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Performance Audit

## **Centrelink's Review and Appeals System**

Australian National Audit Office

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of Australia 2005

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Canberra ACT  
9 March 2005

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in Centrelink in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament. The report is titled *Centrelink's Review and Appeals System*.

Following its tabling in Parliament, 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 'P. J. Barrett', is positioned below the text 'Yours sincerely'.

P. J. Barrett  
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. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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# Foreword

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This report on Centrelink's review and appeals system is one in a series of reports that examine Centrelink's customer<sup>1</sup> feedback systems. The other reports in the series cover Centrelink's: Customer Charter and community consultation program; customer satisfaction surveys; complaints handling system; and Value Creation program. There is also a summary report that brings together the findings and recommendations of each of the reports, and provides an overall audit opinion in respect of Centrelink's customer feedback systems.<sup>2</sup>

Centrelink's prime responsibility is to deliver the Government's social policy agenda, which, until October 2004, occurred mainly as part of its Business Partnership Agreement (BPA) with the Department of Family and Community Services (FaCS).<sup>3</sup> The agency also provides many other services and, in 2003–04, delivered products and services on behalf of 25 Commonwealth and State client agencies, involving total annual expenditure of approximately \$60 billion. Centrelink has over 25 000 staff and delivers services through a network of 15 Area Support Offices, 321 Customer Service Centres and 26 Call Centres located across Australia.

In 2003–04, Centrelink delivered services to 6.5 million customers, or approximately one-third of the Australian population. Customers include retired people, families, sole parents, people looking for work, people with disabilities, carers, Indigenous Australians<sup>4</sup> and people from diverse cultural and linguistic backgrounds (DCALB).<sup>5</sup> Revenues to Centrelink for the sale of its services totalled \$2.2 billion in 2003–04. FaCS contributed \$2.0 billion of this total.

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<sup>1</sup> Customer is a term used by Centrelink throughout the organisation and in its dealings with, predominately, citizens. As such, this and related reports have similarly used the terminology.

<sup>2</sup> ANAO Audit Report No.31 2004–05, *Centrelink's Customer Feedback Systems—Summary Report*.

<sup>3</sup> On 22 October 2004, the Prime Minister announced machinery of government changes affecting, among other things, the administration of policy relating to income support payments and related programs. Previously, Centrelink was located in the FaCS Portfolio and, while it had agreements in place with other agencies such as Department of Employment and Workplace Relations (DEWR) and the Department of Education Science and Training (DEST) for the delivery of some services, the overwhelming bulk of Centrelink's activities related to its delivery of services on behalf of FaCS. As a result of the changes announced by the Prime Minister, Centrelink is now part of the newly established Department of Human Services Portfolio. In addition, DEWR now has policy responsibility for the delivery of working age income support payments (including Newstart, Parenting Payment (partnered and single), Youth Allowance for non-students, Disability Support Pension and Mature Age Allowance) and DEST has policy responsibility for income support payments for students (including Youth Allowance for students which had previously been administered by FaCS).

<sup>4</sup> 'Indigenous Australian' in this report means Aboriginal and Torres Strait Islander peoples.

<sup>5</sup> DCALB is a term used by Centrelink to describe people of diverse cultural and linguistic background, other than Indigenous Australians.

The high number of customers, their reliance on Centrelink payments, and the \$2.2 billion service delivery costs, coupled with the \$60 billion in customer payments, require an assurance to the Parliament, client agencies, customers and the community, inter alia, that Centrelink's service delivery processes are readily accessible, timely and reliable. In addition, that assurance should encompass Centrelink obtaining and valuing the views of its customers, as well as using this information and other data sources to identify areas for improvement and cost savings.

The ANAO has previously conducted an extensive series of audits involving Centrelink. These audits have primarily investigated the efficiency and effectiveness of the payment and administration of various types of social security payments. The ANAO has not previously examined Centrelink's processes for promoting customers' rights, nor its systems for obtaining and responding to customer feedback.

Customer feedback systems are an important element in obtaining, analysing and reporting on customer views and experiences. The use of such information has the potential to improve an organisation's service delivery, and consequently increase customers' willingness to engage with the organisation. Using customer feedback may also assist in the identification of systemic problems with agency practices and procedures, which could result in cost savings from the development of better processes.

Centrelink, with over six million customers, has invested significant resources in a range of customer feedback systems, and gathers large amounts of information regarding customer experience. While Centrelink provides services to almost a third of the Australian population covering people from all walks of life, a number of its customers are the most vulnerable in our society, and are those who have a heavy dependence on Centrelink. Ensuring that these customers are aware of, and use, Centrelink's feedback systems is an added challenge for the organisation.

This series of reports examines Centrelink's major customer feedback systems, and makes a number of recommendations on ways to improve the systems to better obtain and utilise the allied information, with a view to capturing better the potential for service improvement and cost savings, resulting in more efficient and effective program outputs and outcomes.



**P. J. Barrett**  
Auditor-General

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# Abbreviations

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AAT	Administrative Appeals Tribunal
ANAO	Australian National Audit Office
ASO	Area Support Office
ARO	Authorised Review Officer
BPA	<i>FaCS–Centrelink Business Partnership Agreement 2001–2004</i>
CEO	Chief Executive Officer
CSC	Customer Service Centre
CSO	Customer Service Officer
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
FaCS	Department of Family and Community Services
FAA Act	<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>
KPI	Key Performance Indicator
NSO	National Support Office
ODM	Original Decision Maker
SRT	Service Recovery Team
SSA Act	<i>Social Security (Administration) Act 1999</i>
SSAT	Social Security Appeals Tribunal
VCW	Value Creation Workshop



# Glossary

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APL system	The APL system is a computer database used by Centrelink to record customers' appeals at the ODM, ARO and SSAT levels.
Appeal	A review, requested by the customer, of a decision made by a Centrelink officer.
Appeal fatigue	'Appeal fatigue' may occur when a customer finds that it is difficult and time consuming to take an issue through from the ODM reconsideration to a number of possible levels, including ARO, SSAT and beyond.
Authorised Review Officer	A Centrelink Officer responsible for reviewing a decision at the request of the customer.
Original Decision Maker	The CSO who made the original decision regarding a customer's payment or circumstances.
ODM reconsideration	The first stage of the review and appeals process where the Original Decision Maker reassesses his/her decision, and decides whether to revise the decision.
Value Creation Workshop	VCWs are structured and facilitated focus groups that involve both the customers of the services delivered by Centrelink and the providers of these services (that is relevant Centrelink staff). The workshops are intended to allow customers to provide direct feedback to Centrelink and its staff regarding the services that they receive.



# Summary and Recommendations



# Summary

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## Background

1. In 2003–04, Centrelink delivered services to 6.5 million customers, or approximately one-third of the Australian population. A number of these customers are the most vulnerable<sup>6</sup> in our society, and are those who have a heavy dependence on Centrelink.
2. Centrelink has recognised the importance of regularly seeking feedback from its large customer base on the quality of the services provided by the agency's extensive customer service network. Consequently, Centrelink has a number of processes in place from which to obtain customer feedback. Some of these are Centrelink initiated, such as customer surveys; others are customer initiated, such as complaints and use of the review and appeals system.
3. With some six million customers, Centrelink will make many millions of decisions in a year, ranging from processing fortnightly income statements to undertaking complex pension assessments (though many decisions are computer generated). However, many Centrelink customers are dependent on the payments they receive from Centrelink, and an incorrect decision may have severe economic and other impacts on them. Therefore, it is important that customers have access to a method for having decisions reviewed which they feel are incorrect. To this end, a review and appeals process is enshrined in the Social Security Law.
4. Part 4 of the *Social Security (Administration) Act 1999* covers the Review of Decisions, and prescribes internal review processes, and the processes for external reviews by the Social Security Appeals Tribunal (SSAT) and the Administrative Appeals Tribunal (AAT). The *A New Tax System (Family Assistance) (Administration) Act 1999* also has provisions for review of decisions.
5. Centrelink's internal review processes are the Original Decision Maker (ODM) reconsideration, followed by the Authorised Review Officer (ARO) review. This report focuses on these processes.
6. While Centrelink officers make many millions of decisions a year, the numbers of decisions for which customers request a review are relatively few, but significant. The available information on the number of ODM reconsiderations suggests that a minimum of 109 000 reconsiderations were undertaken in 2002–03, flowing on to 39 383 ARO reviews.

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<sup>6</sup> Vulnerable customers may include those customers who: are homeless; have a drug or alcohol dependency; have low levels of literacy or numeracy; have a mental health condition; are Indigenous; and/or come from a diverse cultural and linguistic background.

7. Access to the review and appeals system is a central right of Centrelink's customers. The system is a method of assuring stakeholders and the community that customers receive their correct entitlements and that their rights are observed. However, the appeals system does not just provide the opportunity for mistakes in individual cases to be remedied, it also generates information that could inform broader process improvement for both administration and service delivery, and alerts both Centrelink and the responsible policy departments to problems with the interpretation of legislation.

## Audit approach

8. The primary objective of this audit was to examine the effectiveness, efficiency and economy of the review and appeals system as a tool for Centrelink to gather, measure, report and respond effectively to customer feedback, and the extent to which Centrelink uses the data obtained to improve service delivery. The focus of the audit was on the internal review processes undertaken by the ODM and ARO. Accordingly, the ANAO examined:

- the legislative bases for the processes;
- customer awareness of the processes;
- the transparency of the processes;
- monitoring and reporting; and
- cost and quality issues.

9. The ANAO also briefly examined the role of Centrelink Advocates.

## Key findings

### Original Decision Maker Reconsideration (Chapter 2)

#### Overview

10. The *Social Security (Administration) Act 1999* (SSA Act) allows a person affected by a decision of a Centrelink officer to apply to the Secretary of the Department of Family and Community Services (FaCS) for review of the decision.<sup>7</sup> If a person applies for review of a decision, the Secretary, the CEO or an ARO must review the decision.<sup>8</sup> However, in practice, Centrelink policy includes another step in the process prior to the ARO review. This is the

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<sup>7</sup> *Social Security (Administration) Act 1999*, section 129.

<sup>8</sup> *Social Security (Administration) Act 1999*, section 135 (1).

Original Decision Maker (ODM) reconsideration step, where the Customer Service Officer (CSO) who originally made the decision reviews the case.

### *Awareness of the ODM reconsideration process*

11. Stakeholders to whom the ANAO spoke during fieldwork for this audit<sup>9</sup> commented that customers were not commonly aware of the appeal process in general, the ODM reconsideration process specifically, or were confused regarding the difference between an ODM reconsideration and an ARO review.

12. Centrelink does not systematically collect information regarding customer awareness of the ODM reconsideration process. Information on this issue is not sought through either Centrelink's various customer surveys or other sources, such as Value Creation Workshops.

