget Statements*, 2013–14, pp. 17 and 18.

¹⁹ The 2009 MSPS assigned responsibility for service delivery policy, design and delivery outcomes to the Minister for Human Services and the portfolio (with the primary focus being DHS and Centrelink). Following the merger of DHS and Centrelink in July 2011, in the 2012 MSPS the same responsibilities are assigned to the Minister for Human Services and DHS.

DEEWR–DHS Bilateral Management Arrangement

1.9 The MSPS is complemented by individual BMAs agreed between DHS and each of the policy departments, DEEWR and FaHCSIA:

The [BMAs] are intended to ensure better coordination in the development, implementation and ongoing monitoring of government programs. These [BMAs] aim to improve the reciprocal assurance reporting between DHS/Centrelink and the policy department to provide greater transparency of service delivery outcomes in achieving Government program outcomes.²⁰

1.10 The BMA aims to achieve five outcomes as set out below²¹:

- integration of policy design and service delivery;
- shared understanding of and responsibility for program outcomes and improved program management;
- collective responsiveness to government and a collaborative approach to priorities;
- cooperative, effective and transparent financial costings and controls; and
- mutual respect for individual and shared accountabilities.

1.11 The BMA defines the high-level responsibilities of DEEWR and DHS, as well as their joint responsibilities (see Table 1.1).

²⁰ MSPS, 2012, p. 3.

²¹ BMA, 2012, p. 4.

Table 1.1

Responsibilities under the BMA

| | |
|--------------|---|
| DEEWR | <p>DEEWR is responsible for:</p> <ul style="list-style-type: none"> • policy outcomes; • policy design and legislative clarification; • engaging with DHS to ensure that service delivery approaches and program design and development are complementary for the achievement of policy and program outcomes; • setting out the service delivery approaches for its policy and program responsibilities; and • describing the requirements of DHS in relation to its interactions with employment, education and child care services providers to give certainty about provider business operations and to ensure policy objectives are met. |
| DHS | <p>DHS is responsible for:</p> <ul style="list-style-type: none"> • service delivery policy; • providing the service delivery for payments and related services in accordance with legislative and policy requirements including the correct application and use of the administered appropriation; • monitoring and reporting on its performance against its operating budget and expected service delivery outcomes; and • through engagement with policy departments, ensuring that service delivery and policy design and development are complementary for the achievement of program outcomes. |
| Joint | <p>Joint responsibilities include:</p> <ul style="list-style-type: none"> • working closely in the design, development and delivery of new programs to achieve government outcomes; • maintaining a coordinated approach to the development, administration and delivery of programs and services to improve client experience; • supporting the achievement of individual outcomes, identified in respective Portfolio Budget Statements, and a shared understanding of and responsibility for program outcomes for government; • identifying and addressing issues that may impact on the achievement of intended program objectives and cross-program priorities; • identifying priority areas for cooperation across all programs; • monitoring and managing the implementation of programs and cross-program priorities; • maintaining a mutual exchange of information; and • collaborating and engaging with shared stakeholders on the achievement of program outcomes. |

Source: BMA, 2012, pp. 4 and 5.

1.12 The BMA specifies the payments and services to be delivered by DHS for programs administered by DEEWR, and the conditions applying to their delivery. It is supplemented by 48 Policy Advices for programs and payments issued by DEEWR to DHS.²²

1.13 The BMA establishes cross-agency governance and operational arrangements, which include:

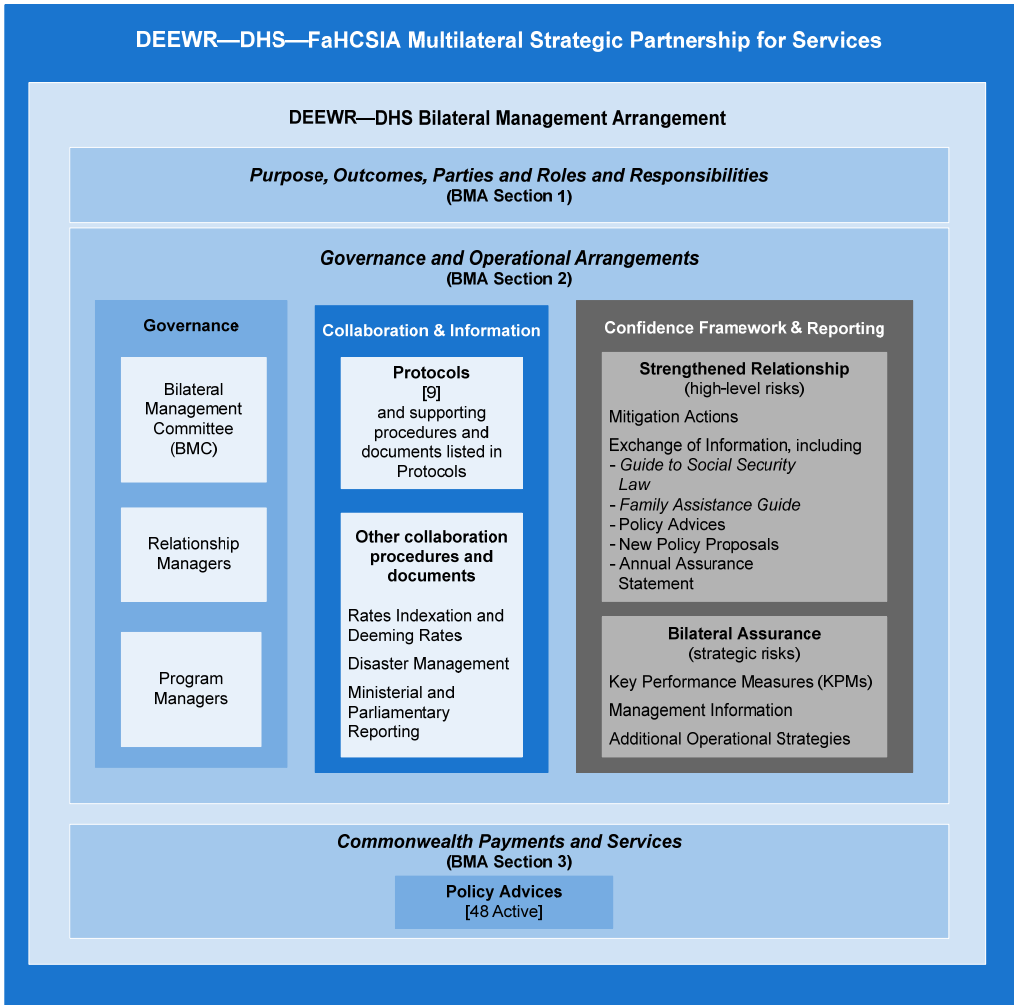
- a governance structure, comprising executive, relationship management and program management level committees, and an Issues Resolution Framework;
- nine Protocols, and other procedures and documents, which support collaboration and information sharing; and
- a confidence framework and associated reporting to monitor the relationship between the departments and provide assurance that policy and program outcomes are being achieved under the partnership.

1.14 Figure 1.2 outlines the relationship between the MSPS and the BMA, and the content of the three sections of the BMA.

²² Policy Advices are documents issued by DEEWR to support delivery of programs and services under the BMA. The advices describe the roles of DHS, DEEWR and other parties (such as Employment Services Providers), and include policy expectations and performance measures for the major programs/payments under the BMA. BMA, 2012, p. 24.

Figure 1.2

Arrangements between DEEWR and DHS for the delivery of employment programs



Source: ANAO analysis of the BMA, 2012; and DEEWR information.

1.15 DEEWR and DHS each appoint a Relationship Manager²³ to oversee the administration of the BMA, its Protocols and relationships between the departments. The Relationship Managers are also a primary point of contact for issues under the BMA. Both DEEWR and DHS have a team that supports the Relationship Manager and assists coordination between relevant

²³ At Senior Executive Service Band 2 level.

departmental staff responsible for different aspects of policy, program and service delivery.

Previous audit of DEEWR–Centrelink Business Partnership Agreement

1.16 A 2008–09 ANAO performance audit examined the then DEEWR–Centrelink Business Partnership Agreement (BPA).²⁴ The ANAO concluded that the BPA provided a workable model under which DEEWR and Centrelink operated to implement working age programs and services. However, in practical terms, the effectiveness of the BPA was lessened as a result of several gaps and limitations in essential frameworks, documentation and administrative practices.²⁵ The audit report recommended that DEEWR and Centrelink strengthen issues resolution; complete and maintain documentation supporting the BPA; develop transparent and cohesive business assurance and risk management approaches; and improve performance measurement, including by aligning Key Performance Measures (KPMs) to cover all outcomes and outputs relevant to the BPA.²⁶ While recognising there have been some changes in roles and relationships between the departments since 2008–09, the recommendations of the previous audit remain largely relevant under the current BMA.

Audit approach

Audit objective and criteria

1.17 The audit objective was to assess the administrative effectiveness of the DEEWR–DHS partnership arrangement in supporting the delivery of employment programs. To form a conclusion against the objective, the ANAO assessed DEEWR's and DHS' performance against three high-level criteria:

- governance arrangements established under the BMA support effective cross-agency management of employment programs;
- business practices follow sound principles, agreed policies and guidelines; and

²⁴ ANAO Audit Report No.4 2008–09, *The Business Partnership Agreement Between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink*.

²⁵ *ibid.*, paragraph 19, p. 18.

²⁶ The recommendations made in the report are listed at Appendix 2.

- monitoring arrangements, including Key Performance Measures (KPMs), provide accurate and useful information to assess performance under the BMA.

Audit scope

1.18 The audit examined the design and implementation of the BMA since November 2009.

Audit methodology

1.19 In undertaking the audit, the ANAO:

- conducted interviews with responsible DEEWR and DHS management and staff;
- examined DEEWR and DHS documentation relating to relevant legislation, policies and procedures, and employment program planning and service delivery; and
- analysed relevant DEEWR and DHS data and reports.

1.20 Audit fieldwork was conducted at DEEWR's and DHS' national offices in Canberra. The audit team also visited the DHS Customer Service Centres in Queanbeyan and Belconnen.

1.21 The audit was conducted in accordance with ANAO Auditing Standards at a cost of approximately \$327 000.

Report structure

1.22 Following this introductory chapter, there are four additional chapters in the report (see Table 1.2).

Table 1.2**Report structure**

| Chapter | Description |
|--|--|
| Chapter 2 Overseeing the Partnership and Managing Issues | Examines DEEWR's and DHS' governance arrangements and practices under the BMA, focusing on the departments' oversight of their partnership and management of issues for the delivery of employment programs. |
| Chapter 3 Strategies to Support Operational Collaboration | Examines whether the design of the BMA supports efficient and effective cross-agency management of employment programs. It also examines DEEWR's and DHS' management of the BMA's Protocols, Policy Advices and supporting procedures and documents. |
| Chapter 4 Managing Risk and Providing Assurance | Examines DEEWR's and DHS' risk management and business assurance activities under the BMA. |
| Chapter 5 Performance Monitoring and Reporting | Examines the BMA performance information framework, with a focus on employment programs. It also examines DEEWR's and DHS' monitoring and reporting of performance under the BMA. |

2. Overseeing the Partnership and Managing Issues

This chapter examines DEEWR's and DHS' governance arrangements and practices under the BMA, focusing on the departments' oversight of their partnership and management of issues for the delivery of employment programs.

Introduction

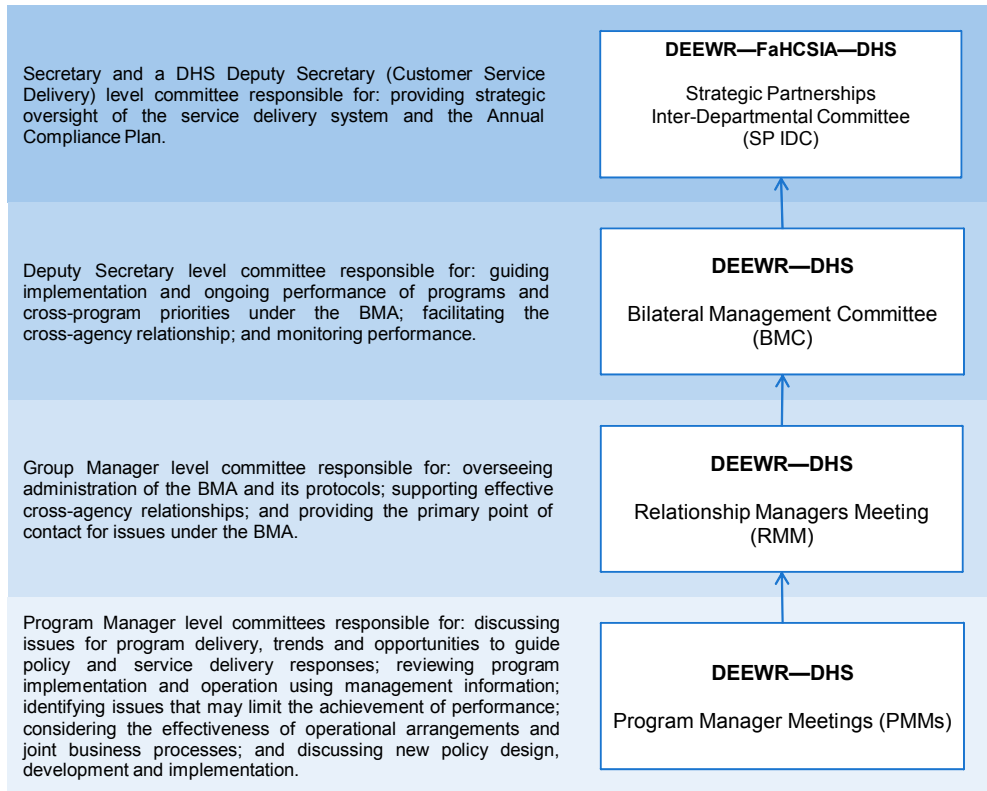
2.1 Fit-for-purpose governance arrangements provide for effective oversight of a partnership arrangement and management of associated issues. In general, cross-agency governance arrangements can include inter-departmental committees, joint working groups, and formal and informal understandings between managers at different levels. To be successful, a partnership requires genuinely collaborative relationships working through these governance arrangements. Good coordination and communication play an important role in building productive relationships at each level of the partner agencies.

2.2 This chapter examines:

- the design and operation of the governance structure under the BMA, including key committees and roles; and
- management of issues through the governance structure.

Design and operation of the governance structure under the Bilateral Management Arrangement (BMA)

2.3 The BMA outlines the governance structure and associated reporting responsibilities for the partnership arrangement between DEEWR and DHS. The governance structure includes executive, relationship management and program management level committees (see Figure 2.1).

Figure 2.1**Committee structure outlined in the BMA**

Source: BMA, 2012.

2.4 The Bilateral Management Committee (BMC) has an important oversight role in managing the DEEWR–DHS partnership arrangement. The BMC operates as a DEEWR–DHS joint committee, chaired by both departments on a rotational basis. The BMA states:

The BMC guides the implementation and ongoing performance of programs in each policy area and cross program priorities. The BMC oversees effective functioning of the Bilateral Arrangement, the flow of information, the management of risks and provides relevant advice to, and takes direction from, the Strategic Partnerships Inter-Departmental Committee [SP IDC].²⁷

²⁷ BMA, 2012, p. 6.

2.5 Meetings of the BMA committees are scheduled quarterly, with the Program Manager Meetings (PMMs) occurring first, followed sequentially by the Relationship Managers Meeting (RMM), the BMC and lastly the SP IDC.²⁸ There are five PMMs for different program areas. Three of the PMMs have employment program responsibilities: the Income Support (IS) PMM; the Job Services Australia (JSA) PMM; and the Disability Employment Services (DES) PMM.²⁹

2.6 In addition to the BMA committees, the Relationship Manager and Program Managers in each department have formal roles and responsibilities under the partnership arrangement.³⁰ In practice, there are a large number of cross-agency interactions between Senior Executives, the Relationship Managers and the Program Managers outside of formal committee processes.

Committee responsibilities and oversight

2.7 Terms of reference were established for each of the BMA committees in late 2009 or early 2010 and they have all been revised at least once. The terms of reference for the BMA committees were generally relevant to the role of the committee. However, the terms of reference for the employment-related PMMs could better address these committees' responsibilities in relation to programs, payments, Policy Advices and other working arrangements under the BMA.³¹

2.8 Under the BMA, the BMA committees are to meet sequentially on a quarterly basis to facilitate appropriate workflow and escalation of issues (refer to paragraph 2.5). In practice, some of the BMA committees did not consistently meet on a quarterly basis. The meetings also did not always occur in the appropriate sequence.³²

2.9 In addition to the BMA committees, a number of other committees and working groups facilitate operations and manage particular issues for the

²⁸ The SP IDC is chaired by the Secretary of DHS.

²⁹ The other two PMMs are the Child Care PMM and the Education PMM. Audit work focused on the three PMMs with employment program responsibilities.

³⁰ Relationship Managers and Program Managers are Senior Executive Service Band 2 level officers.

³¹ In practice: responsibility for certain program management issues was transferred between PMMs; the PMMs gave varying levels of consideration to whether Policy Advices were up-to-date; and the PMMs did not discuss DEEWR–DHS Protocols or Service Level Agreements during the period under review.

³² DEEWR advised that BMA committee meetings have been held on time and in the appropriate sequence since mid-2012. DHS advised that the agreed sequencing of meetings is followed, where possible; and that operational requirements and the availability of key committee members can influence the timing of meetings.

partnership.³³ However, some of these committees and groups did not report back to the BMA committees. Clearer lines of reporting to the BMA committees would strengthen oversight of the partnership arrangement and coordination of activities. Similarly, when informal interactions between DEEWR and DHS result in key decisions or actions for the partnership arrangement, these matters should be recorded and then monitored through the formal committee process.

Relationship Managers' responsibilities and oversight

2.10 Under the BMA:

Each party will appoint a Relationship Manager ... to be the primary point of contact for issues under the Bilateral Arrangement. The Relationship Managers will oversee the administration of the bilateral arrangement and Protocols and will champion effective relationships between the departments.³⁴

2.11 The ANAO noted that the Relationship Managers were not always the primary point of contact for significant issues arising under the BMA. For example, the escalation to the BMC of issues relating to Employment Services Assessments (ESAs)³⁵, including letters exchanged between Deputy Secretaries, was not managed through the Relationship Managers or the RMM.

2.12 There was also limited evidence that the Relationship Managers provided oversight of the administration of the Protocols. The Relationship Managers did oversee a review of the BMA in 2011–2012, which included a review of the Protocols that resulted in limited changes to these documents. In practice, a number of operational arrangements established in the Protocols were not followed. For example, under the Audit Protocol, the Heads of Audit should exchange updates, quarterly, on implementation of relevant audit recommendations, but they did not. More formal oversight of the development and operation of the Protocols by the Relationship Managers could assist the

³³ These include meetings of the legal services, fraud, internal audit and IT services areas of DEEWR and DHS.

³⁴ BMA, 2012, p. 6.

³⁵ An ESAt is an assessment of a job seeker's vocational and non-vocational barriers to employment and the impact these barriers have on the job seeker's capacity to undertake work. In July 2011, Job Capacity Assessment arrangements transitioned to ESAs. This involved DEEWR and DHS revising relevant guidelines, developing and agreeing a Policy Advice, and developing and monitoring Key Performance Measures (KPMs). However, the departments: experienced significant delays in agreeing the Policy Advice; and following the development of KPMs which were first reported at the DES PMM on 10 November 2011, observed poor performance in non-remote areas in relation to the timeliness of ESAs and the higher than agreed proportion of ESAs conducted by phone interviews. In February 2012, DHS had overspent its budget for the delivery of ESAs, placing further pressure on DHS' ability to meet performance targets.

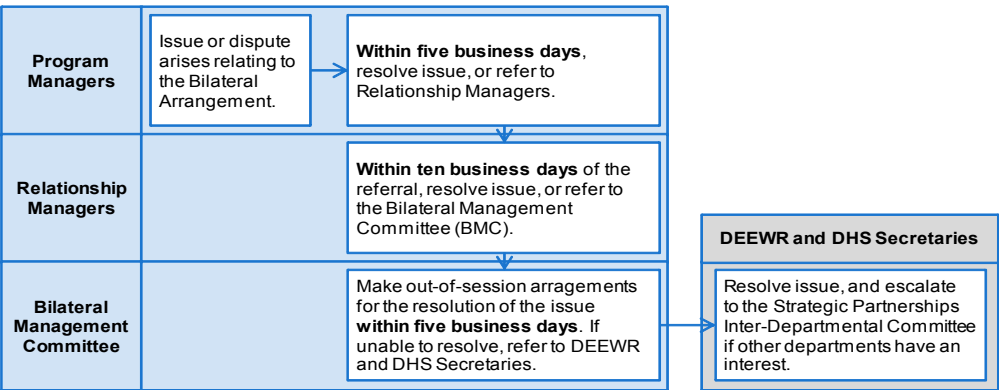
departments to identify and address gaps or problems in operational arrangements (refer also to Chapter 3).

Management of issues

2.13 To manage issues that arise between DEEWR and DHS, the BMA includes an Issues Resolution Framework (see Figure 2.2). The framework outlines processes and timeframes for escalation and resolution of issues relating to the BMA. As BMA committee meetings are scheduled on a quarterly basis (see paragraph 2.5), the Issues Resolution Framework provides for issues to be raised out-of-session through the governance structure. However, there are no supporting procedures to guide staff in implementing the Issues Resolution Framework. For example, issues raised out-of-session should be recorded, and any associated actions and decisions should be formally monitored by the BMA committees.

Figure 2.2

Issues Resolution Framework under the BMA



Source: ANAO from information in the BMA, 2012, p. 7.

2.14 In general, the escalation process outlined in the BMA was not followed. The Program Managers generally did not escalate issues through the Relationship Managers, and in turn, the Relationship Managers generally did not escalate issues to the BMC. Instead, some issues were raised by individual Program Managers, through internal departmental channels.

2.15 The PMM terms of reference require copies of PMM minutes to be provided to the Relationship Managers. However, in practice, this did not occur, which meant that the Relationship Managers were less informed about the nature and status of key issues than they could have been. Instead, the

PMMs provided a joint qualitative commentary (also as required under the PMM terms of reference) to the Relationship Managers for inclusion in the quarterly report to the BMC meeting. This commentary was often provided after the RMM. This reduced the opportunity of the RMM to resolve (out-of-session) any issues raised prior to the BMC, and in accordance with the Issues Resolution Framework.³⁶ The framework and processes used to escalate and resolve issues should enable departmental managers to drive timely responses to issues through strong leadership, mutual understanding and good collaboration.

2.16 Each of the BMA committees used action items to support issues identification, and to track the progress of management actions.³⁷ There was also evidence of a range of the BMA committees considering and seeking to address key issues for the partnership arrangement. However, in the absence of a tailored issues resolution process which is followed in practice, there remains a risk that issues resolution will not be effectively integrated, and that issues will remain unresolved for longer than is necessary. The following case study on debt management provides an example of DEEWR's and DHS' management of a significant issue under the BMA, highlighting scope for improvement in the approach adopted (see Table 2.1).

³⁶ DEEWR advised the ANAO in February 2013 that it was seeking to alter the role of the RMM so as to resolve issues or escalate them to the BMC. DEEWR Program Managers are now required to brief the DEEWR Relationship Manager on issues discussed at the PMMs, to facilitate issues identification and provide an opportunity for the RMM to resolve issues.

³⁷ In some cases this did not provide an adequate tracking mechanism. For example, one PMM tended to create a new action item for an ongoing issue at each meeting, suggesting that there were no continuing action items. In other cases an action item would be marked as complete while the departments continued to seek a solution.

Table 2.1

Debt management case study

Background: Debt Management Performance and Measures

In **May 2010**, the Income Support Program Managers Meeting (IS PMM) noted that there would be regular meetings between responsible areas in DEEWR and the then Centrelink to discuss income support payment assurance and debt minimisation.

Subsequently, in **January 2011**, DHS adjusted its operational priorities following various natural disasters, which led to a reduction in the number of debts raised for income support payments. This reduction had potential implications for income support program performance.^(A)

While the BMA's then debt management Key Performance Measures (KPMs) targets were met in **2011** and for most of **2012**, over time it became apparent that the KPMs were not adequate to measure debt management performance.

For the reporting on the **first quarter of 2012–13**, a suite of nine new debt KPMs was introduced covering the raising of debt and debt recovery. Following its consideration of the report, the BMC suggested that there should be increased oversight of debt management and payment accuracy by the BMA committees.

Reporting against the new debt KPMs in **March 2013** highlighted ongoing issues in relation to the number of debts raised for income support payments. DHS was to implement a number of operational measures to improve the processing of undetermined debts by **June 2013**.^(B)

ANAO comment

While there was some recognition of debt issues in Confidence Framework Reports to the BMA committees, there was no evidence of the debt issues being escalated in accordance with the BMA Issues Resolution Framework.

The BMA committee best placed to take a leadership role in driving a collaborative approach to resolving the debt management issues—the IS PMM—did not note the issues in minutes until June 2012, around 18 months after the reduction in the raising of debts.

While the higher level BMA committees were aware of and discussing debt management issues prior to the IS PMM, the resolution of the issues has not been timely. New debt management KPMs were not introduced until the report for the first quarter of 2012–13—nearly two years after the initial reduction in the raising of income support debt; and it was anticipated that operational measures would improve undetermined debt processing by June 2013, some two and a half years after the reduction.

Source: ANAO analysis of DEEWR and DHS documents.

Notes: (A) In May 2013, DHS advised that the issue relating to the movement of resources due to the disasters in January 2011 was a broad issue relating to the whole range of debt functions.

(B) In May 2013, DHS advised that the management of the "undetermined debt base" includes all transactions where a change in customer circumstance may result in a debt. DHS noted that a significant proportion (up to 50 per cent) of the undetermined debt base, when assessed, results in no debt being recorded.

2.17 To assist departmental managers to resolve issues in a timely manner, DEEWR and DHS should revise the Issues Resolution Framework to clearly identify situations where issues need to be raised to the next committee level; and situations where a matter should be progressed more urgently.³⁸ The revised framework should be practical and allow for different treatment of issues according to the circumstances and risks. It should also indicate who to involve (or inform), the information necessary to support the escalation and documentation requirements. To enable the practical implementation of the framework, it should be supported by clearly defined procedures which relevant staff follow when they encounter an issue to be addressed.

Recommendation No.1

2.18 To support departmental managers in the timely escalation and resolution of issues under the BMA, the ANAO recommends that DEEWR and DHS revise the Issues Resolution Framework, establish supporting procedures, and monitor the implementation of the framework.

Agency responses

Department of Education, Employment and Workplace Relations

2.19 *Agreed. DEEWR agrees that revising the Issues Resolution Framework and in particular establishing supporting procedures, will support departmental managers in the resolution of issues.*

Department of Human Services

2.20 *Agree. The department will work with DEEWR to revise the Issues Resolution Framework and update relevant documentation. The process to improve arrangements has already begun between departments with an aim to utilise the existing governance structures more effectively resulting in more timely reporting to Bilateral Management Committee meetings of significant issues.*

³⁸ For example, the DES PMM has been in the process of developing a DES Key Performance Measure (KPM) since August 2011. By raising this matter to a higher level BMA committee earlier, the PMM may have received some expert assistance to facilitate the timely development of a KPM.

Implementation of previous ANAO recommendation

2.21 In the 2008–09 audit of the Business Partnership Agreement (BPA) between DEEWR and Centrelink, the ANAO recommended that DEEWR and Centrelink strengthen governance arrangements for the partnership. Specifically, the ANAO recommended that DEEWR and Centrelink:

- clearly define the agencies' roles and responsibilities under the then BPA, including strategic roles, and the role of the then Business Partnership Review Group (now the BMC), particularly in establishing and monitoring its sub-committees; and
- enhance dispute resolution arrangements under the BPA.

2.22 As outlined in Chapter 1, the BMA clearly defines DEEWR's and DHS' roles and responsibilities, including joint responsibilities. The role of the BMC and its relationship to other BMA committees is also clearly defined. The BMC primarily monitors sub-committees, particularly the PMMs, through the quarterly Confidence Framework Report.

2.23 As discussed earlier in this chapter, the BMA includes an Issues Resolution Framework. However, in practice, the framework was not being applied as intended. In this respect, it is important that DEEWR and DHS establish a workable Issues Resolution Framework that can be managed through the BMA committees and by responsible staff so that issues are addressed in a timely manner.

Conclusion

2.24 DEEWR and DHS have established a three-tiered governance structure to manage the BMA. This governance structure is formalised through executive, relationship management and program management level committees. The committees provide a sound basis for oversight of the partnership. In addition, there are a large number of interactions between staff in DEEWR and DHS as part of the day-to-day management of employment programs, and delivery of associated payments and services. However, the DEEWR and DHS Relationship Managers could more actively oversee the implementation of agreed work practices; monitor the maintenance of Protocols and Policy Advices; and resolve and escalate issues.