13. Given the ODM reconsideration process is the first step in Centrelink's internal review system, and the most common review undertaken, it is important that customers are aware that the process occurs and of the difference between an ODM reconsideration and an ARO review. Collecting information on customer awareness of the ODM reconsideration process is one step in meeting this requirement.

### *Disincentive effect*

14. The ANAO notes that, for effective access to administrative review, customers not only need to be aware of review processes available to them, they also need to be reassured that they will not suffer any adverse consequences for appealing and that the appeals process will not be overly onerous or time consuming; that is, experiencing so called 'appeal fatigue'.

15. During this series of audits of Centrelink's feedback systems, fear of retribution was an issue repeatedly raised with the ANAO by stakeholders, not only in relation to the review and appeals system but also in relation to a number of other feedback systems, such as the complaints handling system and the satisfaction surveys. Stakeholders indicated that many of their clients, particularly those from vulnerable groups, would be unlikely to appeal a decision due to their fear that Centrelink may discriminate against them in the future.

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<sup>9</sup> The ANAO interviewed 28 stakeholder organisations, including advocacy groups, peak bodies representing various customer groups (ranging from the aged to the homeless), and organisations that provide services directly to customers (including assisting customers in their dealings with Centrelink). Accordingly, the stakeholder groups interviewed varied from national peak bodies with substantial resources and high level access to Centrelink through to customer advocates and groups that provide assistance to Centrelink's most vulnerable customers. The results of these interviews have been used to inform the findings of all of the audits in the Centrelink Customer Feedback Systems series.

### *Transparency to the customer*

16. The ANAO found that the ODM reconsideration process is not transparent to customers and that customers are confused regarding the difference between ODM and ARO reviews. Customers may not be aware of their right under the Social Security Law to go directly to an ARO for a review, and Centrelink practices mean that this right may not be discussed explicitly with the customer.

17. During fieldwork for this audit, both Centrelink staff and stakeholders interviewed by the ANAO advised that, when a customer asks for a review, the common practice is to ask the customer to fill in a form (Form SS351). This form is used for both ODM reconsiderations and ARO reviews. This creates confusion for customers as the form is entitled *I want to ask for a review of a decision by an Authorised Review Officer* (Form SS351).

18. Despite the advice set out in the form, it is not the case that, having completed this form, a customer's request for a review by an ARO is directly referred to an ARO for action. Also, nowhere on the form does it say that it is also used to obtain an ODM reconsideration or that it is Centrelink policy that a customer's request for review be first referred to the ODM, prior to any review by an ARO, even if the customer has specifically requested an ARO review.

19. It is important that customers are informed of their rights, and that it is clear to them what process they are agreeing to and who will be conducting any review they have requested. This clarity is especially important for Centrelink's most vulnerable customers.

### *Monitoring*

20. Given that Centrelink has introduced the ODM reconsideration process, it is important that it is monitored for efficiency and effectiveness, particularly given the potentially large number of reconsiderations and the associated cost. Monitoring of the number, type and location of ODM reconsiderations is important because it would allow Centrelink to identify systemic issues, and to identify areas for process improvement. This information is also the first available relating to the customers' concerns with decisions.

21. While monitoring of the ODM reconsideration process is important, Centrelink is currently unable to undertake such monitoring effectively, as ODM reconsiderations data are incomplete and not comprehensive. Without sufficient data, proper analysis is not possible and a valuable opportunity, for the identification of process improvements and potential cost savings, is lost.



22. The major source of ODM reconsideration data is from Centrelink's APL system.<sup>10</sup> However, during fieldwork, Centrelink officers in the Service Recovery Team (SRT)<sup>11</sup> of National Support Office (NSO) advised the ANAO that the ODM data on the APL system were not reliable. They said this was because recording of ODM reconsiderations on APL system was not mandatory, and therefore not all ODM reconsiderations were entered into the system.

### *Reporting*

23. Data on ODM reconsiderations are not reported in the Centrelink annual report, the data were not requested by FaCS under the *Business Partnership Agreement, 2001–2004* (in place at the time of audit fieldwork), nor are the data included in Centrelink's internal reporting systems, such as the Balanced Scorecard. While ODM data were included in the internal *National Review and Appeals Statistics 2002/2003 Financial Year Report*, and some discussion of issues was also included, the under-reporting of ODM reconsiderations means that the data should be used with caution.

### *Cost and quality*

24. During fieldwork, the ANAO interviewed Centrelink officers from NSO, Areas and Customer Service Centres (CSCs)<sup>12</sup> regarding the ODM reconsideration process. When asked about the cost of the ODM reconsideration process, Centrelink officers stated that both the overall cost of the process and the average cost of an ODM reconsideration was unknown. This is not surprising given that the number of ODM reconsiderations is also unknown.

25. Given the cost of the ODM reconsideration process is unknown, the cost efficiency of the process cannot be assessed. Also, without information on the cost of the process, better practice leading to cost savings cannot be identified.

26. Centrelink does not monitor the timeliness or quality of ODM reconsiderations. Centrelink also does not monitor whether, following a customer's request for an ODM reconsideration, the request is recorded and subsequently completed. This leaves open the possibility that a customer's request will be ignored, unless the customer follows up on the outcome.

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<sup>10</sup> The APL system is a computer database used by Centrelink to record customers' appeals at the ODM, ARO and SSAT levels.

<sup>11</sup> The Service Recovery Team has national responsibility for service recovery activities including review and appeals and complaints.

<sup>12</sup> The ANAO conducted interviews with Centrelink managers, key National Support Office staff and staff in Area Support Offices and Customer Service Centres in six of the 15 Areas. These Areas are located in New South Wales, Victoria and the Australian Capital Territory.

Generally, the identification of problems with the quality of the ODM reconsideration relies on the customer escalating their request to an ARO.

### **Authorised Review Officer Review (Chapter 3)**

#### *Overview*

27. The ARO review is the first step in the legislated appeals process. There are around 180 AROs in the Centrelink network. AROs are experienced officers who are not involved in the original decision making process. This removal from the original decision is important as it allows the ARO to provide a more independent review of a decision, when a customer requests such a review.

#### *Awareness of the ARO review*

28. Appealing a decision is a critical right of the customer under Social Security Law. Making customers aware of the appeals process is the first step in ensuring that customers are empowered to exercise their right to appeal, should they consider that a Centrelink decision is incorrect.

29. The only data on customers' awareness of the appeals process is a question included in Centrelink's annual National Satisfaction Survey. This question asks whether 'Centrelink staff have explained to you how to get a decision reviewed or to make an appeal'. Only 52 per cent of respondents agreed that staff had explained this to them, and this was identified as a weak area in the survey report. However, no further information was elicited to find out the reasons why such a low number of respondents agreed with the statement.

30. Without data, Centrelink cannot determine whether awareness of appeal rights, or satisfaction with the appeals process, has increased over time, overall or for different categories of customers.

31. There is a view amongst the stakeholders interviewed by the ANAO that there is a disincentive effect for customers to pursue a review, particularly beyond the ODM reconsideration stage. The ANAO considers that it is, therefore, important that Centrelink examine this disincentive effect, as well as undertaking work to determine whether customers are aware of their appeal rights.

#### *Monitoring and reporting*

32. Centrelink reports on the ARO process in its annual report, and in reports to FaCS under the *FaCS/Centrelink Business Partnership Agreement, 2001–*

2004 (BPA).<sup>13</sup> Centrelink produces internal reports that provide information at the Area level, and performance information reports at the CSC level can also be generated. Timeliness is the major focus of monitoring and reporting in all these reports. Secondary reporting is related to the outcome of the appeal. There is little qualitative analysis in these reports. Appeals information is not explicitly included in Centrelink's Balanced Scorecard.

33. The BPA sets out reporting requirements related to appeals data. This data focused on numbers and timeliness information. Under the BPA, FaCS did not specifically require information that provided analysis and identification of systemic issues, and possible causes and appropriate remedial actions. Under the BPA, FaCS could request information relating to the accessibility of the review and appeals system, and cost and quality information. This information would be valuable to assess the effectiveness and efficiency of the appeals system. However, FaCS advised the ANAO that it had never requested this information.

34. Any future requests from FaCS, and now<sup>14</sup> the Departments of Employment and Workplace Relations (DEWR) and Education, Science and Training (DEST), for this type of information would require Centrelink to develop systems to collect the appropriate data, and analysis of such data has the potential to achieve improvements in the areas of accessibility, cost and quality.

### *Cost*

35. The ANAO was informed that AROs are funded at the Area level, and the Areas determine the number of ARO positions they will fund from available resources. The SRT has an advisory role in the ARO process, but has no control over the number of AROs in each Area. The SRT advised that it has no information on the cost of funding ARO positions, nor any information on

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<sup>13</sup> ANAO's fieldwork for this audit was conducted between October 2003 and July 2004. Up until 1 July 2004, the relationship between FaCS and Centrelink was governed by the *Business Partnership Agreement, 2001–2004* (BPA). A new agreement came into force between the agencies from 1 July 2004, the *FaCS/Centrelink Business Alliance Agreement 2004 to 2008*. ANAO's analysis in this audit report chiefly relates to the 2001–2004 BPA.

<sup>14</sup> On 22 October 2004, the Prime Minister announced machinery of government changes affecting, among other things, the administration of policy relating to income support payments and related programs. Previously, Centrelink was located in the FaCS Portfolio and, while it had agreements in place with other agencies such as Department of Employment and Workplace Relations (DEWR) and the Department of Education Science and Training (DEST) for the delivery of some services, the overwhelming bulk of Centrelink's activities related to its delivery of services on behalf of FaCS. As a result of the changes announced by the Prime Minister, Centrelink is now part of the newly established Department of Human Services Portfolio. In addition, DEWR now has policy responsibility for the delivery of working age income support payments (including Newstart, Parenting Payment (partnered and single), Youth Allowance for non-students, Disability Support Pension and Mature Age Allowance) and DEST has policy responsibility for income support payments for students (including Youth Allowance for students which had previously been administered by FaCS).

the cost of ARO decisions, although it had a 'guesstimate' of \$12 million a year (based on 1997 data). While the Areas know the cost of funding ARO positions in their Area, they advised that they do not know the cost of ARO decisions.

36. Given the significant cost of the ARO process (even at the potential underestimate of \$12 million per annum), and the concomitant potential for cost savings, Centrelink would benefit from a better understanding of the cost to the agency of the review and appeals system.

37. The ANAO cannot assess the cost efficiency of the system as the total cost of the appeals system is unknown. Also, without information on the cost of the system, Centrelink is hampered in identifying efficiencies or better practices which may lead to cost savings.

### *Quality*

#### SSAT reviews

38. The ANAO found that there are problems with the monitoring of the quality of ARO decisions. There is a reliance on customers escalating a review to the SSAT to trigger an assessment of quality. While a quality assurance form for peer checking has been developed, and the 2002 national ARO conference agreed to its implementation by July 2003, only one of the six Areas visited by the ANAO during fieldwork had implemented peer checking.