2.25 Each of the BMA committees used action items to support issues identification, and to track the progress of management actions. There was also evidence of the committees considering and seeking to address key issues

under the partnership arrangement. However, in practice, the Issues Resolution Framework set out in the BMA has generally not been followed, and resolution of key issues has not always been integrated or timely. For example, DHS adjusted its operational priorities following various natural disasters in January 2011, which led to a reduction in the number of debts raised for income support payments, affecting income support program performance. Under current plans, this debt raising issue will not be resolved until mid-2013. While DEEWR and DHS have worked together to identify and resolve the issue, it was not escalated through the BMA governance structures in accordance with the agreed issues resolution process and timeframes. The departments should escalate and resolve issues in a more timely manner by ensuring that departmental managers apply a practical Issues Resolution Framework.

3. Strategies to Support Operational Collaboration

This chapter examines whether the design of the BMA supports efficient and effective cross-agency management of employment programs. It also examines DEEWR's and DHS' management of the BMA's Protocols, Policy Advices and supporting procedures and documents.

Introduction

3.1 Working across government agencies presents many challenges, including harmonising different strategies and business processes to achieve the intended outcomes for government. To contribute to the effective functioning of the DEEWR–DHS partnership, the BMA and its associated documents need to be well-designed, up-to-date and accessible to key staff. As depicted in Figure 1.2, the BMA outlines the governance and operational arrangements for the partnership and also describes the Protocols that exist alongside the BMA. The Protocols support the relationship between DEEWR and DHS by prescribing processes, frameworks and guidelines for the operation of the partnership.³⁹ These key documents are agreed by senior managers in DEEWR and DHS.⁴⁰

3.2 DEEWR is responsible for issuing and updating Policy Advices, in collaboration with DHS, to guide the delivery of Australian Government payments and services by DHS.⁴¹ These Policy Advices describe the roles of DHS, DEEWR and other parties (such as Employment Services Providers), and include policy expectations and performance measures for the major programs/payments under the BMA.

3.3 The ANAO examined whether the design of the BMA addressed key elements for a cross-agency agreement. The ANAO also examined whether DEEWR's and DHS' management of Protocols, Policy Advices and supporting procedures and documents provides for good coordination and collaboration between the departments.

³⁹ BMA, 2012, p. 2.

⁴⁰ BMA, 2012, pp. 2 and 6.

⁴¹ Developing policy separately from delivery consideration can lead to implementation problems. DEEWR involving DHS in policy development helps to mitigate the risk that policy has unintended consequences and/or is difficult to implement.

Design of the BMA

3.4 To accord with the Australian Government's accountability and performance reporting requirements, it is important that cross-agency agreements contain clear and appropriate provisions to inform and encourage efficient, effective, and ethical management practices. Important elements to include in a formal agreement include:

- the objectives of the arrangement, including the desired outcomes and timeframes;
- roles and responsibilities;
- the main activities to be undertaken;
- funding arrangements;
- shared risk management approaches;
- agreed issues resolution mechanisms; and
- modes of review and evaluation.⁴²

The ANAO assessed whether the BMA addressed these elements (Table 3.1).

Table 3.1

Assessment of the design of the BMA

| Key elements and their relevance | Criteria met | ANAO findings and comments |
|--|----------------------|---|
| Objectives or outcomes The establishment of shared objectives or outcomes as part of a cross-agency agreement assists in furthering individual agency outcomes, while focusing each agency on the overall intent and expected outcomes of the cross-agency initiative. | Partially met | The BMA seeks to achieve five shared outcomes (refer to paragraph 1.10). These outcomes are goals to guide how DEEWR and DHS should work together; for example, with mutual respect for individual and shared accountabilities. Section 3 of the BMA states that DEEWR and DHS will jointly support individuals and families to participate economically and socially through the design and implementation of government policies, payments, and services specified in the relevant Portfolio Budget Statements (PBS) and government decisions. However, there is not a strong link between the BMA outcomes and the intended outcomes for the community of the partnership arrangement. |

⁴² ANAO, Audit Report No.41 2009–10, *Effective Cross Agency Agreements*, pp. 62–64.

| Key elements and their relevance | Criteria met | ANAO findings and comments |
|---|--------------|---|
| Roles and responsibilities The establishment of roles and responsibilities gives clarity and direction for implementation, monitoring, review, evaluation and issues resolution. | Met | The BMA contains individual and joint roles and responsibilities of the departments (see Table 1.1). These roles align DEEWR's responsibilities with policy and program design and development, and DHS' role with service delivery policy and delivery of services. Individual and joint responsibilities for DEEWR and DHS are also established in supporting documents to the BMA, including Protocols, Policy Advices, Service Level Agreements, committee terms of reference, and project and risk management plans. The multiple sources of information about roles and responsibilities increases reliance on committees and Program Managers to ensure that these responsibilities are understood and undertaken. |
| Main activities Detailing the main activities to be undertaken by each party to the agreement assists in providing clarity in the arrangements and responsibilities. | Met | Section 3 of the BMA outlines the main service arrangements. It provides a list of the payments and services to be delivered by DHS for programs administered by DEEWR. In addition, DEEWR issues Policy Advices (in collaboration with DHS) which include the policy intent, policy expectations, the program/payment description and the role of DHS. The BMA also establishes a governance structure, confidence framework and reporting arrangements, Protocols, and Service Level Agreements. |
| Funding arrangements Providing detailed funding arrangements improves transparency and conveys the significance of the agreement in terms of materiality. Total funds associated with an agreement, including fee for service elements, should be included. | Met | Prior to 1 July 2009 funds for delivery of services were provided to Centrelink using funds appropriated to DEEWR. Since 1 July 2009, almost all funding for service delivery under the BMA has been appropriated directly to Centrelink (now DHS), thereby simplifying funding arrangements. However, it is still necessary for the departments to negotiate funding arrangements for discretionary changes that are not initiated through the budget. The New and Changed Work Protocol describes the processes that DEEWR and DHS are to use for: shared management of change; costing new work requests, including New Policy Proposals (NPPs); and handling other change proposals including discretionary new work requests. |

| Key elements and their relevance | Criteria met | ANAO findings and comments |
|--|-----------------------------|--|
| <p>Shared risk management</p> <p>Outlining the risk management approach, including shared responsibilities, helps to ensure there are no gaps in responsibility for managing risks.</p> | <p>Partially met</p> | <p>The BMA identifies five strategic or high-level business assurance risks to each department's policy and financial accountability obligations and program outcomes (see Chapter 4). These risks emphasise the importance of employment policy implementation and program outcomes under the BMA. The BMA also identifies risks to the success of the partnership. The BMA includes risk mitigation strategies which assign joint or individual responsibilities for the departments in relation to these strategies. DEEWR and DHS are required to exchange Annual Assurance Statements (AAS) outlining how the risks that they were responsible for were managed through the governance arrangements.</p> <p>While the design of the BMA suitably addressed shared risk management, in practice, there were gaps in the implementation of risk management arrangements at an operational level, and in the development of components of the BMA Business Assurance Framework (refer to Chapter 4). The departments also need to improve the coverage of their AAS in relation to risk management (refer to Chapter 4).</p> |
| <p>Issues resolution mechanisms</p> <p>Clear issues resolution mechanisms assist in managing the risk that issues affect the success of the activity. They also support timely resolution of problems to minimise disruption to the activity.</p> | <p>Partially met</p> | <p>The BMA contains an Issues Resolution Framework, which includes: agreed timeframes for the escalation and resolution of issues; and a tiered approach to the negotiation and resolution process. The tiered approach commences with Program Managers and ends with the Secretaries of DEEWR and DHS, who can then raise the issue at the SP IDC if other departments have an interest. However, the Issues Resolution Framework is not suitable for the range of issues encountered under the BMA. It is also not fully supported, by procedures. Reflecting these issues, the framework was generally not applied in practice. Refer to Chapter 2 for a discussion of these issues.</p> |

| Key elements and their relevance | Criteria met | ANAO findings and comments |
|---|----------------------|---|
| Review and evaluation Encourages early consideration of review and evaluation needs so that a review can have a sound basis and be conducted on time. | Partially met | <p>The BMA contains a review provision which requires that it be continuously monitored through the governance structures, and formally reviewed by the BMC at the request of either party. However, the review provision for the BMA does not include timeframes or the mode of the review. The BMA also requires Protocols and Policy Advices to be reviewed at least annually by their business owners to ensure they are accurate.</p> <p>Since the 2009 BMA was agreed, there have been two reviews or evaluations of the BMA.^(A) The reviews have been limited in focus, and they have not always proactively addressed issues. For example, the second review resulted in minor changes to the 2009 arrangements, including retrospective adjustments to reflect the merging of Centrelink and DHS (some 12 months after the merger occurred, in accordance with the agreed project plan for the review).</p> |

Source: ANAO analysis of the BMA and supporting documents.

Notes: (A) In January 2011, noting the impending legislative changes involving the merger of Centrelink and DHS, the BMC decided no review of the BMA was required. Subsequently, DEEWR and DHS became a party to a review that FaHCSIA had commissioned of its BMA. The review was undertaken by external consultants and reported in June 2011. In September 2011, another review of the BMA commenced, which was limited in focus. This review was completed in July 2012 resulting in minor changes to the BMA and its Protocols.

Aligning operational strategies to support the delivery of BMA outcomes

3.5 Operational outcomes of the BMA include integration of policy design and service delivery, collective responsiveness to government, and a collaborative approach to priorities by the departments. To achieve these outcomes, any tensions between competing departmental priorities need to be resolved through good communication and effective negotiation. The following case study discusses the alignment of DEEWR's and DHS' priorities in relation to face-to-face discussions with vulnerable job seekers. The case study highlights the tensions that need to be managed to harmonise the different strategies that may legitimately be pursued by departments in discharging their respective roles (see Table 3.2).

Table 3.2**Employment policy and service delivery priorities case study****Background: Departmental priorities for job seeker assessments**

The priorities of DEEWR and DHS in relation to some job seeker assessments (Employment Services Assessments (ESAs))^(A) have differed since September 2010. During this period, DEEWR has pursued greater use of face-to-face discussions with vulnerable job seekers to improve their employment prospects. Meanwhile, DHS has pursued efficiencies in service delivery through greater use of electronic channels for customer transactions. For example, the Human Services Portfolio Budget Statements (PBS) for 2009–10 and 2010–11 identified that Centrelink needed to deliver services more efficiently, and more effectively meet customers' needs through better use of technology and self service channels.

Progress of alignment of departmental priorities

While DEEWR and DHS have made some progress towards reaching agreement on operational strategies for job seeker assessments, tensions between policy intent and service delivery approaches remain. The departments have established a Key Performance Measure and performance target in the BMA Confidence Framework Report to limit the proportion of ESAs completed by phone in non-remote areas.^(B) However, there have been ongoing performance issues in relation to the proportion of face-to-face discussions with vulnerable job seekers.

In February 2012, DEEWR wrote to DHS about the delivery of ESAs and the projected overspend for DHS' assessment services. The letter noted DHS' key challenges and meetings held between the departments to discuss policy adjustments that could be made to reduce demand on DHS without affecting quality. This included DEEWR agreeing to a policy change to reduce the follow-up required by DHS, by allowing DHS assessors to conduct phone assessments where a job seeker missed a face-to-face appointment.

In April 2012, DHS indicated that while it would work with DEEWR to guide the triage of ESAs to either phone or face-to-face assessments, its future operating model for job seeker assessments would place much greater reliance on phone assessments to operate within the approved budget and meet demand in a timely manner.

Source: ANAO analysis of DEEWR and DHS documents.

Notes: (A) An ESA is an assessment of a job seeker's vocational and non-vocational barriers to employment and the impact these barriers have on the job seeker's capacity to undertake work.

(B) The ESAs Policy Advice requires that ESAs are to be conducted in line with the KPMs outlined in the Confidence Framework of the BMA. These measures include the proportion of ESAs completed by phone, the timeliness of completion of ESAs and the timeliness of submission of ESAs.

3.6 Issues relating to the conduct of face-to-face discussions with vulnerable job seekers have not yet been resolved to the satisfaction of both departments, and discussions about the appropriate use of phone servicing are continuing. The issues are complex and involve decisions which impact on resource requirements for service delivery. A satisfactory outcome for both departments is likely to be guided by the principles inherent in the BMA, and involve ongoing engagement to allow additional options to be considered and resolved. In exceptional circumstances, where the BMA committees cannot resolve an issue, the BMA provides for Secretaries to resolve or escalate issues to the Strategic Partnerships Inter-Departmental Committee (SP IDC) (see Figure 2.2 on page 38). Ultimately, the SP IDC reports to, and can seek guidance from, relevant Ministers on implementation issues, the performance of DHS' service delivery system, the success of the partnership and the extent to which operations meet government expectations.⁴³ In this respect, the departments reported to Ministers in June and July 2012 on strategies for face-to-face interviews and assessments for vulnerable job seekers.

Management of BMA Protocols

3.7 As mentioned in paragraph 3.1, under the BMA, the Protocols prescribe processes, frameworks and guidelines to support the relationship between the departments and operational matters. The BMA references a suite of nine Protocols, which vary in length from three to 20 pages.⁴⁴ The focus and purpose of each of these Protocols is outlined in Table 3.3.

⁴³ MSPS, 2012, p.4.

⁴⁴ BMA, 2012, pp. 2, 3, 7, 8 and 9.

Table 3.3**Protocols that form part of the BMA**

| Protocol | Purpose |
|-------------------------------|---|
| Audit | Outlines arrangements to discuss the development of the departments' annual audit work programs and share audit information in respect of audits which impact on each other's accountabilities. |
| Complaints Handling | Provides the framework for DEEWR and DHS to manage resolution of customer complaints promptly. |
| Financial Reporting | Outlines arrangements for the exchange of and access to financial information to discharge DEEWR's financial accounting and reporting responsibilities in relation to DHS' expenditure of administered funds for the services delivered under the BMA. |
| IT Services | Sets out high-level governance arrangements for the provision, development and monitoring of both departments' IT infrastructure. |
| Legal Services | Provides for arrangements between the departments to: ensure consistent interpretation and application of legislation; coordinate their actions in relation to legal issues of joint interest; and manage any litigation arising from decisions made by DHS as a delegate of DEEWR. |
| Management of Information | Provides arrangements for exchange of, and access to, information and data services to allow DEEWR and DHS to meet their accountabilities. |
| Media and Marketing | Sets out a framework to achieve better engagement between DEEWR and DHS to provide the most efficient and effective communication, media and marketing services to respective Ministers, customers, service providers and the community. |
| New and Changed Work | Describes the processes that DEEWR and DHS use for shared management of change, costing new work requests and handling other change proposals including discretionary new work requests. |
| Program and Payment Assurance | Sets out strategies to identify, manage and control risks. Also indicates how assurances will be provided that risks are adequately managed. |

Source: Protocols provided to the ANAO by DEEWR and DHS, 30 July 2012.