39. The customers who escalate their cases to the SSAT may not be representative of all Centrelink customers. Various stakeholders and Centrelink officers advised the ANAO that vulnerable customers were less likely to appeal in general, and also less likely to proceed to the SSAT having had the original decision affirmed by the ARO. Therefore, using the SSAT review as the sole quality check for ARO reviews may introduce some bias in terms of the information produced and how it is used.

#### ARO training

40. The ANAO found during fieldwork that there was no process for the accreditation of AROs, or any monitoring of the currency of ARO skills. The ANAO considers that the minimum requirement for assurance of the expertise of AROs across Centrelink's network would involve the delivery of a mandated national training package, that all AROs undertake, and that this participation is monitored and recorded. Centrelink advised the ANAO in November 2004 that work is progressing on accredited learning and skilling of AROs.

#### Promotion of quality decision making

41. Centrelink has identified the promotion of quality decision making as one of the roles to be undertaken by AROs. The SRT has no role in monitoring the promotion aspects of the ARO role. Consequently, no national information

is collected on how AROs carry out this role. Accordingly, Centrelink does not have any mechanism in place to monitor the effectiveness and efficiency of how this role is being carried out by AROs across the network, which limits the capacity to identify any better practices in the conduct of the promotion aspects of the ARO role.

#### Identifying and promulgating better practice

42. The ARO Team Room<sup>15</sup> was identified by the AROs, interviewed by the ANAO, as a major way of sharing information and better practice across the ARO network. However, the SRT advised the ANAO that it estimated that only 12 AROs regularly contribute to discussions, out of the 180 AROs nationally. This limits the usefulness of the Team Room as a method for identifying and promulgating best practice.

43. The ANAO found that the SRT has limited ability to mandate Area practices in relation to the review and appeals system. This finding was reinforced by Centrelink's 2004 internal audit of *Appeal Seekers' Experience* which found that:

there was no formal ability within the SRT to harvest best/better practice nor develop standard processes, practices and procedures for promulgation to a compliant national community of AROs. There was evidence that this had been achieved ad hoc, but not to a level where there had necessarily been Network-wide acceptance of all technical controls.<sup>16</sup>

44. It is important that systems are in place to allow for national consistency in the appeals process, and the identification and promulgation of better practice across the Centrelink network.

### **Centrelink Advocates (Chapter 4)**

45. The primary role of Centrelink Advocates is to identify SSAT decisions to be appealed to the AAT, and to represent Centrelink and FaCS in AAT matters. During ANAO fieldwork, Centrelink Advocates were identified as providing a quality check for ARO decisions.

46. The Advocate role is complex, given the specialist role and the level of representation required. Given this complexity, and the importance of the Advocate role in providing quality assurance to ARO decisions, assurance as to the expertise of Advocates is needed, as well as assurance that there is national consistency in the conduct of the Advocate process.

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<sup>15</sup> The ARO Team Room is an online chat room on the Centrelink intranet, which AROs can log into, and find out about, changes in legislation and other policy information, and also contribute to discussions.

<sup>16</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, February 2004, p. 15.

47. However, the Centrelink internal audit of *Appeal Seekers' Experience* found that quality and consistency of individual Advocates was discernible by the AAT<sup>17</sup>, and recommended the accreditation of Advocates. The SRT agreed, indicating steps are in train.<sup>18</sup>

## Overall audit conclusion

48. Many Centrelink customers are dependent on the payments they receive from Centrelink, and an incorrect decision may have severe economic and other impacts on them. Therefore, it is important that customers have access to a method for having decisions reviewed which they feel are incorrect. To this end, Centrelink has an extensive internal review and appeals system, which is mature and underpinned by legislation. Centrelink makes many millions of decisions in a year. However, the numbers of decisions for which customers request a review are relatively few, but significant.

49. The ANAO concluded that, while Centrelink's review and appeals system is extensive and well established, there are opportunities to improve the effectiveness, efficiency and economy of the system through improvements to Centrelink's methods for gathering, measuring, reporting and responding to requests for ODM reconsiderations and ARO reviews. Such improvements would make the system more transparent and accessible to customers, and provide more accurate review and appeals information to assist Centrelink to enhance service delivery.

## Recommendations

50. The ANAO made 10 recommendations to improve Centrelink's review and appeals system.

## Agency response

51. The CEO of Centrelink advised the ANAO on 7 February 2005 that he welcomed the report and agreed with all the recommendations. No additional comments were provided for attachment to the report.

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<sup>17</sup> *ibid.*, p. 6.

<sup>18</sup> *ibid.*, pp. 28–29.

# Recommendations

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**Recommendation No.1**  
**Para. 2.16**

The ANAO recommends that Centrelink monitor and report on customer awareness of, and satisfaction with, the ODM reconsideration process.

*Centrelink response:* Agree.

**Recommendation No.2**  
**Para. 2.28**

The ANAO recommends that Centrelink develop a separate form for customers to request an ODM review, which records the customer's agreement not to proceed directly to an ARO review.

*Centrelink response:* Agree.

**Recommendation No.3**  
**Para. 2.62**

The ANAO recommends that Centrelink explicitly inform customers, who request a review, that they are not obliged to agree to an ODM review but have a legislative right to go directly to an ARO.

*Centrelink response:* Agree.

**Recommendation No.4**  
**Para. 2.98**

The ANAO recommends that Centrelink:

- (a) require staff to record all ODM reconsiderations on the APL system; and
- (b) include in relevant Centrelink internal reports information gathered through monitoring and reporting of ODM reconsiderations.

*Centrelink response:* Agree.

**Recommendation No.5**  
**Para. 2.116**

The ANAO recommends that Centrelink develop and implement quality control processes for ODM reconsiderations.

*Centrelink response:* Agree.

**Recommendation No.6  
Para. 3.30** The ANAO recommends that Centrelink monitor and report on customer awareness of their appeal rights and satisfaction with the appeals process, including any disincentive effects.

*Centrelink response:* Agree.

**Recommendation No.7  
Para. 3.53** The ANAO recommends that Centrelink develop, in consultation with DEWR, FaCS and DEST, performance indicators for the quality and cost of the appeals system.

*Centrelink response:* Agree.

**Recommendation No.8  
Para. 3.91** The ANAO recommends that Centrelink mandate and implement quality assurance processes for ARO decisions across the Centrelink network.

*Centrelink response:* Agree.

**Recommendation No.9  
Para. 3.108** The ANAO recommends that Centrelink develop and implement a process for the accreditation of AROs, and monitor delivery of the training package and AROs' participation.

*Centrelink response:* Agree.

**Recommendation No.10  
Para. 3.130** The ANAO recommends that Centrelink develop and implement national systems for the identification of better practice in ARO reviews and its timely distribution across the Centrelink network.

*Centrelink response:* Agree.



# **Audit Findings and Conclusions**



# 1. Introduction

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*This chapter outlines the background to the audit, including its role in the series of ANAO performance audits of Centrelink's feedback systems; describes the audit approach; and sets out the report structure.*

## Background

**1.1** In 2003–04, Centrelink delivered services to 6.5 million customers, or approximately one-third of the Australian population. Customers include retired people, families, sole parents, people looking for work, people with disabilities, carers, Indigenous Australians<sup>19</sup> and people from diverse cultural and linguistic backgrounds (DCALB).<sup>20</sup> A number of these customers are the most vulnerable<sup>21</sup> in our society, and are those who have a heavy dependence on Centrelink.

**1.2** Centrelink has recognised the importance of regularly seeking feedback from its large customer base on the quality of the services provided by the agency's extensive customer service network. To this end, Centrelink has a number of processes in place from which to obtain customer feedback. Some of these are Centrelink initiated, such as customer surveys, others are customer initiated, such as complaints and use of the review and appeals system.

**1.3** With some six million customers, Centrelink will make many millions of decisions in a year, ranging from processing fortnightly income statements to undertaking complex pension assessments (though many decisions are computer generated). However, many Centrelink customers are dependent on the payments they receive from Centrelink, and an incorrect decision may have severe economic and other impacts on them. Therefore it is important that customers have access to a method for having decisions reviewed which they feel are incorrect. To this end, a review and appeals process is enshrined in the Social Security Law.

**1.4** Part 4 of the *Social Security (Administration) Act 1999* covers the Review of Decisions, and prescribes internal review processes, and the processes for external reviews by the Social Security Appeals Tribunal (SSAT) and the Administrative Appeals Tribunal (AAT). The *A New Tax System (Family Assistance) (Administration) Act 1999* also has provisions for review of decisions.

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<sup>19</sup> 'Indigenous Australian' in this report means Aboriginal and Torres Strait Islander peoples.

<sup>20</sup> DCALB is a term used by Centrelink to describe people of diverse cultural and linguistic background, other than Indigenous Australians.

<sup>21</sup> Vulnerable customers may include those customers who: are homeless; have a drug or alcohol dependency; have low levels of literacy or numeracy; have a mental health condition; are Indigenous; and/or come from a diverse cultural and linguistic background.

**1.5** Centrelink's internal review processes are the Original Decision Maker (ODM) reconsideration, followed by the Authorised Review Officer (ARO) review.

**1.6** Access to the review and appeals process is a central right of Centrelink's customers. The process is a method of assuring stakeholders and the community that customers receive their correct entitlements and that their rights are observed. Given that Centrelink's customers include very specialised and vulnerable groups, there is an added pressure on the organisation to effectively educate its customers about their rights.

## **Reasons for appeals**

**1.7** An extreme outcome of an incorrect decision is that a customer may not receive a payment to which they are entitled. For those receiving a payment, an incorrect decision may lead to either a debt or an underpayment.

**1.8** In 2003, Centrelink corrected 812 819 overpayments and 613 973 underpayments.<sup>22</sup> Of course, some overpayments/underpayments arise because customers have not, as they are required to under the Social Security Law, reported changes in their circumstances to Centrelink within the required timeframe.

**1.9** However, overpayments/underpayments can also occur when customers have complied with their reporting obligations. Sometimes this is because information supplied has not been properly recorded or actioned. In other cases it happens because Centrelink makes an incorrect decision. In these circumstances, it is important that customers have the ability to have Centrelink decisions reviewed where they consider that there is a problem.

**1.10** While appeals relating to debts accounted for 47 per cent of cases undertaken by Authorised Review Officers in 2002–03,<sup>23</sup> there are also many other classes of Centrelink decisions that customers may wish to appeal apart from debts. Common examples include decisions that a customer has breached the activity test<sup>24</sup>, medical decisions relating to eligibility for disability support pension and decisions relating to the calculation of the period of time a customer is precluded from receiving a social security payment because they have received a compensation payment.

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<sup>22</sup> The Allen Consulting Group, *FaCS and Centrelink: Compliance Review*, January 2004, p. 51.

<sup>23</sup> Centrelink, *National Review and Appeals statistics for the 2002–2003 financial year*.

<sup>24</sup> Breaches of the Activity Test include: refusal or failure to provide evidence of job search activities when requested; refusal or failure to attend a job interview without sufficient reason; refusal or failure to correctly declare earnings from employment; becoming unemployed voluntarily without sufficient reason; becoming unemployed due to misconduct; and refusal or failure to accept suitable job offers without sufficient reason.

## Impact of the review and appeals system

**1.11** While Centrelink officers make many millions of decisions a year, the numbers of decisions for which customers request a review are relatively few, but significant. The available information on the number of ODM reconsiderations suggests that a minimum of 109 000 reconsiderations were undertaken in 2002–03, flowing on to 39 383 ARO reviews.<sup>25</sup>

**1.12** The appeals system does not just provide the opportunity for mistakes in individual cases to be remedied, it also generates information that could inform broader process improvement for both administration and service delivery, and alerts both Centrelink and the responsible policy departments to problems with the interpretation of legislation.

**1.13** While Centrelink has detailed processes for identifying incorrect payments, the review system is an important plank in these processes and is one of the most timely in terms of identifying a potential problem.

**1.14** However, the review and appeals process represents a cost to customers, Centrelink and to the external appeal bodies. For customers, this could be both a time and monetary cost, and potentially a cost in terms of the personal stress of pursuing a review. For Centrelink there is an opportunity cost in the time taken by Centrelink officers to respond to the request for review and in re-work required, where incorrect decisions have been made. Centrelink guidance notes that a significant amount of all Centrelink work is re-work—doing the same work over to correct it.<sup>26</sup>

**1.15** Accordingly, it is important that the need for customers to have recourse to the successive levels of internal and external review is minimised by Centrelink.

**1.16** The importance of the review and appeals system is recognised by Centrelink. Centrelink advised the ANAO that, given the importance of the appeals system, and in the spirit of continuous improvement, the Service Recovery Team (SRT) from National Service Office (NSO) requested that Centrelink's internal audit area conduct an audit of *Appeal Seekers' Experience*. The appeals system had not previously been an internal audit topic. The audit was undertaken during 2003 and a report provided in February 2004. The ANAO has had regard to the findings and recommendations of this internal audit report in the course of this audit.

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<sup>25</sup> The quality of the ODM data is discussed further in Chapter 2 in the section on ODM monitoring and reporting.

<sup>26</sup> Centrelink Virtual College, *Decision-Making: Making a Decision, Facilitators Guide: Comprehensive (Draft)*, p. 7.

## Audit approach

**1.17** Until the machinery of government changes following the October 2004 Federal Election,<sup>27</sup> Centrelink's delivery of services on behalf of the Department of Family and Community Services (FaCS) constituted the overwhelming bulk of Centrelink's activities.<sup>28</sup> As indicated in the foreword to this audit report, given the importance of customer feedback to Centrelink's business, the ANAO considered it timely to conduct a series of performance audits relating to Centrelink's customer feedback systems, particularly in relation to its delivery of the services then provided on behalf of FaCS.

**1.18** The overarching objective of this series of ANAO performance audits of Centrelink's customer feedback systems was to assess whether Centrelink has effective processes and systems for gathering, measuring, reporting and responding effectively to customer feedback, including in relation to customer satisfaction with Centrelink services and processes. More detail about this is included in the foreword to this report and in the overarching report, ANAO Audit Report No.31 2004–05, *Centrelink's Customer Feedback Systems—Summary Report*.

**1.19** The ANAO consulted with Centrelink to establish the agency's key customer feedback systems to be included in the series of audits to be undertaken to inform the ANAO's conclusions against this overarching objective. The review and appeals system was identified by Centrelink as a major source of information on customer concerns and service delivery issues. In light of this, and the legislative basis for the appeals process, Centrelink's review and appeals system was selected for audit as part of this series.

**1.20** The specific objectives of the audit of Centrelink's review and appeals system were to examine:

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<sup>27</sup> On 22 October 2004, the Prime Minister announced machinery of government changes affecting, among other things, the administration of policy relating to income support payments and related programs. Previously, Centrelink was located in the FaCS Portfolio and, while it had agreements in place with other agencies such as Department of Employment and Workplace Relations (DEWR) and the Department of Education Science and Training (DEST) for the delivery of some services, the overwhelming bulk of Centrelink's activities related to its delivery of services on behalf of FaCS. As a result of the changes announced by the Prime Minister, Centrelink is now part of the newly established Department of Human Services Portfolio. In addition, DEWR now has policy responsibility for the delivery of working age income support payments (including Newstart, Parenting Payment (partnered and single), Youth Allowance for non-students, Disability Support Pension and Mature Age Allowance) and DEST has policy responsibility for income support payments for students (including Youth Allowance for students which had previously been administered by FaCS).

<sup>28</sup> Accordingly, until October 2004, FaCS was Centrelink's major source of revenue, providing approximately 91 per cent of Centrelink's revenue in 2003–04. *Centrelink Annual Report 2003–04*, p. 196.

- the effectiveness, efficiency and economy of the review and appeals system as a tool for Centrelink to gather, measure, report and respond to customer feedback; and
- the extent to which Centrelink uses the data obtained from the review and appeals system to identify opportunities for improving service delivery, and to inform its strategic planning and procedural development processes.

## **Audit methodology**

**1.21** The ANAO's examination of the review and appeals system focused on the ODM reconsideration process, and the ARO review. For the ODM reconsideration and ARO review process the ANAO examined:

- the legislative bases for the processes;
- customer awareness of the processes;
- the transparency of the processes;
- monitoring and reporting; and
- cost and quality issues.

**1.22** The ANAO also briefly examined the role of Centrelink Advocates.

**1.23** Fieldwork for this audit was conducted primarily between October 2003 and July 2004. The ANAO analysed key Centrelink documentation, files and information on Centrelink's intranet. The ANAO conducted interviews with Centrelink managers, key National Support Office staff and staff in Area Support Offices and Customer Service Centres in six of the 15 Areas. The Areas visited are located in New South Wales, Victoria and the Australian Capital Territory. The ANAO also held discussions with key community and government stakeholders.<sup>29</sup>

**1.24** The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of some \$179 000.

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<sup>29</sup> The ANAO interviewed 28 stakeholder organisations, including advocacy groups, peak bodies representing various customer groups (ranging from the aged to the homeless), and organisations that provide services directly to customers (including assisting customers in their dealings with Centrelink). Accordingly, the stakeholder groups interviewed varied from national peak bodies with substantial resources and high level access to Centrelink through to customer advocates and groups that provide assistance to Centrelink's most vulnerable customers. The results of these interviews have been used to inform the findings of all of the audits in the Centrelink Customer Feedback Systems series.

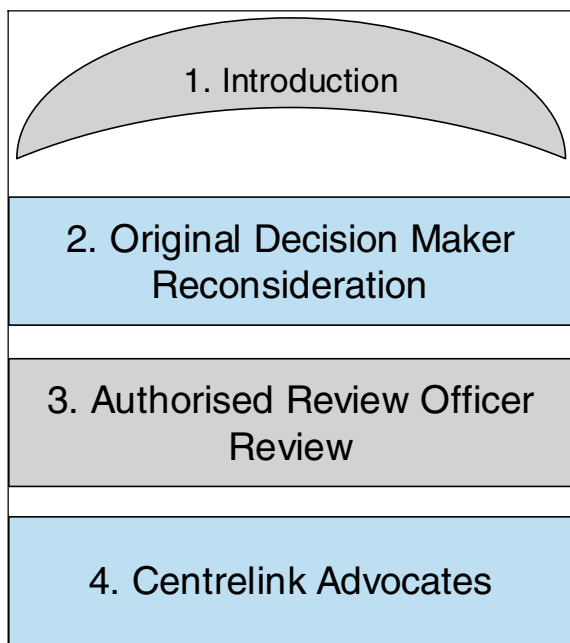
## Structure of the report

1.25 This report examines Centrelink’s internal review systems, and the provision of information from Centrelink to the SSAT in relation to appeals to that body. Centrelink’s interaction with the AAT is not examined in detail other than to discuss the role and training of Centrelink Advocates.

1.26 The report contains four chapters, as outlined in Figure 1.1 below.

**Figure 1.1**

### Structure of the report





## 2. Original Decision Maker Reconsideration

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*This chapter examines purpose of, and the legal basis for, the Original Decision Maker reconsideration. It also looks at customer awareness of the ODM reconsideration, as well as the monitoring and reporting of ODM reconsiderations. Cost and quality issues are also examined.*

### Background

**2.1** The *Social Security (Administration) Act 1999* (SSA Act) allows a person affected by a decision of a Centrelink officer to apply to the Secretary of FaCS for review of the decision.<sup>30</sup> If a person applies for review of a decision, the Secretary, the CEO or an ARO must review the decision.<sup>31</sup> Section 235 of the SSA Act defines an ARO as an officer authorised under section 235<sup>32</sup> to perform duties as an authorised review officer for the purposes of the Social Security Law.

**2.2** However, in practice, Centrelink policy includes another step in the process prior to the ARO review. This is the ODM reconsideration step, where the Customer Service Officer (CSO), who originally made the decision, reviews the case.

**2.3** The SSA Act does not prescribe the ODM reconsideration process. However, Centrelink cites section 126 of the SSA Act 'Review of decisions by Secretary' as the legal underpinning of the process.<sup>33</sup> The ANAO recognises

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<sup>30</sup> *Social Security (Administration) Act 1999*, section 129.

<sup>31</sup> *Social Security (Administration) Act 1999*, section 135 (1).

<sup>32</sup> Section 235 states that the Secretary may, in writing, authorise an officer to perform duties as an authorised review officer for the purposes of the Social Security Law.

<sup>33</sup> Subsection 126 (1) of the Act states:

The Secretary may review:

- (a) subject to subsection (2), a decision of an officer under the social security law; or
- (c) a decision of an officer under the Farm Household Support Act 1992; or
- (e) a decision under section 44-24 of the Aged Care Act 1997 by the Secretary or by a person to whom the Secretary has sub-delegated power under subsection 96-2(7) of that Act;

If the Secretary is satisfied that there is sufficient reason to review the decision.

Subsection 126 (2) of the Act states further that:

The Secretary may review a decision:

- (a) whether or not any person has applied for review of the decision; and
- (b) even though an application has been made to the Social Security Appeals Tribunal or the Administrative Appeals Tribunal for review of the decision.

that the SSA Act does not preclude the undertaking of an ODM reconsideration. However, section 135 (1) of the SAA Act clearly states that when a customer requests a review<sup>34</sup> it must be reviewed by an ARO.<sup>35</sup>

**2.4** The *A New Tax System (Family Assistance) (Administration) Act 1999* (FAA Act) also has provisions for review of decisions. Section 109A(1) states that:

A person affected by a decision (the original decision) that, under Section 108, must be reviewed under this section, may apply to the Secretary for review of the decision.