3.8 Protocols are jointly owned by responsible DEEWR and DHS staff. DEEWR and DHS Relationship Managers and Protocol Owners can add, remove or vary protocols as the working relationship between the departments evolves. Table 3.4 summarises the extensive governance and operational arrangements outlined in the Protocols.

Table 3.4**Governance and operational arrangements outlined in Protocols**

| Protocol | No. of owners | | No. of related committees | No. of related documents / frameworks | No. of points of contact / mailboxes | |
|-------------------------------|---------------|-----|---------------------------|---------------------------------------|--------------------------------------|-----|
| | DEEWR | DHS | | | DEEWR | DHS |
| Audit | 1 | 1 | 2 | 5 | 0 | 0 |
| Complaints Handling | 1 | 1 | 0 | 2 | 3 | 4 |
| Financial Reporting | 1 | 3 | 0 | 7 | 0 | 0 |
| IT Services | 2 | 2 | 3 | 8 | 1 | 2 |
| Legal Services | 1 | 1 | 1 | 3 | 1 | 2 |
| Management of Information | 3 | 2 | 2 | 3 | 4 | 1 |
| Media and Marketing | 5 | 4 | 0 | 1 | 2 | 2 |
| New and Changed Work | 3 | 2 | 2 | 4 | 3 | 3 |
| Program and Payment Assurance | 4 | 5 | 5 | 18 | 0 | 0 |

Source: ANAO analysis of Protocols provided to the ANAO by DEEWR and DHS, 30 July 2012.

3.9 Protocol Owners interviewed by ANAO advised that they had a positive relationship with their DEEWR–DHS counterpart/s, and that the Protocols met their needs. DEEWR and DHS officers use the Protocols to define functions relevant to their cross-agency relationship, and to outline processes that both departments expect to be followed. However, the ANAO noted that:

- there are as many as nine owners of a Protocol across the two departments, leading to a risk that there is not a clear understanding of where one owner's responsibilities start and finish, or whether each responsibility in a Protocol has an owner. This has the potential to create duplication of effort and gaps in coverage of arrangements established in the Protocols;
- some aspects of the Protocols did not appear to be fully understood by the responsible Protocol Owners, or supported by necessary additional

information. For example, several Protocols make reference to documents or frameworks that do not exist⁴⁵; and

- several Protocols establish governance mechanisms or committees that do not have a clear line of reporting to the BMA governance structure (for example, in the Audit and Legal Services Protocols). As a consequence, any issues and risks to the operation of the partnership identified through these forums may not be visible and may not be appropriately escalated.

3.10 The Protocols are intended to provide an effective administrative framework for both departments and encourage consistency of processes. It is important that they be kept as accurate and up-to-date as possible. The BMA requires that Protocols are reviewed at least annually by Protocol Owners to ensure they are accurate.⁴⁶ Annual reviews can be initiated by either DEEWR or DHS. As previously discussed in paragraph 2.10, the Relationship Managers are responsible for overseeing the administration of the Protocols.

3.11 None of the nine Protocols had been reviewed on an annual basis since the establishment of the Protocols in 2009.⁴⁷ A global review of all nine Protocols commenced in September 2011 and was completed in June 2012, resulting in a number of minor changes, such as updating Protocol Owner positions. Two months after the 2012 Protocol review, the ANAO observed that several of the Protocols contained out-of-date or incorrect information.⁴⁸ To meet the requirement that Protocols are reviewed annually and support their effectiveness, it is important that DEEWR and DHS ensure that Protocol reviews substantively examine processes, documents and frameworks, occur in a timely manner and result in any necessary changes.

⁴⁵ Similar findings were made in the previous Audit Report No.4 2008–2009 *The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations and Centrelink*. Refer to Table 2.2, *Key elements for defining cross-agency relationships*, p. 49, and Table 3.6, *Documents supporting the 2006–09 BPA*, p. 70.

⁴⁶ BMA, 2012, p. 3.

⁴⁷ All nine Protocols have an establishment date of 24 November 2009. Approval of the Protocols occurred on 16 February 2010.

⁴⁸ Out-of-date or incorrect information included references to contact points, government documents and Centrelink as the relevant service delivery agency.

Development of new policy proposals

3.12 To effectively manage their cross-agency relationship, it is necessary for DEEWR and DHS to take a structured approach to changes in work approaches and requirements. To this end, the New and Changed Work Protocol describes the processes that DEEWR and DHS use for shared management of change, including the development and costing of new policy proposals (NPPs) for consideration by government.

3.13 The ANAO reviewed a sample of 11 NPPs to determine whether DEEWR could demonstrate that the department had followed the procedures outlined in the New and Changed Work Protocol for NPPs. In relation to the requirements of the Protocol:

- there was a documented New Policy Costing Request (NPCR) for only five of the 11 NPPs. None of the five NPCR's had been signed by the responsible managers in DEEWR and DHS;⁴⁹
- there was documentation demonstrating a review of completeness, reasonableness and accuracy by DEEWR's Budget Reporting and Corporate Branch for two of the 11 NPPs; and
- there was no clear policy costing for two of the 11 NPPs, and for another NPP there was no DHS cost estimate.⁵⁰

3.14 This example shows that DEEWR and DHS can better utilise Protocols as a mechanism to clarify and consistently apply responsibilities and processes, to support the operation of the partnership. In the case of employment programs, the effective alignment of policy and service delivery is dependent on many staff in both DEEWR and DHS cohesively working together to develop NPPs. This requires an active and systematic approach to maintaining documentation, and communicating and following governance and operational arrangements for new and changed work.

⁴⁹ In April 2013, DHS advised that business owners often provide sign-off at various stages during the costing process by email. Appropriate records of email 'sign-off' should be retained with the copy of the NPCR document that has been signed-off in the department's recordkeeping system.

⁵⁰ During 2012 DEEWR and DHS agreed that departmental representatives need to meet to address inaccurate estimates for NPPs to facilitate appropriate decision-making. These meetings should ensure that policy costings are transparent—the departments should have a shared understanding of issues and a joint approach to managing the risk of inaccurate estimates.

Management of BMA Policy Advices

3.15 As mentioned in paragraph 3.2, Policy Advices describe the roles of DHS, DEEWR and other parties (such as Employment Services Providers), and include policy expectations and performance measures for the major programs/payments. Policy Advices are designed to complement, but do not replace, the *Guide to Social Security Law* and the *Family Assistance Guide*.⁵¹ At the time of this audit, there were 48 active Policy Advices which formed part of the BMA.⁵² Most of the Policy Advices had a single Policy Owner from both DEEWR and DHS, who had a reporting line to the responsible Program Manager.

3.16 To support policy implementation and service delivery, it is important that Policy Advices are current and accessible to DHS. The BMA requires that Policy Advices are reviewed at least annually by Policy Owners to ensure they are accurate.⁵³ Reviews of Policy Advices can also be initiated by the Policy Owners at anytime. Reviews outside of the annual review process should occur when, for example, there has been a legislative change that may affect the accuracy of information in a Policy Advice. These ad hoc reviews assist in maintaining the currency and relevance of Policy Advices, as required by the BMA.⁵⁴

3.17 To assess whether DEEWR maintained up-to-date Policy Advices, the ANAO examined the document change history of the 48 Policy Advices active at the time of the audit, and DEEWR and DHS files associated with development, update and review for a sample of 22 Policy Advices.⁵⁵ Interviews were also conducted with a sample of DEEWR and DHS Policy Owners regarding: the purposes of Policy Advices; the processes for developing and updating Policy Advices; and the mechanisms in place to

⁵¹ The purpose of the FaHCSIA's *Family Assistance Guide* and *Guide to Social Security Law* is to assist staff of DEEWR, the Department of Innovation, Industry, Climate Change, Science, Research and Tertiary Education (DIICCSRTE) and the Attorney-General's Department (AGD) in understanding the relevant legislation and its application. Content is provided by FaHCSIA, DEEWR, DIICCSRTE and AGD, as it relates to the policies administered by those departments.

⁵² The 48 Policy Advices included three for which both DEEWR and DIICCSRTE have policy responsibilities. This was due to a December 2011 Machinery of Government change, as part of which several key programs were transferred from DEEWR to the then Department of Innovation, Industry, Science, Research and Tertiary Education (DIISRTE) (now DIICCSRTE), including Austudy and Youth Allowance (in respect of apprentices and full-time students). A new Head Agreement was signed with the then DIISRTE in December 2012. In April 2013, DHS advised that New Services Schedules between the DHS and DIICCSRTE were close to agreement. Following the finalisation of these Schedules, the three Policy Advices will no longer be relevant to DIICCSRTE.

⁵³ BMA, 2012, p. 3.

⁵⁴ BMA, 2012, p. 24.

⁵⁵ Each Policy Advice includes a table for recording the document change history. The table includes columns to record the location of a change to the document, a description of the change and the date.

ensure that Policy Advices were consistent with DHS' *e-reference*,⁵⁶ the *Guide to Social Security Law* and the *Family Assistance Guide*.

3.18 Of the 48 Policy Advices, 41 (85 per cent) had not been reviewed on an annual basis since their respective establishment dates. While DEEWR has documented procedures for annual Policy Advice reviews, systematic monitoring and review of Policy Advices did not occur as planned. In addition, for the Policy Advices that had been recently reviewed, the length of the review process ranged from two months to over 12 months.⁵⁷

3.19 DEEWR had not updated Policy Advices in instances where changes were required in line with new or revised legislation or policy announcements (40 of 48 Policy Advices—83 per cent—contained out-of-date information). In some of these instances, Policy Advices were inconsistent with DHS internal working guidance for staff, *e-reference*. This creates a risk that incorrect policy advice will be accessed by DHS and potentially reduces the alignment between policy and service delivery. Several examples of Policy Advices that were not up-to-date with new or revised legislation and policy announcements are listed in Table 3.5.

⁵⁶ *E-reference* are electronic guidelines used by DHS staff to access up-to-date guidance on policies and procedures. The latest versions of *e-reference* are made publicly available on a quarterly basis. Changes advised by DEEWR in Policy Advices as a result of legislative and policy changes should be reflected in *e-reference*.

⁵⁷ Interviewees advised that the length of the review depended on the complexity of the Policy Advice, and the availability of key staff.

Table 3.5**Examples of changes rendering some Policy Advices out-of-date**

| Change | Status of Policy Advice | Status of e-reference |
|---|--|--|
| DHS, Centrelink and Medicare Australia were merged to form the new DHS from 1 July 2011. | Of the 48 active Policy Advices, only eight had been updated to reflect the merger of Centrelink and DHS (at October 2012). In April 2013, DEEWR advised that since October 2012 five more Policy Advices have been updated to reflect the merger, and a further 18 Policy Advices were under review. | N/A |
| A review of Job Services Australia (JSA) provider brokered outcomes (PBOs) conducted between January and April 2012 recommended, among other things, that PBOs be removed from the JSA fee structure. The Government announced on 29 March 2012 that PBOs would be removed from JSA from 1 July 2012. | The Policy Advice <i>Job Services Australia—Outcomes</i> , which references PBOs was last updated on 20 July 2011. In April 2013, DEEWR advised that the Policy Advice is being updated and references to PBOs have been removed. | N/A |
| The <i>Social Security and Other Legislation Amendment (Income Support and Other Measures) Act 2012</i> increased the qualifying age for Newstart Allowance (NSA) from 21 years to 22 years, effective 1 July 2012. The law stipulated that 21 year olds being paid NSA on 1 July 2012 can continue to be paid NSA, but from 1 July 2012, new applicants for NSA must be 22 years or older. Twenty-one year old job seekers who are new applicants for income support from 1 July 2012 are eligible for Youth Allowance (Other). | Policy Advices do not reflect the eligibility changes for NSA and Youth Allowance (Other). | Yes, DHS e-reference procedures updated for 1 July 2012. |
| The National Green Jobs Corps (NGJC) program concluded on 30 June 2012, and Training Supplement for Newstart recipients concluded on 30 June 2011. | The Supplementary Payments Policy Advice (at August 2012) still detailed the policy intent of the concluded programs (with an end-date for Training Supplement, but not for NGJC) and gives DHS responsibility to promote the programs with the aim of increasing access. | Yes, DHS e-reference procedures updated, and all recipients exited from the program. |

Source: ANAO analysis of Policy Advices, relevant legislation and policy announcements.

3.20 Despite most Policy Advices being out-of-date, the processes employed by DHS policy staff have generally resulted in necessary changes being made to *e-reference*, thereby avoiding any impact on customers from out-of-date Policy Advices. However, the ANAO noted one instance where a delay in advising DHS of a policy change and an out-of-date Policy Advice resulted in overpayment to customers in 2010. While the resulting debts were minimal, the issue reinforces the need to document and communicate clear, accurate and up-to-date policy information in a timely manner to minimise the risk of poor alignment between policy and service delivery, as well as the possible incidence of debts.

3.21 DEEWR and DHS staff had mixed views of the importance and the purpose of Policy Advices. A number of DEEWR staff noted that it was critical that Policy Advices were current. On the other hand, some DHS staff indicated that they did not use the Policy Advices to obtain current legislative information; rather, Policy Advices were used to identify appropriate contact points or to clarify expectations of DHS' role.

3.22 DHS Customer Service Officers accessed policy information through *e-reference*. They advised that generally the information in the system was accurate and reflected current policy.⁵⁸ However, they experienced difficulties in navigating *e-reference* to locate relevant information.

3.23 Customer Service Officers relied on DHS' systems to guide registration, processing and decision-making for employment program customers. The officers interviewed advised that these systems generally assisted them to make the right decision in relation to eligibility and payments.⁵⁹

Other procedures and documents

3.24 In addition to the Protocols and Policy Advices, there are a number of other procedures and documents supporting the operation of the BMA. The ANAO assessed the availability these procedures and documents (see Table 3.6).

⁵⁸ On occasions where there have been relatively limited timeframes between policy change and implementation *e-reference* may not reflect the policy change in a timely manner.