**2.5** Further, if a person applies for a review, subsection 109A(2) of the FAA Act states that the Secretary must either:

- (a) review the original decision and decide (the review decision) to:
  - affirm it; or
  - vary it; or
  - set it aside and substitute a new decision; or
- (b) arrange for an authorised review officer to do so.

**2.6** During fieldwork the ANAO did not make any distinction between reviews undertaken under the two Acts, as Centrelink staff did not make the distinction during fieldwork and Centrelink guidance to staff also does not make strong distinctions between the two Acts. For example, the ARO Training Program document says the document will refer to the SSA Act but that similar provisions are contained in the FAA Act.

**2.7** Additionally, many of the guidance documents stress that the ODM reconsideration process is not a legal requirement, reflecting the SSA Act. For example Centrelink training notes state 'A customer is not required to talk to the ODM, and can request the matter be referred directly to an ARO.'<sup>36</sup>

## Purpose of the ODM review

**2.8** Centrelink has included the ODM step in its administration of customer appeals, on the basis that the ODM will be the person most familiar with the case, that it allows the customer to present any new information relevant to the

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<sup>34</sup> Under section 129 of the Act.

<sup>35</sup> Unless the review is undertaken by the Secretary of FaCS or the CEO of Centrelink.

<sup>36</sup> Centrelink Virtual College, *Decision-Making: ODM reconsideration, Facilitators Guide: Comprehensive (Draft)*, p. 7.

decision, and it also provides an opportunity for the ODM to fully explain his/her decision to the customer.<sup>37</sup>

**2.9** Course notes for the Centrelink Virtual College course, *Decision-Making: Legal Background* state:

It [the ODM reconsideration process] is not a legal requirement but an opportunity to quickly correct a decision if there is an obvious error. It provides a buffer against very high numbers of ARO reviews.<sup>38</sup>

**2.10** While the ODM reconsideration process may be considered to be a quick and cheap way to fix obvious errors<sup>39</sup>, the ODM reconsideration has become a substantive process in its own right (as is discussed in the following sections). However, this process is not always transparent to customers and may provide a barrier to them pursuing their right to an ARO review.

## Awareness of the ODM reconsideration process

**2.11** Stakeholders interviewed by the ANAO during fieldwork for this audit, commented that customers were not commonly aware of the appeals process in general, the ODM reconsideration process specifically, or were confused regarding the difference between an ODM reconsideration and an ARO review.

**2.12** Centrelink staff interviewed by the ANAO reinforced this view regarding confusion between the ODM reconsideration and ARO review. The issue of transparency of the ODM reconsideration process to customers is explored in more detail in paragraphs 2.21–2.43.

**2.13** Centrelink does not systematically collect information regarding customer awareness of, or satisfaction with, the ODM reconsideration process. Information on this issue is not sought through either Centrelink's various customer surveys or other sources, such as Value Creation Workshops.

**2.14** In addition, limitations in Centrelink's monitoring and recording of ODM reconsideration requests, mean that there is not the capacity to examine the level of customer awareness at a point in time or to measure any increases in awareness over time. Further information on the limitations of data collected on the ODM reconsideration process is included in the section on Monitoring and Reporting (paragraphs 2.69–2.97). Information on customer awareness of the appeals process in general is included in Chapter 3, Authorised Review Officer Review.

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<sup>37</sup> Centrelink, *Review and Appeals System Handbook*, para. 2.000.

<sup>38</sup> Centrelink Virtual College, *Decision-Making: Legal Background, Facilitators Guide: Comprehensive (Draft)*, op.cit., p. 15.

<sup>39</sup> Centrelink advice 17 November 2004.

**2.15** Given the ODM reconsideration process is the first step in Centrelink's internal review process, and the most common review undertaken, it is important that customers are aware that the process occurs and the difference between an ODM reconsideration and an ARO review. Collecting information on customer awareness of the ODM reconsideration process is one step in meeting this requirement.

## **Recommendation No.1**

**2.16** The ANAO recommends that Centrelink monitor and report on customer awareness of, and satisfaction with, the ODM reconsideration process.

*Centrelink response:* Agree.

## **Disincentive effect**

**2.17** The ANAO notes that, for effective access to administrative review, customers not only need to be aware of review processes available to them, they also need to be reassured that they will not suffer any adverse consequences for appealing, and that the appeals process will not be overly onerous or time consuming; that is, experiencing so called 'appeal fatigue'.

**2.18** During this series of audits of Centrelink's feedback systems, fear of retribution was an issue repeatedly raised with the ANAO by stakeholders, not only in relation to the review and appeals system but also in relation to a number of other feedback systems, such as the complaints handling system and the satisfaction surveys.<sup>40</sup> Stakeholders indicated that many of their clients, particularly those from vulnerable groups, would be unlikely to appeal a decision due to their fear that Centrelink may discriminate against them in the future.

**2.19** Centrelink advised the ANAO on 17 November 2004 that:

Centrelink has in place regular feedback and consultation arrangements with tribunal and community agencies and if there is feedback to the effect that customers are being intimidated in any way such feedback would be treated seriously and actioned in accordance with performance and disciplinary mechanisms.

**2.20** Appeal fatigue resulting from taking issues through from original appeal through a number of possible levels, including the ODM, ARO, SSAT and beyond, was consistently identified by stakeholders as an issue. Appeal

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<sup>40</sup> Issues regarding customers' fear of retribution and its affect are discussed further in ANAO Audit Report No.34 2004–05, *Centrelink's Complaints Handling System* and ANAO Audit Report No.33 2004–05, *Centrelink's Customer Satisfaction Surveys*.

fatigue is discussed further in the section on Escalation to the ARO (see paragraphs 2.49–2.61), and in Chapter 3, Authorised Review Officer Review.

## Transparency to the customer

### Centrelink form

**2.21** During fieldwork for this audit both Centrelink staff and stakeholders, interviewed by the ANAO, advised that, when a customer asks for a review, the common practice is to ask the customer to fill in a form (Form SS351).

**2.22** However, Centrelink officers the ANAO interviewed suggested that it is possible, even though a customer may come into a Centrelink office and request a review, this form may not be filled out and no review may be undertaken. This possibility arose because, at the time of audit fieldwork, there was no mandatory requirement for the recording of requests for ODM reconsiderations. This issue is discussed further in the section on monitoring and reporting.

**2.23** Where a request for review is lodged, and the Form SS351 is used, the form is entitled *I want to ask for a review of a decision by an Authorised Review Officer*.<sup>41</sup> The form states ‘...you can have your case reviewed by the ARO directly by filling out this form.’ The form also states:

The quickest and easiest way to have the decision looked at again is to talk with the person who made the decision, **but you do not have to do this.** [emphasis added].....

If the officer does not change the decision, you can have it looked at by an Authorised Review Officer (ARO). Alternatively, **you can have your case reviewed by the ARO directly by filling out this form.** [emphasis added]

**2.24** However, as mentioned in paragraph 2.21, during audit fieldwork the ANAO identified that the common practice was to have any customer requesting a review to complete a Form SS351, regardless of whether a customer was seeking to go directly to the ARO or whether they were content for an ODM reconsideration to be undertaken. Accordingly, despite the advice set out in the form, it is not the case that, having completed this form, a customer’s request for a review by an ARO is directly referred to an ARO for action.

**2.25** Nowhere on the form does it say that it is also used to obtain an ODM reconsideration or that it is Centrelink policy that a customer’s request for review be first referred to the ODM, prior to any review by an ARO, even if the customer has specifically requested an ARO review.

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<sup>41</sup> Centrelink form SS351.0007.

**2.26** Both stakeholders and Centrelink staff, with whom the ANAO discussed this issue, indicated that this situation creates confusion for customers. Stakeholders and AROs interviewed by the ANAO, noted that customers are not always aware that, having completed a Form SS351, the review they have requested is actually undertaken by the ODM, rather than an ARO. In some cases, the customer lodges their request for a review with another Centrelink staff member, who then gives it to the ODM, without the customer having been advised that this will occur.

**2.27** It is important that customers are informed of their rights, that it is clear to them what process they are agreeing to, and who will be conducting any review they have requested. This clarity is especially important for Centrelink's most vulnerable customers.

## Recommendation No.2

**2.28** The ANAO recommends that Centrelink develop a separate form for customers to request an ODM review, which records the customer's agreement not to proceed directly to an ARO review.

*Centrelink response:* Agree.

### Status of ODM reconsideration

**2.29** As set out above, Form SS351 discusses the benefit of the customer talking with the ODM, but then states '...but you do not have to do this.'<sup>42</sup> This is reinforced in Centrelink's Review and Appeals System Handbook, which includes in the introduction to information on the ODM, the following statement: 'However, it is important to remember that a customer is not required to seek a review from the ODM, and can immediately request a review by an ARO.'<sup>43</sup>

**2.30** The fact that the Social Security Law does not prescribe the conduct of an ODM reconsideration prior to a customer accessing a review by an ARO, does not appear to be always discussed explicitly with the customer. In addition, even where customers specifically request that their appeals go directly to an ARO, Centrelink guidance says that the ODM still needs to review his/her original decision first.<sup>44</sup> This adds to the lack of transparency of the ODM reconsideration process to customers, and to the confusion for customers regarding the respective roles of the ODM and the ARO.

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<sup>42</sup> *ibid.*

<sup>43</sup> Centrelink, *Review and Appeals System Handbook*, op. cit., para.2.001.

<sup>44</sup> *ibid.*, para.2.302.

**2.31** Information set out on Centrelink's website is also not transparent regarding the customer's right to go directly to an ARO. The web page entitled 'Can I appeal if I disagree with a decision made?' states:

If you are unhappy with a decision, you can request a review by the original decision maker who will check the facts and explain the decision. If you still do not agree, you can ask one of our Authorised Review Officers to look at it.

**2.32** The website does not advise the customer that he/she can go directly to an ARO should they so wish.

**2.33** Centrelink guidance on the ODM reconsideration process further clouds the issue. For example, course notes for the Centrelink Virtual College course, *Decision-Making: ODM Reconsideration* state that: 'If a customer wishes to have a matter reviewed, invite him or her to talk to the ODM.'<sup>45</sup>

**2.34** This advice would be clearer if it were expanded to include a statement informing customers of their right to go directly to an ARO, rather than putting the onus on customers to know their right to go directly to the ARO.

**2.35** Centrelink advised the ANAO on 17 November 2004 that:

Current procedures require that where a customer has requested an ARO review without an ODM reconsideration having been done beforehand, the ODM is to reconsider the decision as a part of the process of referring the matter to the ARO. This is done to identify and fix obvious errors quickly and cheaply. In these instances the ODM does not talk to the customer but undertakes the review based on the documentation, including the contents of the completed form SS351. These cases all go onto an ARO, irrespective of the outcome of the ODM reconsideration, except where the customer, on being informed of the outcome, advises that they are happy with the new decision and no longer want the matter to go to an ARO.

Because this process involves sending the customer a letter (Q352) advising the outcome of the ODM reconsideration, it is not completely transparent and can cause confusion. To avoid confusion the Q352 letter has been redesigned and is being 'tested' to ensure its compliance with Centrelink's correspondence principles.

**2.36** However, while this may be the case where customers explicitly request an ARO review, it does not cover cases where customers are confused about the respective ODM and ARO roles. In these latter cases, the onus is still on the customer to escalate the review to an ARO, assuming they do not believe they have already had an ARO review.

**2.37** While Centrelink's advice above states that confusion may arise because a Q352 letter is sent to the customer from the ODM, some Centrelink

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<sup>45</sup> Centrelink Virtual College, *Decision-Making: ODM Reconsideration, Facilitators Guide: Comprehensive (Draft)*, op.cit., p. 7.

guidance states that in cases where the customer explicitly requests an ARO review, then the ODM is to undertake the review but that no letter is to be sent.<sup>46</sup> Other Centrelink guidance is silent on the sending of a Q352 letter in these situations. In any case, it would seem logical that the only time that a customer (who explicitly requested an ARO review) would receive a Q352 letter would be if the decision were changed. Customers should then still be able to request that the ARO review proceed if they are not satisfied with the new decision.

## **Conduct of the ODM review**

**2.38** The ODM review is not always conducted by the CSO who made the original decision. Stakeholders have commented to ANAO that one of the frustrations with Centrelink, regularly expressed by customers, is that they do not deal with the same person on a regular basis, and that it is difficult to find someone who is familiar with their case. Centrelink advised the ANAO on 17 November 2004 that the intention is that the 'ODM reconsideration is conducted by the ODM and that it is done promptly—this is not possible in all situations such as for example if the ODM is on leave or otherwise unavailable'.

**2.39** If the CSO who made the original decision is unavailable, another CSO will undertake the ODM review. Where a customer has moved, a CSO in the customer's new Customer Service Centre (CSC) will undertake the review. Further, reviews of decisions made in a Call Centre are undertaken in the customer's CSC. Accordingly, the decisions of Call Centre officers will always undergo ODM reconsideration by a different Centrelink officer to the one the customer originally dealt with. Centrelink advised the ANAO on 17 November 2004 that SRT and Centrelink Call are currently looking at ways to change this process.

**2.40** In these circumstances, and given the turnover of staff in Centrelink, there is a significant risk that the Centrelink officer who conducts the ODM reconsideration may not always be the CSO who made the original decision. This also reduces the likelihood that the comment in the Form SS351 that 'the quickest and easiest way to have the decision looked at again is to talk to the person who made the decision' will be achievable.<sup>47</sup>

**2.41** A new CSO will take time to familiarise him/herself with the case, and will not be party to discussions or the context in which the initial decision was made. This is particularly relevant given the discretionary nature of some

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<sup>46</sup> Centrelink, *Getting it right, The Original Decision Maker Review, Improving the Customer Experience*, p. 1.

<sup>47</sup> *ibid.*



decisions. While a fresh perspective may add value, it will not necessarily be a quick and easy process, particularly if the customer has to provide information and context to the new officer.

**2.42** Where a customer requests that an ODM reconsideration be conducted, they may not be aware that the ODM, who undertakes the reconsideration of the decision about which they are unhappy, may not in fact be the person who made the original decision. In these cases, it needs to be made clear to the customer that a third party, who is not the ARO, will be involved. In such cases, the customer may prefer to go directly to the ARO.

**2.43** Overall, the ANAO found that there were a number of issues that affected the transparency of the ODM reconsideration process. Centrelink's 2004 internal audit of *Appeal Seekers' Experience* supports the ANAO's findings. The audit, which was requested by the SRT, states that:

Lack of visibility of the R&A [Review and Appeals] system to customers at their initial contact with Centrelink, generally decreasing levels of CSO expertise to clearly and fully explain reasons for decisions,...and lack of sufficient time to deal with customers' appeals at the ODM level lead to the conclusion that the general function and role of the ODM is ineffective.<sup>48</sup>

## ODM decisions

**2.44** During discussions with the ANAO stakeholders and Centrelink staff also raised the issue of the ODMs' ability and willingness to change or 'set aside' their original decision. While there are problems with the collection of ODM data (discussed further in the section on Monitoring and Reporting, paragraphs 2.74 to 2.88), the data available in Centrelink's National Review and Appeals statistics for 2002–03 show a wide variation across the Centrelink network in the affirm rates (that is, the original decision is unchanged) for those ODM cases recorded.

**2.45** At the time of ANAO fieldwork, in six of the 15 Centrelink Areas, the ODM affirm rate was between 64 per cent and 70 per cent. The other nine Areas had ODM affirm rates of over 70 per cent, with five of these Areas having ODM affirm rates of 80 per cent or over. While the high affirm rate may reflect a high rate of reviews where the decision should not change, it also may reflect unwillingness on the part of the ODM to change the original decision.

**2.46** Centrelink has since provided data for 2003–04, which show a narrowing of the range of affirm rates between Areas. Affirm rates for 2003–04 range from 52 per cent to 72 per cent. However, these rates are calculated on

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<sup>48</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, February 2004, p. 5.

the number of ODM reconsiderations recorded, the affirm rate for those ODM reconsiderations not recorded is unknown.

**2.47** If some ODMs are reluctant to change their decisions, regardless of the evidence, this could lead to a disadvantage to a customer, and the possibility of an incorrect overpayment or underpayment. The incorrect decision may stand unless the customer takes up their right to escalate the issue to an ARO.

**2.48** Centrelink advised the ANAO on 17 November 2004 that:

Centrelink staff including decision makers are trained and expected to get it right by ensuring the right person is paid the right payment type and amount from the right date. To the extent that there is reluctance and/or confusion amongst decision makers with respect to their powers to change decisions this issue will be examined as part of Centrelink's response to the internal audit recommendation to consider the role of the ODM.

## Escalation to the ARO

**2.49** As discussed above, customers who are willing to appeal are not generally explicitly informed of their right to go directly to the ARO. Some customers may believe that an ODM review is an ARO review, given that the form they are asked to complete for an ODM review is actually entitled 'I want to ask for a review of a decision by an Authorised Review Officer'.

**2.50** However, even where customers are aware of their right to go on to ask for an ARO review, stakeholders interviewed by the ANAO indicated that it was their view that there is a range of such customers who will not pursue this right.

**2.51** This may occur because the customer perceives that:

- if the ODM does not change his/her decision then the decision would not be changed by an ARO; or
- if the decision is unchanged it must be right; or
- it is a burden to go through the process again.

**2.52** In relation to the last dot point above, the ANAO noted that stakeholders frequently raised with the ANAO the problem of appeal fatigue, as a significant contributor to customers not pursuing their appeal rights.

**2.53** Where an ODM review has been conducted, and the decision remains unchanged, the Q352 letter to the customer explaining the ODM decision may add to the burden. The Q352 letter places the onus on the customer to escalate the issue to the ARO. The letter states: 'If you do not agree with my decision you can ask for an Authorised Review Officer (ARO) to look at it.'

**2.54** Centrelink advised the ANAO on 17 November 2004 that:

An ARO review will automatically follow the ODM reconsideration except where the customer, on being informed of the outcome, advises that they are happy with the new decision and no longer want the matter to go to an ARO.

**2.55** However, the ANAO notes that this will only be the case where a customer has explicitly requested an ARO review from the outset of the review process. For other cases, this advice is contrary to the content of the letter sent to customers, which indicates that the ARO will only review the decision if the customer requests it.

### **Impact of a disincentive effect**

**2.56** A lack of data and quality assurance processes (discussed further below, see paragraphs 2.74–2.88, and 2.106–2.115) currently make it difficult to examine any disincentive effect of the ODM reconsideration process, chiefly because it is not possible to examine the true flow-on rate to the ARO. However, it was a widely held view amongst the stakeholders interviewed by the ANAO that such a disincentive effect exists. Accordingly, it is possible that the number of ARO appeals recorded does not accurately reflect the number of appeals that may have been pursued, if customers had felt more aware and confident of the Centrelink process.

**2.57** Centrelink advised the ANAO on 17 November 2004 that:

The revised Q352 letter makes specific reference to the independence of the ARO process. In addition and as part of Centrelink's response to the internal audit we are about to embark on a marketing campaign highlighting all of Centrelink's service recovery strategies including the review and appeal service recovery strategy.

Centrelink's objective in response to the internal audit is to pay attention to and significantly improve the internal review process and thereby reduce the need for customers to pursue further avenues that may lead to so called appeal fatigue. In addition, Centrelink continues to work with external review bodies to ensure that to the extent those avenues are pursued the process is as quick and efficient as tribunal processes permit.

It is Centrelink's intention to change this widely held view [of a disincentive effect] as part of our response to the internal audit recommendation to consider options for the role of the ODM.

**2.58** The ODM reconsideration is currently the first step in the process, and the most common review undertaken. As such, it needs to be transparent to customers, and recourse to the next level of appeal needs to be open and accessible.

**2.59** Given stakeholder concerns regarding appeal fatigue, and the lack of research or collection of relevant data by Centrelink, a study to determine the

precise causes and extent of any such disincentive effect would seem warranted. This is especially important in the Centrelink context, as incorrect decisions can have severe economic and other impacts on customers.

## Conclusion

**2.60** The ANAO found that the ODM reconsideration process is not transparent to customers and that customers are confused regarding the difference between ODM and ARO reviews. Customers may not be aware of their right to go directly to an ARO for a review, and Centrelink practices mean that this right may not be discussed explicitly with the customer. Where customers are aware of their right to go to an ARO, there are disincentives to pursue this right because of a perceived burden, or because of a perception that the ODM decision will not be changed by an ARO.

**2.61** This lack of transparency, confusion and perception of burden may lead to customers not pursuing their right to have a review conducted by an ARO, and ultimately ARO review numbers not reflecting the number of customers who might have wished to pursue an ARO review.

## Recommendation No.3

**2.62** The ANAO recommends that Centrelink explicitly inform customers, who request a review, that they are not obliged to agree to an ODM review but have a legislative right to go directly to an ARO.

*Centrelink response:* Agree.

## Quality of ODM decisions

**2.63** The ANAO found that there were a number of problems with the ODM reconsideration process, including the legal basis for the process and transparency issues. Stakeholders supported this finding. In particular, the SSAT raised concerns with the ODM reconsideration process, on the basis that it is not contemplated in the legislation; is not of high quality in many instances; confuses the process for applicants; and extends the time of a review.<sup>49</sup> The SSAT advised the ANAO on 2 February 2005 that it 'acknowledges the many complexities of the social security and family assistance laws but the reality is that many ODMs are not sufficiently expert to properly review decisions'. The SSAT has also discussed these concerns with Centrelink.