⁵⁹ One Customer Service Officer noted that when a systematic problem was identified, the IT area was able to resolve the issue within two days. Customer Service Officers are alerted to any problems by the manager of the Customer Service Office or through a Network News Update within the system.

Table 3.6**Procedures and documents supporting the BMA**

| Procedure or document | ANAO Comments |
|--|--|
| The DEEWR <i>Service Charter</i> and DHS' <i>Service Commitments</i> | Available on DEEWR and DHS websites respectively. |
| The <i>Social Security Act 1991</i> and the <i>Social Security (Administration) Act 1999</i> | Available at: < www.comlaw.gov.au >. |
| <i>Guide to Social Security Law</i> and the <i>Family Assistance Guide</i> | FaHCSIA produces the guides, and they are available on the FaHCSIA website. DEEWR provides FaHCSIA with content for the guide as it relates to the legislation DEEWR administers. |
| Service Level Agreements (SLAs) | The BMA makes reference to one supporting SLA, the IT SLA, which forms part of the IT Services Protocol. SLAs are also referenced in Protocols, such as the Random Sample Survey SLA. There is also a reference to an SLA on Cross-Agency Fraud Management in the Program and Payment Assurance Protocol which does not exist. |
| Framework for managing business as usual activities in the event of an emergency | Referenced in the 2012 BMA but yet to be finalised by the departments as at December 2012. |
| Secretaries' Annual Statements of Assurance, in accordance with the CFR | The DEEWR and DHS Secretaries have provided each other annual assurance statements (see Chapters 4 and 5). |
| Management Information Reports | A list of regularly produced management information reports required to support the BMA Confidence Framework has been compiled and forms part of the Program and Payment Assurance Protocol. |

Source: ANAO analysis of DEEWR and DHS documentation, 2012.

3.25 Several of the procedures and documents referred to in Table 3.6 are readily accessible and have an important role in the administration of employment programs under the BMA. However, some of the supporting procedures and documents under the BMA do not exist, are yet to be finalised or are not well understood by relevant managers.

Implementation of previous ANAO recommendation

3.26 In the 2008–09 audit of the Business Partnership Agreement (BPA) between DEEWR and Centrelink, the ANAO recommended that DEEWR and Centrelink complete the BPA's supporting documents, and implement a systematic process to make sure that the BPA is kept up-to-date and accurate. The suite of documents comprising and supporting the BMA has been

developed since the 2008–09 audit. However, at the time of the audit, many documents remained incomplete, included out-of-date information, and had not been systematically updated.

3.27 The ANAO considers that DEEWR and DHS have not fully implemented Recommendation No.1 of ANAO Audit Report No.4 2008–09. The cross-agency governance and operational arrangements under the BMA are extensive. As a consequence, clear and current Protocols, procedures and supporting documents are necessary to establish consistent processes and provide for effective cross-agency collaboration in the pursuit of government outcomes. In addition, an up-to-date set of Policy Advices would assist in addressing a key risk that policy and service delivery are not aligned, which can ultimately affect program outcomes.

Recommendation No.2

3.28 To support cross-agency collaboration and the alignment of policy and service delivery, the ANAO recommends that DEEWR and DHS implement a systematic process to ensure that the BMA's Protocols, supporting procedures and documents, and Policy Advices are kept up-to-date and accurate.

Agency responses

Department of Education, Employment and Workplace Relations

3.29 *Agreed. DEEWR agrees that Protocols and Policy Advices need to be kept up-to-date to ensure effective cross-agency collaboration and the alignment of policy and service delivery. This is already being progressed by Relationship Managers who are actively monitoring agreed work practices.*

Department of Human Services

3.30 *Agree. The review of all documentation under the BMA will be strengthened through the introduction of a standing agenda item at quarterly Program Manager Meetings to review the currency of Policy Advices and record related outcomes and actions in the meeting minutes. Relationship Managers will review the currency of Protocol documents on an annual basis and ensure they are updated within two months of the review. These requirements will be reflected in Terms of Reference documents.*

Conclusion

3.31 The BMA outlines ‘shared outcomes’, which are goals for how DEEWR and DHS will work together.⁶⁰ The BMA also clearly identifies roles and responsibilities, and establishes funding arrangements and a shared risk management approach. However, these mechanisms could be better applied to enable the departments to work through operational issues and reach agreement on service delivery strategies. In practice, the priorities of the departments in relation to some job seeker assessments have differed since September 2010. During this period, DEEWR has pursued greater use of face-to-face discussions with vulnerable job seekers to improve their employment prospects; whereas DHS has sought efficiencies in service delivery through greater use of electronic channels for customer transactions. The issue has not yet been resolved to the satisfaction of both departments highlighting the tensions that need to be managed to harmonise different strategies that may legitimately be pursued by departments in discharging their respective roles.

3.32 The BMA is underpinned by nine Protocols, a range of other procedures and documents, and 48 active Policy Advices which are designed to support efficient and effective collaboration between the departments. At the time of this audit, some elements of the agreed Protocols, procedures and documents, and Policy Advices were out-of-date, not well understood by relevant managers, or not followed in practice. Clear and current Protocols, procedures and documents are necessary to establish consistent and coordinated processes. In addition, as envisaged under the BMA, an up-to-date set of Policy Advices would assist in addressing a key risk that policy and service delivery are not aligned.

⁶⁰ For example: integration of policy design and service delivery; and fostering a collaborative approach to government priorities.

4. Managing Risk and Providing Assurance

This chapter examines DEEWR's and DHS' risk management and business assurance activities under the BMA.

Introduction

4.1 Risk management and business assurance are integral to the efficient, effective and accountable delivery of government programs and services. Risk management is directed towards adequately identifying and managing the key risks to successful delivery. Business assurance activities gauge whether risks are managed, controls are working, and progress is being achieved against planned objectives and outcomes. For cross-agency agreements, well defined and structured business assurance helps agencies' to ensure that program and service delivery can be monitored, and their performance assessed and improved.

4.2 The BMA includes a Confidence Framework which is used by the departments to identify risks to policy and program outcomes, and risks to the success of the partnership between DEEWR and DHS. The Program and Payment Assurance Protocol builds on the BMA by outlining operational arrangements to identify, manage and control risks, as well as mechanisms for providing assurance that risks are being managed.

4.3 In this chapter, the ANAO examines DEEWR's and DHS':

- management of risks under the BMA; and
- management of business assurance under the BMA.

Management of risks

Managing strategic risks

4.4 The BMA identifies five strategic or high-level risks to DEEWR's and DHS' policy and financial accountability obligations, and program outcomes (see Table 4.1). The risks are highly relevant to employment programs and service delivery arrangements between DEEWR and DHS. The BMA contains a Key Performance Measure (KPM) and associated metrics for each strategic risk. Performance against the metrics is reported on in the quarterly

Confidence Framework Report (CFR) to the BMA committees. The CFR is discussed further in Chapter 5.

Table 4.1

Strategic risks under the BMA

| Strategic or high-level risks | Related KPM |
|--|--|
| Risk 1—Policy Implementation Risks Poor integration of policy and service delivery design results in failure to deliver outcomes. | KPM 1: Policy Integration All policy is designed and implemented in collaboration between DEEWR and DHS, recognising shared responsibility for program outcomes. |
| Risk 2—Program Outcome Risks Customers are not connected and therefore are not appropriately engaged. | KPM 2: Client Engagement All customers are connected appropriately and in accordance with policy requirements and standards. |
| Risk 3—Payment Integrity Risks DEEWR does not discharge its accountabilities under the <i>Financial Management and Accountability Act 1997</i> (FMA Act). Failure to meet timeliness standards results in a failure to deliver policy and program outcomes resulting in hardship for customers. | KPM 3: Payment Assurance and Debt Minimisation All payments are accurate, claims are processed in a timely manner and growth in the debt base is minimised. |
| Risk 4—Participation (Job Seeker Compliance) Risks Job seekers are not meeting their participation requirements and not achieving education or employment outcomes. | KPM 4: Job Seeker Participation (Job Seeker Compliance) The application of job seeker compliance policy supports the active engagement and participation of job seekers. |
| Risk 5—Business Continuity Risks Quality of infrastructure does not support business continuity and/or delivery of policy outcomes. | KPM 5: Business Continuity Management All infrastructure is in place, meeting demand and assessable in line with agreed policy and program requirements. |

Source: BMA, 2012.

4.5 The BMA also identifies many risks to the success of the partnership between DEEWR and DHS, which are categorised in relation to confidence areas under the BMA (see Table 4.2). These confidence areas are directly related to the BMA outcomes. The confidence areas are also reported on in the CFR.

Table 4.2

Risks to the success of the partnership, by confidence area

| Confidence area | Examples of risks |
|---|---|
| Confidence Area 1 Integration of policy design and policy formulation. | <p>Ten risks are included in the Confidence Framework for this confidence area. The key risks include:</p> <ul style="list-style-type: none"> • government policy objectives, program and cross-program outcomes may not be achieved (this risk is repeated against confidence areas 3 and 5); • ability of service providers to meet policy objectives may be undermined; • alignment of policy and service delivery may be poor; • ability of DHS to meet its service delivery accountabilities may be undermined; and • DHS and/or contracted services may not be delivered in an efficient and effective manner. |
| Confidence Area 2 Shared understanding of program outcomes and improved program management. | <p>Four risks are included in the Confidence Framework for this confidence area. The key risks include:</p> <ul style="list-style-type: none"> • inability to meet FMA Act obligations; • accountabilities against the Portfolio Budget Statements cannot be discharged; and • poorly informed policy development, program management and service design and delivery, placing policy objectives and program outcomes at risk. |
| Confidence Area 3 Collective responsiveness to government and a collaborative approach to priorities. | <p>Two risks are included in the Confidence Framework for this confidence area. The key risks include:</p> <ul style="list-style-type: none"> • poor policy development, program management and service design and delivery. |
| Confidence Area 4 Effective and transparent financial controls. | <p>Two risks are included in the Confidence Framework for this confidence area. The risks are:</p> <ul style="list-style-type: none"> • DEEWR is unable to discharge its accountabilities under the FMA Act in relation to the administered appropriation; and • adverse findings in the event of an ANAO audit (this risk is repeated against Confidence Area 5). |
| Confidence Area 5 Mutual respect for individual and shared accountabilities. | <p>Three risks are included in the Confidence Framework for this confidence area. The key risks include:</p> <ul style="list-style-type: none"> • public relations may be weakened. |

Source: BMA, 2012, pp. 12 to 20.

4.6 For both the strategic risks and the risks in the confidence areas, the BMA includes strategies to manage the risks. Specific risk management responsibilities are assigned to one or both of the departments, depending on the nature of the risk. To support risk management, DEEWR and DHS are also required to exchange information, including management information reports and Policy Advices. In addition, DEEWR and DHS are required to exchange Annual Assurance Statements (AAS), which should outline how the risks that they were responsible for were managed through governance arrangements. The Program and Payment Assurance Protocol states that each department will contribute to the AAS depending on its relative responsibility for addressing the risk under consideration.

4.7 DEEWR and DHS have not addressed all the strategic risks and the risks to the success of the partnership by confidence area in their respective AAS. For example, in 2009–10 DEEWR advised in its AAS that it was jointly responsible for Confidence Areas 1, 2, 3 and 5 and KPM 1, together with a number of sub-measures under the other KPMs. DEEWR did not report on Confidence Area 4 or KPMs 2 to 5 in its AAS. This suggested that DHS had sole rather than shared carriage of Confidence Area 4 and Strategic Risks 2 to 5, and that there is not a joint approach to managing these risks. In the 2010–11 AAS, DHS reported on all the strategic risks and DEEWR increased its coverage of the strategic risks.

4.8 The Program and Payment Assurance Protocol also requires that the five high-level (strategic) risks are reviewed annually to ensure they are current.⁶¹ However, DEEWR and DHS were unable to provide evidence of annual review of the five strategic risks. There was also no evidence of consideration of the strategic risks as part of 2012 review of the BMA.

4.9 The Bilateral Management Committee (BMC) is responsible for managing risks under the BMA.⁶² To fulfil this function the BMC reviews the CFR and monitors strategic issues on a quarterly basis. There was also some other limited consideration by the BMC of BMA risks at points in time. For example, the BMC considered the need to report emerging risks to responsible ministers; and to jointly address funding issues related to the development of NPPs.

⁶¹ Program and Payment Assurance Protocol, 2012, p. 6.

⁶² BMA, 2012, p. 6.

Managing program and operational risks

4.10 The Program and Payment Assurance Protocol outlines the operational arrangements to identify, manage and control risks, as well as mechanisms for providing assurance that risks are being managed.⁶³ It is the responsibility of the nine Owners of this Protocol to ‘identify and manage risks to the delivery of the Bilateral Management Arrangement (BMA) outcomes’.⁶⁴

4.11 Table 4.3 outlines the risk management requirements of the Program and Payment Assurance Protocol, and the ANAO’s assessment of the extent to which these requirements were met in practice.⁶⁵

Table 4.3

Risk management requirements in the Program and Payment Assurance Protocol

| Requirement | ANAO analysis |
|--|--|
| DEEWR and DHS will endeavour to align joint risk identification processes, mapping existing risks, and capturing emerging risks. | The majority of the risks identified in DEEWR’s risk plans were rated as low or medium after treatment. In comparison, DHS’ risk plans included risks rated low, medium, high and very high. A number of the risk assessments provided by DEEWR and DHS related to the same program. These risk assessments tended to mention the other department as a stakeholder or in relation to a risk or treatment. However, the risk assessments did not necessarily demonstrate joint risk identification processes. |
| DEEWR and DHS agree to ensure that systems and processes are in place for effective risk management and the early identification of emerging risk areas. | DEEWR and DHS have systems and processes in place for the identification of risks at the program, project and group or branch level. Program and project risk assessments were developed at the commencement of the program or project, with the intention that they would be updated periodically (usually annually). |

⁶³ Several other Protocols support risk management activities under the BMA, including the Management of Information Protocol and the Audit Protocol.

⁶⁴ Program and Payment Assurance Protocol, 2012, p. 1.

⁶⁵ The ANAO reviewed nine risk assessments for each department. The majority of the risk assessments were employment program or project risk assessments.

| Requirement | ANAO analysis |
|--|---|
| DEEWR and DHS are jointly responsible for escalating concerns through the governance mechanisms as outlined in the BMA. | While reporting on the KPMs in the CFR raised awareness of program management issues, there was limited evidence of escalation of risks through the governance committee structures and the Issues Resolution Framework (refer to Chapter 2). |
| DEEWR and DHS will undertake regular risk assessments for each program administered under the BMA. | <p>An initial program or project risk assessment was made by each department. These risk assessments were used to monitor risks and treatments, and to document emerging risks. However, in a range of instances, the departments needed to improve their approach to monitoring risks and reviewing risk assessments. For example:</p> <ul style="list-style-type: none"> • in two cases the scheduled DEEWR risk assessment review dates had not been met and were almost 12 months overdue; and • in seven of the nine DHS risk assessments examined it was not clear that monitoring had occurred in accordance with scheduled dates, suggesting that monitoring was overdue. |
| Program risk assessments will be considered as part of Program Manager Meetings (PMMs). | There was no evidence of discussion of program risk assessments at the PMMs. |
| DHS will, where appropriate, engage and invite DEEWR to be a part of program risk assessment reviews and of risk assessments where DEEWR's programs are impacted. Similarly DEEWR will, where appropriate, engage and invite DHS to be a part of program risk assessment reviews and of risk assessments where DHS' services are impacted. | <p>It was not evident that DEEWR and DHS had been consistently involved in each other's risk assessment processes. Although, each department recognised the relevance of the other department to the management of identified risks. For example:</p> <ul style="list-style-type: none"> • six of the nine DEEWR risk assessments identified risks or treatments involving DHS; • all of the DHS risk assessments contained some risks and treatments that depended on collaboration and cooperation between DEEWR and DHS, although, in three cases the reference to DEEWR was limited; and • in three DHS risk assessments, DEEWR (or DEEWR staff) was identified as being responsible for a risk, suggesting that it was a joint risk assessment. |
| DEEWR and DHS will co-operate in managing an overall risk program. | As indicated above, DEEWR was responsible for managing some risks in DHS risk plans. Similar arrangements were not observed in DEEWR risk plans. |

| Requirement | ANAO analysis |
|---|---|
| Program Risk Assessments will contribute to the work of the Strategic Fraud and Non-Compliance IDC, and will include any matters identified as critical by this Committee. | There was limited evidence of consideration of fraud risks in risk assessments. Some DEEWR risk assessments indicated that fraud risk was not relevant to the assessment. |
| All new business policy and programs will be the subject of a risk assessment by both departments. It is envisioned that all major changes to policy or service delivery arrangements will be supported by a review of the underlying risk framework. | Based on a review of the departments' NPPs (refer to Chapter 3, paragraph 3.13) and risk assessments, individual risk assessments were developed for new policy/programs by both DEEWR and DHS using each department's risk management framework. |

Source: ANAO analysis of the Program and Payment Assurance Protocol, 2012, and other DEEWR and DHS documentation.

4.12 The above analysis highlights the need for DEEWR and DHS to better align program level risk identification and management activities to improve cross-agency collaboration, coordination and management of risk. Risk assessments also need to be regularly reviewed to support the identification of emerging risks and to adjust treatments or controls that are not working as intended. Program risk assessments should be reviewed as part of the PMMs, and emerging risks should be escalated through the BMA committees and the Issues Resolution Framework (refer to Chapter 2) if they cannot be resolved in a timely manner.

Recommendation No.3

4.13 To support effective cross-agency collaboration and coordination in delivering government programs, the ANAO recommends that DEEWR and DHS:

- better align program level risk identification and management processes to mitigate any significant risks; and
- monitor program risks as part of the BMA Program Manager Meetings, and record the outcomes of the risk monitoring.

Agency responses

Department of Education, Employment and Workplace Relations

4.14 *Agreed. DEEWR agrees that better aligning program level risk identification and the mitigation of risks will support effective cross-agency collaboration and coordination in delivering government programs. Monitoring program risks will be progressed through the BMA Program Manager meetings.*

Department of Human Services

4.15 *Agree. The department has agreed with DEEWR to introduce biannual discussions of joint program risk management at Bilateral Management Committee meetings. The focus through Program Manager Meetings on joint identification, review and management of program risks will be heightened through the addition of this as a regular agenda item. Any identified issues and actions will be recorded in the meeting minutes and escalated if required.*

Management of business assurance

4.16 It is the responsibility of the nine Owners of the Program and Payment Assurance Protocol to:

provide assurance that identified risks to the delivery of BMA outcomes are effectively controlled through the operation of a well developed, supported and maintained Business Assurance Framework ...⁶⁶

4.17 The Program and Payment Assurance Protocol makes reference to the components of the BMA Business Assurance Framework: the AAS; the Random Sample Survey (RSS)⁶⁷; Fraud Control; Debt Minimisation; External Assurance; KPMs; and Management Information. In addition, the Protocol states that DHS' internal audit processes contribute to assurance by regularly reviewing the efficiency and effectiveness of DHS payment and service delivery.⁶⁸ The Protocol also indicates that the Business Assurance Framework is supported by the Confidence Framework, governance mechanisms, the Policy Advices and relevant Protocols agreed between DEEWR and DHS.⁶⁹

4.18 The ANAO's 2008–09 audit of the then Business Partnership Agreement (BPA) between DEEWR and Centrelink concluded that there was not a complete description of business assurance arrangements under the Agreement.⁷⁰ While the Program and Payment Assurance Protocol makes reference to the components of the Business Assurance Framework, it still does

⁶⁶ Program and Payment Assurance Protocol, 2012, p. 1.

⁶⁷ The Random Sample Survey (RSS) Program provides assurance over DEEWR's income support payments through measuring the level of accuracy of outlays. The Program is a point in time analysis to assess whether payments are made correctly against the four pillars of payment accuracy; right person, right program (payment), right rate and right date. The Program and Payment Assurance Protocol mentions that a Service Level Agreement for the delivery of the RSS Program was being developed and was to be attached to the Protocol when finalised.

⁶⁸ The specific treatment of audit issues is covered by the Audit Protocol.

⁶⁹ Both departments provide broader input into a number of steering committees to manage the risks associated with the delivery of income support payments.

⁷⁰ ANAO Audit Report No.4 2008–2009, *The Business Partnership Agreement Between DEEWR and Centrelink*, p. 94.

not clearly outline the Framework and its implications for responsible DEEWR and DHS staff. Reflecting this finding, the majority of responsible staff interviewed suggested that the Business Assurance Framework was the Confidence Framework or the BMA committees.

4.19 The components of the Business Assurance Framework were in place. However, for most of the components, there were gaps in development, performance and/or reporting. For example:

- The RSS is directed towards providing assurance over the accuracy of income support payments. However, the RSS Service Level Agreement (SLA) has not been updated since the introduction of the BMA in November 2009. DEEWR and DHS continue to negotiate the finalisation of this agreement to reflect DEEWR's requirements rather than those of the former Department of Education, Science and Training.⁷¹ Further, in 2010–11, DHS reported that resources were being diverted from the RSS as a result of natural disasters, resulting in a reduction in the number of surveys completed, potentially introducing some bias into the results.
- The Income Support (IS) PMM has not consistently taken responsibility for the management of debt.⁷² In 2012 DEEWR raised concerns about the debt KPMs not effectively measuring debt management performance. To address these concerns, in late 2012 a range of new KPMs were introduced to the Confidence Framework report to better measure debt minimisation (refer also to Table 2.1).

4.20 As indicated in paragraph 4.16, the Program and Payment Assurance Protocol Owners have a central role in the development and maintenance of the Business Assurance Framework. However, the Protocol Owners did not oversee the Business Assurance Framework. In February 2013, DHS advised

⁷¹ A revised RSS SLA has been in draft form since May 2012. The Department of Education, Science and Training formed part of the new DEEWR under a Machinery of Government Change on 3 December 2007.

⁷² While the IS PMM had nominal responsibility for debt management, in May 2010 the IS PMM meeting noted that there would be regular meetings between Centrelink Business Integrity and DEEWR Income Support Group which would consider payment assurance and debt minimisation performance information. The Business Integrity meetings were not minuted and did not report to the IS PMM. In June 2012 the IS PMM became involved in the review of the debt management KPMs.

that it was proposing to introduce a committee to oversee program and payment assurance within the BMA governance structure.⁷³

Implementation of previous ANAO recommendation

4.21 In the 2008–09 audit of the BPA between DEEWR and Centrelink, the ANAO recommended that DEEWR and Centrelink work jointly to achieve more cohesive risk management and business assurance practices under the Business Partnership Agreement.⁷⁴ Specifically, the ANAO recommended that DEEWR and Centrelink:

- update current risks and priorities, and jointly assign responsibilities for risks;
- establish governance arrangements for business assurance, including monitoring arrangements, to ensure timely progression of key business assurance strategies; and
- agree on a standard set of management information reports, and allocate responsibility for coordinating and disseminating management information.

4.22 The 2009 BMA included updated high-level risks and risks to the success of the partnership, and allocated joint responsibilities for these risks. The departments have also agreed on a standard set of management information to report on the KPMs in the CFR. However, the findings of this audit highlight continuing scope for improvement in DEEWR's and DHS' approach to risk management and governance of business assurance activities. The consolidation of numerous business assurance activities into a comprehensive planned approach has been limited. As a result, the overall transparency of assurance activities and management reporting is variable, and links between different activities are difficult to ascertain.

⁷³ At the time of the previous audit, there was a Business Assurance Sub-Committee to the then Business Partnership Review Group (now referred to as the BMC). This committee experienced difficulties in a range of areas, including in defining its role. ANAO Audit Report No.4 2008–2009, *The Business Partnership Agreement Between DEEWR and Centrelink*, p. 98.

⁷⁴ ANAO Audit Report No.4 2008–2009, *The Business Partnership Agreement Between DEEWR and Centrelink*, p. 112.

Conclusion

4.23 The BMA identifies risks to policy and program outcomes, and risks to the success of the partnership. The BMA includes strategies to manage these risks and assigns associated responsibilities to one or both of the departments. It also establishes performance monitoring arrangements for the risks. However, DEEWR and DHS need to better support joint risk management at an operational level. A more collaborative risk management approach would involve strengthened alignment of the departments' program level risk identification and management processes, including by monitoring key program risks as part of the Program Manager Meetings.

4.24 The BMA Business Assurance Framework includes Annual Assurance Statements between departmental Secretaries, a random sample survey (RSS) of income support payment accuracy, fraud control, management information approaches, and internal audit. However, there were gaps in the development of components of the Business Assurance Framework in relation to BMA requirements. For example, the RSS Service Level Agreement (SLA) has not been updated since the introduction of the BMA in November 2009.⁷⁵ DEEWR and DHS continue to negotiate the finalisation of this agreement to reflect DEEWR's requirements rather than those of the former Department of Education, Science and Training.

⁷⁵ A revised RSS SLA has been in draft form since May 2012.

5. Performance Monitoring and Reporting

This chapter examines the BMA performance information framework, with a focus on employment programs. It also examines DEEWR's and DHS' monitoring and reporting of performance under the BMA.

Introduction

5.1 Performance information is quantitative or qualitative evidence about performance that is collected and used systematically to inform management's decision-making and provide a basis for external reporting. Performance information assists management and stakeholders to establish whether government programs are efficiently and effectively delivered, with positive impacts on the community. Performance information is most effective where it provides comprehensive and balanced coverage of government programs and outcomes, through the specification of a concise set of performance indicators or measures.

5.2 In cross-agency situations, where partnership or other arrangements are in place, performance measures play an important role in defining and monitoring performance of the Australian Government's strategic directions. In such situations it is necessary to develop a framework of performance information that enables the respective contributions of each agency towards achieving the objectives of the arrangement to be assessed⁷⁶, and that clearly identifies responsibilities for reporting on performance.

5.3 The ANAO examined:

- the performance information framework established under the BMA, including Key Performance Measures (KPMs), and the alignment of the Framework with relevant government outcomes and Key Performance Indicators (KPIs) in the Education, Employment and Workplace Relations (EEWR), and Human Services, Portfolio Budget Statements (PBS); and

⁷⁶ As outlined in Chapter 3 in Table 3.1, the establishment of shared objectives or outcomes as part of a cross-agency agreement should assist in furthering individual agency outcomes under the Portfolio Budget Statements, while focusing each agency on the overall intention and expected outcome of the cross-agency initiative.

- DEEWR's and DHS' monitoring and reporting of performance under the BMA, including through the Confidence Framework Report (CFR) and Annual Assurance Statements (AAS).

BMA outcomes and performance information framework

Outcomes defined by the BMA

5.4 As outlined in Chapter 1 (see paragraph 1.10), the BMA seeks to achieve the following outcomes:

- integration of policy design and service delivery;
- shared understanding of and responsibility for program outcomes and improved program management;
- collective responsiveness to Government and a collaborative approach to priorities;
- cooperative, effective and transparent financial costings and controls; and
- mutual respect for individual and shared accountabilities.⁷⁷

5.5 These BMA outcomes represent goals for how DEEWR and DHS seek to work together (refer also to Table 3.1 in Chapter 3).⁷⁸ Under the previous Bilateral Partnership Agreement (2006–2009), there was a Protocol which described the agreed measures that determined Centrelink's performance in delivering services and contributing to DEEWR achieving government outcomes, as defined in the EEWR PBS. Under the BMA, a similar Protocol does not exist and there is not a strong link between the BMA outcomes and the government outcomes and KPIs in the EEWR and Human Services PBS.⁷⁹ In this respect, the 2009–10 ANAO Audit Report on *Effective Cross-Agency Agreements* noted that where performance information is not linked to broader

⁷⁷ BMA, 2012, p. 4.

⁷⁸ Appendix 3 illustrates the government outcomes, programs and KPIs in the EEWR and Human Services PBS relevant to employment programs.

⁷⁹ DEEWR advised that the PBS is referred to in the BMA at paragraph 11 on page 5. The paragraph notes that the BMA supports: the achievement of individual outcomes, identified in respective Portfolio Budget Statements; and a shared understanding of and responsibility for program outcomes for government. DEEWR considered that the BMA accounts for changing government requirements by referencing the PBS rather than duplicating the PBS—which itself clearly states the required government outcomes.

outcomes, the absence of such information can reduce the usefulness of the agreement in providing a clear focus on its intended impacts.⁸⁰

5.6 In general, KPIs are expected to enable users to assess the achievements of an agency against stated program objectives and collectively, their contribution to stated government outcomes.⁸¹ In respect of the employment programs covered by this audit:

- the EEWR PBS KPIs (refer to Appendix 3) assess the impact of government financial support and employment training services on the employment, education/training and income support status of beneficiaries. As such, reporting against the KPIs provides useful information to management and stakeholders on the results of employment programs; and
- the KPIs established in the Human Services PBS (refer to Appendix 3) mainly deal with the quality of services delivered by DHS, rather than the impact of DHS' services on the self sufficiency of individuals. This reflects DHS' key role in delivering services for programs administered by other government departments (also refer to Figure 1.1 on page 25).