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<sup>49</sup> SSAT advice 2 February 2005.

**2.64** Centrelink's internal audit of the review and appeals process also found that:

The current generalist ODM role that is based in CSCs essentially is ineffective and inefficient because of functional deficiencies. ODM deficiencies are unlikely to be remedied unless significant training resources are committed to raise the level of ODM competence and increased time is made available for more thorough investigation during ODM reviews. Ineffectiveness of the ODM review process contributes to negative customer experience through extension of time to resolve an appeal and adds to administrative costs.

The audit found and agreed with a general view within the SRT [Service Recovery Team], SSAT, AAT and WRN [Welfare Rights Network] and other external agencies that the role of the ODM is ineffective for the following reasons:

- overall ineffectiveness of technical control by a central Centrelink authority;
- lack of knowledge and experience of legal technicalities surrounding ODM reviews;
- complexity of legislation and policies in relation to the matters appealed;
- lack of knowledge and experience in statutory interpretation;
- poor quality of ODM letter content, language and format;
- lack of consistency in application of ODM decisions;
- lack of understanding of the difference between evidence and reasons;
- lack of discernment between fact, opinion and judgment;
- lack of sufficient time for ODMs to properly interview appellants;
- customer throughput performance measures that limit face-to-face interviews;
- generally poor writing skills;
- generalised statements used as reasons for a decision being made;
- automated scriptors as decision makers and debt calculators have reduced CSO ability to manually be able to reproduce decisions and thus be able to explain the reasons behind a decision reflects a training issue; and
- lack of independence of the ODM review from the original decision or by a co-worker in close proximity.<sup>50</sup>

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<sup>50</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, op. cit., p. 21.

**2.65** The internal audit recommended that:

Options for the future ODM role need to be considered with the option to restrict the role and functions of the general ODM to that of an administrative check before an appeal progresses to an ARO. Consideration should be given to use of specialist ODMs.<sup>51</sup>

**2.66** SRT's response to the recommendation was that they agreed and that a project had commenced.

**2.67** Centrelink advised the ANAO on 8 September 2004 that:

In response to the Internal Audit Report recommendation to consider options for the ODM role, the SRT has begun such a project. Arrangements are being made with Area Hunter to conduct a trial which will give a clearer picture of the actual number of ODM reviews being conducted and to test some alternative models for the ODM review process. In addition, a Value Creation Workshop with customers who have experienced the present ODM review process will be held to get direct feedback. The third part of the project is to seek comments from other Area Offices on the audit findings and recommendations. The project is still at the early planning stages but it is expected that the project should be completed in the second half of 2005.

**2.68** The ANAO notes that the trial appears to be predicated on retention of the ODM reconsideration process in some form. Therefore, the ANAO's findings will retain currency.

## Monitoring and reporting

**2.69** Apart from the inherent problems of the ODM reconsideration process, as discussed above, there are significant problems with Centrelink's monitoring and recording of ODM reconsiderations. These monitoring and recording problems, coupled with minimal cost information and a lack of quality control, have implications for identifying the costs of the ODM reconsideration process, and ultimately implications for identifying cost savings and process improvements.

### Monitoring

**2.70** Given that Centrelink has introduced the ODM reconsideration process, it is important that it is monitored for efficiency and effectiveness, particularly given the potentially large number of reconsiderations and the associated cost. Available information suggests there were more than 109 000 ODM reconsiderations in 2002–03 (discussed further in paragraph 2.96). This suggests that there were almost three times as many ODM reviews as ARO

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<sup>51</sup> *ibid.*, p. 11.

reviews (using the limited available information), making the ODM reconsideration the more commonly accessed process.

**2.71** Monitoring of the number, type and location of ODM reconsiderations is important, because it would allow Centrelink to identify systemic issues, and to identify areas for process improvement. This information is also the first available relating to the customers' concerns with decisions. The early identification of systemic problems would allow Centrelink to address these concerns in an efficient and effective manner, before they escalate into an issue that affects a large number of its customers and/or stakeholders, and requires considerable additional resources to resolve.

**2.72** While monitoring of the ODM reconsideration process is important, Centrelink is currently unable to undertake this monitoring effectively, as ODM reconsiderations data are insufficient (discussed in more detail in paragraphs 2.74–2.88). Without sufficient data, proper analysis is not possible and a valuable opportunity, for the identification of process improvements and potential cost savings, is lost.

**2.73** A customer's request for a review or an appeal can also be viewed as a type of complaint. Another report in the series of audits examining Centrelink's customer feedback systems, ANAO Audit Report No.34 2004–05, *Centrelink's Complaints Handling System*, examines the importance of monitoring and reporting on complaints. This audit report notes that, unlike some of the other forms of customer feedback initiated by Centrelink, complaints that are initiated by the customer can cover a broad range of issues that may not have been identified or considered previously. Complaint information can act as an 'early warning mechanism for future problems' and can provide valuable information about an organisation's performance and the expectations of its customers.<sup>52</sup> This applies equally to review and appeals information.

#### *Recording ODM reconsiderations on APL*

**2.74** Centrelink policy states 'Record your reconsidered decision on the APL system using the "ODM" screen. This must occur every time you reconsider a decision, whether you change it or not.'<sup>53</sup> However, during fieldwork, Centrelink officers in SRT advised the ANAO that the ODM data on the APL system were not reliable. They said this was because recording of ODM reconsiderations on APL system is not mandatory and, therefore, not all ODM reconsiderations were entered into the system. Interviews with Centrelink

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<sup>52</sup> Commonwealth and Taxation Ombudsman, *Own Motion Investigation into Australian Taxation Office (ATO) Complaint Handling*, July 2003, p. 11.

<sup>53</sup> Centrelink, *ARONET—The ODM reconsideration process*.

officers in the Areas also reinforced the view that recording ODM reconsiderations on APL was not mandatory.

**2.75** Centrelink officers in the SRT also noted that many of those cases that had been entered, were entered because the customer had asked for an ARO review. Centrelink Officers in Areas and CSCs, interviewed by the ANAO during fieldwork, also confirmed this under-reporting of ODM reconsiderations on the APL system.

**2.76** The possibility of under-reporting is increased as Centrelink does not monitor whether a customer's request for an ODM reconsideration is actually recorded by Centrelink and the reconsideration subsequently completed. This leaves open the possibility that a customer's request will be ignored, unless the customer follows up on the outcome (this issue is discussed further under the section on Quality Assurance, paragraphs 2.106–2.115).

**2.77** The available APL data show that in 2002–03 there were 73 536 ODM cases recorded on APL, with 71 179 decisions and an affirm rate of 75 per cent. Of these cases, 39 383 cases flowed on to requests for ARO reviews.<sup>54</sup> Data for 2003–04 show that the number of ODM decisions had increased to 87 524, with an affirm rate of 65 per cent.

**2.78** However, given the known problems with the recording of ODM reconsiderations on APL, it is not possible to calculate the true ODM affirm rate. Neither is it possible to identify what proportion of the total actual number of ODM reconsiderations, are escalated by customers to a request for an ARO review, or to determine the impact of any disincentive effect of the ODM reconsideration process on customers exercising their appeal rights.

**2.79** Centrelink advised the ANAO on 31 August 2004 that:

During 2002 the SRT developed and introduced a script which streamlined the ODM reconsideration recording and documentation process. The ODM reconsiderations recorded on APL in 2002–03 was a substantial increase in the numbers recorded in previous years.

**2.80** Centrelink advised further on 17 November 2004 that:

Use of the script for ODM reconsiderations has been mandated on and from 1 October 2004...this should overcome the difficulty in assessing the disincentive effect, if any.

### *ODM reconsideration Letters*

**2.81** The ODM section of the Centrelink e-reference regarding the process for advising the customer of the ODM reconsideration decision, says that the ODM should do two things: phone the customer; and write to the customer

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<sup>54</sup> Centrelink, *National Review and Appeals statistics for the 2002–2003 financial year*.



(after the reconsideration) to ensure he/she understands his/her appeal rights.<sup>55</sup> The ODM letter (Q352) to the customer should discuss the ODM's decision and the reasons for that decision. The Q352 letter is a pro forma letter with set text, and some free text areas for the ODM's decision.

**2.82** In theory, therefore, the number of Q352 (and in some cases Q999<sup>56</sup>) letters sent by Centrelink in a given period should match the number of ODM reconsiderations undertaken in the same period. However, as discussed further below (see paragraphs 2.106–2.115), there is no monitoring or quality control of the ODM reconsideration process. Accordingly, it is possible that a reconsideration may not be undertaken, even though a customer has requested one, or a letter is not sent, even though the reconsideration has been undertaken. Centrelink officers also informed the ANAO during fieldwork that a letter may not be sent where the ODM discusses the decision with the customer face to face.

**2.83** The ANAO requested from Centrelink a count of the number of Q352 letters sent during 2002–03, to use as a proxy for the number of ODM reconsiderations undertaken. The ANAO recognises that this is an imperfect measure. However, given the limitations of the quality of APL system data, the Q352 data are the best available.

**2.84** The information provided by Centrelink showed that, during 2002–03, a total of 109 216 Q352 letters were sent to customers, including 35 349 sent in the 4th quarter of the year. This contrasts with the data on APL that show 73 536 ODM cases were recorded in 2002–03.

**2.85** Rather than send a Q352 letter, the ODM can choose to instead send to the customer a Q999 letter to advise the outcome of an ODM reconsideration. A Q999 letter is a free text letter that can be used for a number of purposes, but also for more complex explanations. However, Centrelink was unable to provide the ANAO with a breakdown of how many of the Q999 letters sent in 2002–03 were, in fact, ODM reconsideration letters.

**2.86** Accordingly, while the quantity of Q352 letters sent can give some indication of the total number of ODM reconsiderations conducted, the fact that Centrelink cannot identify the number of Q999 letters used to communicate ODM reconsideration decisions, means the actual number of ODM reconsiderations remains unknown.

**2.87** Centrelink advised the ANAO on 17 November 2004 that work has commenced to first capture and next monitor and analyse ODM

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<sup>55</sup> Centrelink, *e-reference procedure: Original Decision Maker–workflow*.

<sup>56</sup> A Q999 letter is a free text letter that can be used for a number of purposes, including to advise customers of the outcome of an ODM reconsideration.

reconsiderations. Centrelink accepts that there has been a problem with monitoring and reporting ODM reconsiderations and has taken steps to address that by implementing and mandating the use of a script from 1 October 2004.

**2.88** The ANAO notes that the script has been in place since 2002, and that available information showed a large gap between the known minimum number of ODM reconsiderations undertaken (measured using the number of Q352 letters) and the number of ODM reconsiderations lodged on APL. The impact of mandating the use of the script will need to be monitored.