5.7 Of particular relevance to the BMA, the DHS KPIs include measures of the effectiveness of working arrangements with other government departments. These measures gauge whether:

- effective strategies are in place to ensure reporting against bilateral management arrangements; and
- government stakeholders consider DHS to be agile, flexible and responsive (based on an Annual Government Stakeholder Survey).

Performance information framework in the BMA

5.8 The BMA states that⁸²:

Human Services and DEEWR will monitor the strength and success of the relationship between the departments on a qualitative basis and measure performance against program outcomes using Key Performance Measures (KPMs) defined in the Confidence Framework Report (CFR) ...

⁸⁰ ANAO Audit Report No.41 2009–10, *Effective Cross-Agency Agreements*, p. 17.

⁸¹ ANAO Audit Report No.28 2012–13, *The Australian Government Performance Measurement and Reporting Framework—Pilot Project to Audit Key Performance Indicators*, p. 15.

⁸² BMA, 2012, pp. 9 and 10.

The CFR will guide regular discussion between Human Services and DEEWR against the desired outcomes of the Bilateral Arrangement as well as the overall business outcomes required, as appropriate, within the governance structure. The Secretary of Human Services and the Secretary of DEEWR will provide each other with an annual statement of assurance in accordance with this framework.

5.9 The structure and nature of the performance information in the CFR is as follows:

- the *Program Outcomes* section mainly includes brief overall commentary on some key issues being managed by the two departments for Child Care, Disability Employment Services, Education, Income Support and Job Services Australia;
- the *Strengthened Relationship* section outlines partnership risks and qualitative strategies to mitigate these risks through governance arrangements. The risks are presented under five confidence areas which directly relate to the BMA outcomes (see Figure 5.1); and
- the *Bilateral Assurance* section includes KPMs which aim to address each department's obligations in relation to accountability and ensure achievement of program outcomes. The KPMs are framed around five key performance (and risk) areas: policy integration, client engagement, payment assurance and debt minimisation, job seeker participation and business continuity management (see Figure 5.1). At the time of the audit there were 30 employment-related KPMs negotiated under the five key performance areas.⁸³

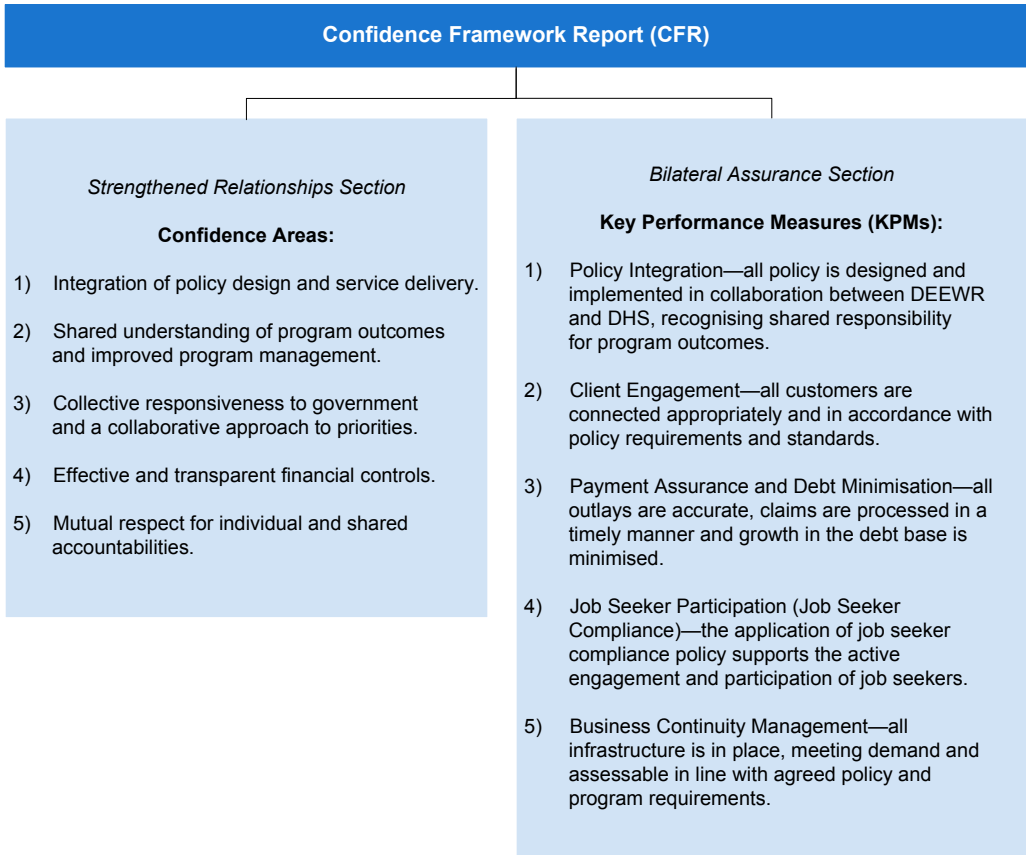
5.10 The main sections of the CFR are presented in Figure 5.1.⁸⁴

⁸³ The CFR was introduced to report on the December quarter, 2009–10, with the majority of the KPMs developed and reporting established by the end of June 2011.

⁸⁴ These sections also form the basis of strategic risk management, see Table 4.1 and Table 4.2.

Figure 5.1

Performance information in the Confidence Framework Report (CFR)



Source: BMA, 2012 and ANAO analysis of DEEWR information.

5.11 Table 5.1 lists examples of employment-related KPMs under the BMA. The examples show that the KPMs generally address operational-level or service delivery matters which are important for the achievement of employment program objectives and government outcomes and (as measured through the PBS KPIs). The respective departmental responsibilities for individual KPMs are readily apparent. In the main, the KPMs address DHS' service delivery performance.

Table 5.1**Examples of BMA Key Performance Measures (KPMs)**

| Key performance area | KPM | Example of sub-KPM |
|---|---|---|
| Policy integration | Collaborative delivery of policy | DEEWR will provide DHS with accurate, timely and clear Policy Advice to assist DHS to achieve the KPMs. |
| | Collaborative implementation | Where possible, DHS will consult with DEEWR in the development of service delivery policy. |
| Client engagement | Appropriateness of Assessment and Referrals (Accuracy and Rate) | Job Seeker Classification Instrument assessments are accurate. |
| | Timeliness of referrals | All job seekers are referred, engaged and/or connected in a timely manner as agreed in the relevant Policy Advice (except if they have current exemptions). |
| Payment assurance and debt minimisation | Timeliness of payments | All payments to be processed in a timely manner in accordance with the agreed approach in DHS' Operational Scorecard report. |
| | Accuracy of payments | All payments are paid at, or above, the agreed level of accuracy; for Education and Employment—all payments are paid with 95 per cent, or above, accuracy. |
| Job seeker participation | Timeliness of compliance | Comprehensive Compliance Assessments, Contact Requests and Participation Reports are completed within the timeframe agreed in the relevant Policy Advice. |
| | Ensuring compliance | Recommendations of Comprehensive Compliance Assessments are monitored and acted upon by Employment Services Providers. |
| Business continuity management | Availability of web services | Web services will be available at specified times as agreed in the IT Service Level Agreement between DEEWR and DHS. |
| | Transaction response times | All web services within the DEEWR environment will be equal to (or less than) an agreed number of seconds within the standard service hours based on a monthly average. |

Source: Confidence Framework Report, Quarter 4 2011–12.

5.12 During the first half of 2011–12, DEEWR and DHS noted that 31 of the then 58 Policy Advices did not have a related KPM to be reported in the CFR.⁸⁵ Further, for some Policy Advices (and payment types) there are multiple payment accuracy and debt minimisation KPMs, whereas for other Policy Advices (and payment types) there is only one or none of these measures. Of particular importance, there were no specific KPMs for the Disability Employment Services (DES) program as at the end of 2012, even though the DES Program Managers Meeting (PMM) first sought to develop a measure in August 2011. Based on these findings, a more structured approach could be taken to developing KPMs at the program and payment levels.⁸⁶

5.13 The intended outcomes of the BMA include ‘shared understanding of and responsibility for program outcomes and improved program management’. However, the KPMs in the CFR address operational-level or service delivery matters, rather than program effectiveness. In contrast, the PBS KPIs measure outcomes for job seekers that receive assistance through employment programs. Relevant KPIs include the proportion of job seekers in employment three months following participation in employment services; and the average duration on income support by current income support payment type (refer also to Appendix 3). As a consequence, there would be benefit in the CFR including performance information against relevant KPIs in the PBS. This would inform joint consideration of policy development and service delivery strategies.

Monitoring and reporting

5.14 An effective monitoring and reporting regime depends on an appropriate level of senior executive oversight, and the use of fit-for-purpose and reliable performance information. To ensure an efficient approach, it is important that information used for external reporting is consistent with and linked to information collected and used for internal monitoring and reporting. In cross-agency situations, appropriate access and exchange of information between agencies is necessary to facilitate effective monitoring and reporting.

⁸⁵ During the audit, a number of Policy Advices were retired because they were no longer relevant.

⁸⁶ The Program and Payment Assurance Protocol provides principles for developing data to support the KPMs.

Confidence Framework monitoring and reporting

5.15 The Confidence Framework in the BMA is central to DEEWR's and DHS' monitoring and reporting on the partnership. The quarterly CFR is discussed at the PMMs⁸⁷, then at the Relationship Managers Meeting (RMM), and finally at the Bilateral Management Committee (BMC). The Program Managers agree CFR comments and performance ratings to be presented to the Relationship Managers. The Relationship Managers then agree CFR comments and performance ratings to be presented to the BMC, which in turn makes overall comments.⁸⁸ The information contained in the quarterly CFR therefore provides for focused cross-agency performance discussions and is regularly reviewed by the BMA committees.

5.16 The comments in the CFRs mainly reflect performance against the agreed KPMs and associated data. The comments identify operational and service delivery issues, and any actions to address these issues. However, in some cases, it has taken time for DEEWR and DHS to address some key employment-related issues identified in the CFRs. For example, concerns were first raised in relation to the suitability of the then debt management KPMs in the report for the third quarter of 2010–11. However, new debt related KPMs were not introduced until the first quarter of 2012–13 (also refer to Table 2.1).⁸⁹

5.17 As indicated in paragraph 5.13, it is also important that the BMA committees consider program outcomes to inform joint consideration of policy development and service delivery strategies. However, the KPMs do not directly measure the impact or consequences of government activities. There was also no evidence that the BMA committees consider performance against the PBS KPIs as part of their deliberations. In this respect, the BMA notes that the quarterly PMMs provide an opportunity to review program implementation and operation through consideration of management information, including agreed BMA KPMs and PBS KPIs.⁹⁰ In addition to the review of KPIs, the PMMs could also review the results of periodic program evaluations to further inform their understanding of program effectiveness.

⁸⁷ Relevant sections of the CFR are provided to the appropriate PMM.

⁸⁸ These comments were generally agreed out-of-session.

⁸⁹ For 2012–13, nine sub-KPMs were added and two removed under KPM 3: Payment Assurance and Debt Minimisation. The additional KPMs aim to measure whether debt is being raised and recovered effectively.

⁹⁰ BMA, 2012, p. 6.

5.18 The ANAO analysed the CFRs presented to the BMC for quarter two 2009–10 to quarter three 2011–12 (10 reports). The reports contained useful information to guide program management and service delivery, including by highlighting performance issues in relation to several KPMs. However, the ANAO also identified some shortcomings in the quality and reliability of the information presented in the quarterly CFRs. For example:

- commentary against the Confidence Areas was at a very high level and did not provide an understanding of how the departments were addressing risks to the relationship—the commentary was very similar across the 10 CFRs examined;
- reporting against the KPM for Policy Advices indicated that DEEWR provided DHS with accurate, timely and clear Policy Advice—in contrast to the findings of this audit (refer to Chapter 3);
- some traffic lights for KPMs were reported as green when an agreed measure or data set had not been finalised; and
- there was insufficient focus on trend data, which would have indicated decreasing performance for a number of the KPMs.

Annual Assurance Statements

5.19 The DEEWR and DHS Secretaries exchange Annual Assurance Statements (AAS) each year, which provide details of performance under the BMA. The AAS aim to provide both departments with confidence that the BMA and its governance and operational arrangements: effectively manage key high-level risks to the delivery of payments and services; are supported by performance information used to demonstrate achievement; and contain mechanisms to ensure that performance information is accurate and reliable.

5.20 The Program and Payment Assurance Protocol states that the AAS will include:

- an Executive Summary;
- assurance against each of the five high-level risks;
- supporting information that includes preliminary:
 - payment accuracy results (provided by DEEWR);
 - review and appeal statistics (provided by DHS);
 - overall debt performance data (provided by DHS); and

- fraud, compliance and program review data (provided by DHS).⁹¹

The Protocol also states that the AAS will provide written assurance to both Secretaries that DHS is complying satisfactorily with the requirements for Fraud Certification under the *Commonwealth Fraud Control Guidelines*. The Protocol states that each department will contribute to the AAS based on its relative responsibility for addressing the risk under consideration.

5.21 The ANAO examined DEEWR's and DHS' AAS for 2009–10 and 2010–11. The AAS provided information on both accomplishments and issues in relation to the achievement of the KPMs during the relevant year. They also noted that the relevant department had successfully met its obligations under the BMA, including effectively managing risks; and that performance information provided through the quarterly CFRs is accurate and reliable. However, as discussed in paragraph 5.18, the ANAO identified some issues with the quality and reliability of the CFRs. Further, neither department fully complied with all of the requirements of the Payment and Program Assurance Protocol.⁹²

Access and exchange of information

5.22 Appropriate access and exchange of information between DEEWR and DHS is necessary to facilitate effective monitoring and reporting, and to guide program management, policy development and service delivery strategies.⁹³ Under the BMA the:

- Program and Payment Assurance Protocol specifically outlines that management information will be shared to monitor performance against program outcomes, to monitor service delivery, to evaluate program effectiveness and to develop evidence-based policy and services;
- Management of Information Protocol provides arrangements for the exchange of, and access to, information and data services that allow each department to meet their accountabilities; and

⁹¹ Program and Payment Assurance Protocol, 2012.

⁹² DEEWR did not provide required supporting information in either of its 2009–10 or 2010–11 AAS. In 2010–11, DHS did not state its compliance with the Fraud Control Guidelines, or provide review and appeal statistics.

⁹³ Management of Information Protocol, 2012.

- Information Technology Services Protocol and the IT Service Level Agreement ensure that appropriate access to DEEWR and DHS systems is in place for performance monitoring.

5.23 In the main, information access and provision between DEEWR and DHS related to the development of the CFR and other management information reports. In these circumstances, there was appropriate access and provision of information to develop the reports. Some DEEWR and DHS staff also had access to relevant systems of the other department to assist monitoring and review.

Implementation of previous ANAO recommendation

5.24 In the 2008–09 audit of the BPA between DEEWR and Centrelink, the ANAO recommended that DEEWR and Centrelink work collaboratively to complete and enhance the suite of KPMs under the BPA.⁹⁴ Specifically, the ANAO recommended that DEEWR and Centrelink:

- align KPMs to cover all outputs and outcomes relevant to the BPA;
- incorporate KPMs to measure DEEWR's performance in meeting its agreed responsibilities under the BPA; and
- establish a more strategic, timely and coordinated approach to KPM development, reporting and review. This should include suitable criteria for determining appropriate, measurable KPMs.

5.25 The findings of this audit highlight continuing scope for improvement in the alignment of KPMs with relevant PBS outcomes and KPIs; and in the development of KPMs to ensure appropriate coverage of employment programs, payments and services.⁹⁵ Several of the current KPMs address DEEWR's performance of its responsibilities under the BMA, with the majority of the KPMs focusing on DHS' service delivery performance.

⁹⁴ ANAO Audit Report No.4 2008–2009, *The Business Partnership Agreement Between DEEWR and Centrelink*, p. 130.

⁹⁵ As mentioned in footnote 86, the Program and Payment Assurance Protocol establishes principles for developing data to support the KPMs.

Conclusion

5.26 The performance information framework in the BMA provides for the use of qualitative information to monitor key aspects of the relationship between DEEWR and DHS; and KPMs that are primarily focused on operational and service delivery matters. A more structured approach could be taken to the development of KPMs to ensure an appropriate level of coverage across employment programs, payments and services. For example, at the time of the audit, there were no KPMs to assess performance for the Disability Employment Services program.

5.27 The intended outcomes of the BMA include 'shared understanding of and responsibility for program outcomes and improved program management'. Quarterly reporting against the KPMs assists the BMA committees, Relationship Managers and Program Managers in identifying and responding to key operational and service delivery issues which affect program performance. However, this reporting does not address performance against relevant Key Performance Indicators established in the Portfolio Budget Statements, which provide information on the effectiveness of employment programs in achieving their objectives in support of respective government outcomes. There is scope for improvement in the quality and reliability of the information presented in the quarterly reports to the BMA committees.



Ian McPhee
Auditor-General

Canberra ACT
17 June 2013

Appendices

Appendix 1: Agency Responses



Australian Government

Department of Education, Employment and Workplace Relations

Secretary
Lisa Paul AO PSM

Dr Andrew Pope
Group Executive Director
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Dr Pope

Performance Audit on the Cross-Agency Coordination of Employment Programs

Thank you for the opportunity to provide comments on the Australian National Audit Office's (ANAO) performance audit of the Cross-Agency Coordination of Employment Programs.

I note that the report acknowledges the challenges of working across government agencies, including harmonising different strategies and business processes to achieve the intended outcomes for government.

The Department's response to the three ANAO recommendations is at [Attachment A](#).

As requested, the Department has provided a response for inclusion in the body of the report and the report brochure at [Attachment B](#).

I would appreciate if you could provide me with a copy of the report that will be tabled as soon as possible and notify me of any changes made to the previously supplied version of the report. This will assist us in briefing Ministers accurately.

If you have any queries regarding the Department's response please contact Mr Michael Quinn on (02) 6121 8338

Yours sincerely

Lisa Paul

4 June 2013



50 Marcus Clarke Street, Canberra ACT 2601
GPO Box 9880, Canberra ACT 2601 | Phone (02) 6121 6000
www.deewr.gov.au | ABN 63 578 775 294

DEEWR Response to the Audit Report on Cross-Agency Coordination of Employment Programs

Recommendation 1

To support departmental managers in the timely escalation and resolution of issues under the BMA, the ANAO recommends that DEEWR and DHS revise the issues resolution framework, establish supporting procedures, and monitor the implementation of the framework.

DEEWR Response: *Agreed*

DEEWR agrees that revising the issues resolution framework and in particular establishing supporting procedures, will support departmental managers in the resolution of issues.

Recommendation 2

To support effective cross-agency collaboration and the alignment of policy and service delivery, the ANAO recommends that DEEWR and DHS implement a systematic process to ensure that the BMA's Protocols, supporting procedures and documents, and Policy Advices are kept up-to-date and accurate.

DEEWR Response: *Agreed*

DEEWR agrees that protocols and policy advices need to be kept up-to-date to ensure effective cross-agency collaboration and the alignment of policy and service delivery. This is already being progressed by Relationship Managers who are actively monitoring agreed work practices.

Recommendation 3

To support effective cross-agency collaboration and coordination in delivering government programs, the ANAO recommends that DEEWR and DHS:

- better align program level risk identification and management processes to mitigate any significant risks; and
- monitor program risks as part of the BMA Program Manager Meetings, and record the outcomes of the risk monitoring.

DEEWR Response: *Agreed*

DEEWR agrees that better aligning program level risk identification and the mitigation of risks will support effective cross-agency collaboration and coordination in delivering government programs. Monitoring program risks will be progressed through the BMA Program Manager meetings.

DEEWR response for inclusion in the Audit Report and Report Summary.

DEEWR acknowledges that it has a key role in working with DHS to develop cross-agency collaboration to support the delivery of employment programs. The ANAO's report acknowledges that while DEEWR and DHS' administration of their respective roles under the partnership arrangements is effective there is scope to further develop cross-agency collaboration.

To support the partnership and the delivery of employment programs, DEEWR recognises that the co-ordination role played by the Relationship Manager is pivotal. The DEEWR Relationship Manager is already taking steps to more actively oversight the implementation of agreed work practices, in monitoring the maintenance of Protocols and Policy Advices and in resolving and escalating issues.



Australian Government
Department of Human Services

Kathryn Campbell CSC
Secretary

Ref: EC13/195

Dr Andrew Pope
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601


Dear Dr Pope

I am writing to you in response to the proposed report on the *Cross-Agency Coordination of Employment Programs* audit. Thank you for the opportunity to comment on the section 19 report.

The Department of Human Services agrees with the recommendations outlined in the report.

Attachment A to this letter details our response to the draft report and its recommendations.

Attachment B outlines some further comments for the attention of the Auditor General. These are not intended as formal comments for publication in the report.

If you would like any further clarification on these comments please contact Ms Vicki Beath, General Manager, Services Strategy and Policy on 02 6155 1867.

Yours sincerely



Kathryn Campbell

28 May 2013

Attachment A

Response to the section 19 report on the *Cross-Agency Coordination of Employment Programs Audit*

Recommendation No.1

To support departmental managers in the timely escalation and resolution of issues under the BMA, the ANAO recommends that DEEWR and DHS revise the issues resolution framework, establish supporting procedures, and monitor the implementation of the framework.

DHS response:

Agree.

The department will work with DEEWR to revise the issues resolution framework and update relevant documentation. The process to improve arrangements has already begun between departments with an aim to utilise the existing governance structures more effectively resulting in more timely reporting to Bilateral Management Committee meetings of significant issues.

Recommendation No.2

To support cross-agency collaboration and the alignment of policy and service delivery, the ANAO recommends that DEEWR and DHS implement a systematic process to ensure that the BMA's Protocols, supporting procedures and documents, and Policy Advices are kept up-to-date and accurate.

DHS response:

Agree.

The review of all documentation under the BMA will be strengthened through the introduction of a standing agenda item at quarterly Program Manager Meetings to review the currency of Policy Advices and record related outcomes and actions in the meeting minutes. Relationship Managers will review the currency of Protocol documents on an annual basis and ensure they are updated within two months of the review. These requirements will be reflected in Terms of Reference documents.

Recommendation No.3

To support effective cross-agency collaboration and coordination in delivering government programs, the ANAO recommends that DEEWR and DHS:

- better align program level risk identification and management processes to mitigate any significant risks; and
- monitor program risks as part of the BMA Program Manager Meetings, and record the outcomes of the risk monitoring.

DHS response:

Agree.

The department has agreed with DEEWR to introduce biannual discussions of joint program risk management at Bilateral Management Committee meetings. The focus through Program Manager Meetings on joint identification, review and management of program risks will be heightened through the addition of this as a regular agenda item. Any identified issues and actions will be recorded in the meeting minutes and escalated if required.

Summary of comments

The Department of Human Services welcomes this report and will continue to work with DEEWR to enhance collaboration on the coordination of the delivery of employment programs.

The Department of Human Services agrees with the recommendations outlined in the report.

Appendix 2: Recommendations from the 2008 ANAO Audit of the BPA between DEEWR and Centrelink

| | |
|--------------|---|
| Rec 1 | <p>To strengthen governance arrangements and information supporting the Business Partnership, the ANAO recommends that DEEWR and Centrelink:</p> <ul style="list-style-type: none"> • clearly define agencies' roles and responsibilities under the BPA, including strategic roles, and the role of the Business Partnership Review Group (BPRG) particularly in establishing and monitoring its sub-committees; • enhance dispute resolution arrangements under the BPA; and • complete the BPA's supporting documents, and implement a systematic process to make sure that the BPA is kept up-to-date and accurate. |
| Rec 2 | <p>To improve DEEWR and Centrelink's accountability of financial management under the BPA, the ANAO recommends that:</p> <ul style="list-style-type: none"> • DEEWR strengthen its monitoring of the status of deliverables outside the scope of the Centrelink Funding Model, particularly New Policy Proposals; • both agencies amend the financial management Protocol to reflect all key aspects of the financial arrangements between DEEWR and Centrelink; • Centrelink, in collaboration with appropriate purchasing agencies, DHS and the Department of Finance and Deregulation, revise the Customer Activity Ratio (CAR) more frequently, to reflect significant changes in policy and procedure for employment services; and • both agencies evaluate the purpose, need, and procedures for developing process maps, taking DEEWR's and Centrelink's perspective into consideration. |
| Rec 3 | <p>DEEWR and Centrelink should work jointly to achieve more transparent and cohesive business assurance and risk management practices under the BPA. In particular by:</p> <ul style="list-style-type: none"> • establishing governance arrangements for business assurance which include suitable monitoring and oversight to ensure timely progression of key business assurance strategies; • updating the Assurance Expectation Matrices (AEMs) to reflect current risks and priorities, and jointly assigning responsibility for risks; and • agreeing a consolidated program of standard management information reports, and designating responsibility for coordinating and disseminating management information. |
| Rec 4 | <p>To strengthen the performance framework and performance reporting under the BPA, DEEWR and Centrelink should work collaboratively to complete and enhance its suite of Key Performance Indicators (KPIs). This process should include:</p> <ul style="list-style-type: none"> • alignment of KPIs to cover all outputs and outcomes relevant to the BPA; • incorporating reciprocal accountability measures or KPIs to measure DEEWR's performance in meeting its agreed responsibilities under the BPA; and • establishing a more strategic, timely and coordinated approach to KPI development, reporting and review. This should include suitable criteria for determining appropriate, measurable KPIs. |

Source: ANAO, Audit Report No.4 2008–09, *The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink*.

Appendix 3: Government Outcomes, Programs and Key Performance Indicators (KPIs) for Employment Programs and Associated Services

| DEEWR Outcome 3: Enhanced employability and acquisition of labour market skills and knowledge and participation in society through direct financial support and funding of employment training services. | | | | DHS Outcome 1: Support individuals, families and communities to achieve greater self-sufficiency; through the delivery of policy advice and high quality accessible social, health and child support services and other payments; and support providers and businesses through convenient and efficient service delivery. |
|---|---|--|--|---|
| Program 3.1 Employment Services | Program 3.2 Indigenous Employment | Program 3.3 Disability Employment Services | Program 3.5 Working Age Payments | Program 1.1 Services to the Community |
| <p>KPIs:</p> <ol style="list-style-type: none"> 1. Cost per employment outcome for Employment Services delivered by Job Services Australia: - Stream: 1 to 3; and 4. 2. Proportion of job seekers in employment three months following participation in Employment Services: - Stream: 1; 2; 3; and 4. 3. Proportion of job seekers in education/training three months following participation in Employment Services: - Stream: 1; 2; 3; and 4. 4. Proportion of job seekers off benefit three months following participation in Employment Services: - Stream: 1; 2; 3; and 4. 5. Proportion of job seekers off benefit 12 months following participation in Employment Services: - Stream: 1; 2; 3 and 4. | <p>KPI:</p> <ol style="list-style-type: none"> 1. Proportion of job seekers in employment and/or education/training (positive outcomes) three months following participation in Indigenous Employment Program. | <p>KPI:</p> <ol style="list-style-type: none"> 1. Proportion of job seekers in employment three months following participation in Employment Services: - Disability Management Service; and - Employment Support Service. | <p>KPIs:</p> <ol style="list-style-type: none"> 1. Average (mean) duration on income support by current income support payment (weeks): - Newstart Allowance; - Youth Allowance (Other); and - Parenting Payment Single. 2. Percentage of income support recipients who exit income support within three months of grant: - Newstart Allowance; and - Youth Allowance (Other). 3. Percentage of income support recipients who exit income support within 12 months of grant: - Newstart Allowance; and - Youth Allowance (Other). | <p>KPIs</p> <ol style="list-style-type: none"> 1. Minister is satisfied with the quality, relevance and timeliness of ministerial briefing, correspondence and other departmental advice. 2. Achievement of customer satisfaction standards. 3. Achievement of payment quality standards. 4. Key initiatives delivered within timeframes and on budget and outcomes are achieved. 5. Effective working arrangements with other government departments are in place which support the department's contribution to policy development through service delivery policy advice. 6. Support economic and social participation of Indigenous Australians through the timely delivery of appropriate departmental payments and services. 7. CRS Australia to maximise workforce participation rates for government at or above the market average for job seekers that remain in employment for 13 weeks . 8. Increase in the proportion of self-managed transactions and electronic interactions. 9. Achievement of face-to-face, call and processing service level standards. 10. Achievement of payment integrity standards. |

Source: EEWR PBS 2012–13 and Human Services PBS 2012–13.

Note: Program 3.4 Remote Jobs and Communities Program did not have KPIs in the 2012–13 EEWR PBS.

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