## Reporting

**2.89** Part of the reason for Centrelink not monitoring and reporting on the ODM reconsideration process may be that there are no drivers for collecting the data. Data on ODM reconsiderations are not reported in the Centrelink annual report, the data were not requested by FaCS under the *Business Partnership Agreement, 2001–2004* (in place at the time of audit fieldwork), nor are the data included in Centrelink's internal reporting systems such as the Balanced Scorecard. While ODM data were included in the *National Review and Appeals Statistics 2002/2003 Financial Year Report*, and some discussion of issues was also included, the under-reporting of ODM reconsiderations means that the data should be used with caution.

**2.90** Centrelink advised the ANAO on 17 November 2004 that:

Both this [ANAO] audit and the internal audit have filled the 'drivers' gap and now that data is and will continue to be available from 1 October 2004 it will be easier to monitor and report on.

**2.91** However, as discussed above, the ODM data may still be under-reported. As the ODM reconsideration is the first step in the review process, and as such is the first opportunity to capture and identify incorrect decisions, the process also provides information which may be of value to the portfolio departments responsible for developing income support and family assistance policy. Additionally, while collecting and analysing the data is important, how and to whom it is reported is the necessary step for it to be fed into service improvement.

**2.92** The SRT is responsible nationally for the review and appeals system, and has undertaken some analysis of the ODM reconsideration process. However, during fieldwork, the ANAO was advised that the SRT can only influence how the Areas implement processes, they have no power to mandate activities in the Areas relating to the ODM reconsideration process, including recording of data.

**2.93** Centrelink advised the ANAO on 17 November 2004 that:

SRT is the business owner of the relevant parts of e-Reference and the Review and Appeals Handbook which ASOs are expected to follow.

SRT works jointly with Areas on ODM issues including a major project underway in response to the internal audit recommendation to consider options for the role of the ODM.

*Value of ODM data*

**2.94** Although the ODM reconsideration step may not be required under the legislation, the reality is that Centrelink policy means that all customers who request a review will be subject to the ODM reconsideration process. This is the customer's first contact with Centrelink's review processes, and as such impacts on customer perceptions of Centrelink generally, and the review process specifically. Therefore, it is important that this process is monitored and that valid data are available.

**2.95** The review process also represents a cost to customers, both in dollar terms to visit an office, and in time. There is also potentially a cost to the customer in terms of the stress of pursuing a review. In this context, stakeholders interviewed by the ANAO during fieldwork, raised the issue of the fear some customers have of pursuing their rights, because of their dependence on Centrelink payments.

**2.96** In the 2002–03 financial year, there were at least some 109 000 ODM reviews<sup>57</sup>. This corresponds to a large pool of Centrelink customers who would be in a position to comment on the ease of access and effectiveness of the ODM reconsideration process as well as how satisfied they were with the process and outcome. However, Centrelink's satisfaction surveys<sup>58</sup> do not ask any questions about customers' satisfaction with the ODM reconsideration process, or the appeals process generally.

**2.97** The ANAO found that there are significant problems with the monitoring and reporting of ODM reconsiderations. The actual number of ODM reconsiderations requested by Centrelink customers is unknown. The lack of ODM reconsideration process data has implications for identifying systemic issues, and possible savings and process improvements.

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<sup>57</sup> Given that Centrelink advised the ANAO that, in that year, some 109 216 Q352 letters were sent to customers advising of the outcome of an ODM reconsideration.

<sup>58</sup> ANAO Audit Report No.33 2004–05, *Centrelink's Customer Satisfaction Surveys*, provides more detail on the satisfaction survey program.

## Recommendation No.4

2.98 The ANAO recommends that Centrelink:

- (a) require staff to record all ODM reconsiderations on the APL system; and
- (b) include in relevant Centrelink internal reports information gathered through monitoring and reporting of ODM reconsiderations.

*Centrelink response:* Agree.

## Cost and quality

2.99 As well as problems with the monitoring and reporting of the ODM reconsideration process, there are problems with the monitoring of the cost and quality of ODM reconsiderations.

### Cost

2.100 During fieldwork, the ANAO interviewed Centrelink officers from NSO, Areas and CSCs regarding the ODM reconsideration process. When asked about the cost of the ODM reconsideration process, Centrelink officers stated that both the overall cost of the process and the average cost of an ODM reconsideration was unknown. This is not surprising given that the number of ODM reconsiderations is also unknown.

2.101 The lack of cost-related performance information relating to Centrelink processes has been raised previously in a Centrelink commissioned review and in ANAO audit reports.

2.102 The 2002 Boston Consulting Group review of cost efficiency in Centrelink emphasised the need for Centrelink to improve cost-related performance information across the network<sup>59</sup>. In Audit Report No.4 2004–05, *Management of Customer Debt*, the ANAO was not able to assess productivity or cost effectiveness for Centrelink’s debt management activities, as Centrelink was not able to quantify many of its debt inputs or quantify many of its debt costs<sup>60</sup>. The ANAO found, therefore, that Centrelink was unable to ascertain relative productivity and cost efficiency, and achieve future cost savings<sup>61</sup>.

2.103 In Audit Report No.43 1999–2000, *Planning and Monitoring for Cost Effective Service Delivery—Staffing and Funding Arrangements*, the ANAO concluded that:

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<sup>59</sup> The Boston Consulting Group, *Cost Efficiency Review*, October 2002.

<sup>60</sup> ANAO Audit Report No.4 2004–05, *Management of Customer Debt*, p. 58.

<sup>61</sup> *ibid.*, p. 15.

Centrelink will require ready access to more robust management information, particularly on cost, to support its managers to implement and evaluate major business initiatives and to use to set prices with its purchasers. In an environment of continuing funding constraints, Centrelink will also need reliable management information to provide an assurance to Government and client departments that it has the capacity to maintain timely, quality and cost effective service delivery.<sup>62</sup>

**2.104** Given the cost of the ODM reconsideration process is unknown, the cost efficiency of the process cannot be assessed. Also, without information on the cost of the process, better practice leading to cost savings cannot be identified.

**2.105** However, it can be assumed that the cost of the ODM reconsideration process would be considerable. In relation to the ODM reconsideration process, using the available information of a minimum of 109 000 ODM reconsideration letters sent, significant resources would be required for Centrelink to assess, process and respond to these customers' requests for a reconsideration. Centrelink would, therefore, benefit from better monitoring of the cost of the ODM reconsideration process, to ascertain relative productivity and cost efficiency, and to identify any potential for future cost savings.

## Quality assurance

**2.106** Centrelink does not monitor the timeliness or quality of ODM reconsiderations. Centrelink's e-reference procedures state that the resolution of a customer's request should occur within five days<sup>63</sup>. Centrelink Officers in the Areas and CSCs, in discussions with the ANAO during fieldwork, advised that compliance with this procedure is not monitored. Some stakeholders interviewed by the ANAO had experience of ODM decisions taking some months.

**2.107** Centrelink also does not monitor whether, following a customer's request for an ODM reconsideration, the request is recorded and subsequently completed. This leaves open the possibility that a customer's request will be ignored, unless the customer follows up on the outcome.

**2.108** As discussed above, the ODM does not always record the reconsideration on the APL system, so this system cannot be used to monitor the number of cases lodged by customers versus the number of decisions. Similarly, this lack of data also means that the SRT cannot compare Areas'

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<sup>62</sup> ANAO Audit Report No.43 1999-2000, *Planning and Monitoring for Cost Effective Service Delivery—Staffing and Funding Arrangements*, p. 13.

<sup>63</sup> Centrelink, *e-reference procedure: Original Decision Maker—overview*.

ODM affirm rates, to see if their affirm or change rates are outside the norm in some Areas or CSCs.

**2.109** The ODM reconsideration letter is an important means for customers to be informed of the ODM's decision and to be provided with the reasons for the decision. However, during the ANAO's fieldwork, Centrelink Officers in the Areas and CSCs advised that there are no quality checks carried out on ODM letters, unless they occur after the event, such as if a case is escalated to an ARO or the SSAT.

**2.110** Stakeholders the ANAO spoke to commented on the poor quality of ODM letters, and provided examples of such letters. The SSAT also commented to the ANAO that the letters were of little value, that taken at face value do not demonstrate a proper review of the decision, and that they often said little more than 'I haven't changed my mind'. The SSAT also advised the ANAO that it has discussed this issue with Centrelink.

**2.111** Centrelink's internal audit of *Appeal Seekers' Experience* found that the ODM letter was a source of customer dissatisfaction, and led to customers escalating their appeals to the ARO. The audit found that the resulting delay in resolution 'compounds poor customer experience and adds administrative cost'.<sup>64</sup>

**2.112** Centrelink advised the ANAO on 17 November that the ODM letter has been revised and the new version is expected to be released in March 2005. However, the revised version provided to the ANAO on 8 September 2004 will not ensure a greater explanation to the customer of the ODM's decision. Without a quality check process, concerns are likely to remain.

**2.113** Overall, the ANAO found that there is minimal cost information and a lack of quality control of the ODM reconsideration process. In particular, the identification of problems with the quality of the reconsideration relies on the customer escalating their request to an ARO. This was reinforced by comments by CSC Managers. One CSC manager stated 'the ODM quality measure is customer feedback', and another commented that 'We always hear from the customer if they are not happy'. This assumes that customers are comfortable in complaining and willing to escalate issues<sup>65</sup>. This assumption is questioned by stakeholders, who raise the issue of fear of retribution and the customers' dependence on Centrelink payments.

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<sup>64</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, op. cit., p. 7.

<sup>65</sup> The issues surrounding this are discussed further in ANAO Audit Report No.34 2004–05, *Centrelink's Complaints Handling System*.

**2.114** There is a lack of quality control of the ODM reconsideration process. Generally, the identification of problems with the quality of the ODM reconsideration relies on the customer escalating their request to an ARO.

**2.115** Stakeholders generally questioned the value and efficiency of the ODM reconsideration process. Centrelink's audit of the review and appeals system concluded that 'There currently is low confidence in the ODM process within Centrelink and associated external agencies.'<sup>66</sup>

## **Recommendation No.5**

**2.116** The ANAO recommends that Centrelink develop and implement quality control processes for ODM reconsiderations.

*Centrelink response:* Agree.

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<sup>66</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, op. cit., p. 11.

## 3. Authorised Review Officer Review

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*This chapter examines the Authorised Review Officer review including issues relating to customer awareness of the ARO review, and monitoring and reporting of the ARO review. Cost and quality issues are also examined.*

### Background

**3.1** The ARO review is the first step in the legislated appeals process.<sup>67</sup> There are around 180 AROs in the Centrelink network. AROs are experienced officers who are not involved in the original decision making process. This removal from the original decision is important as it allows the ARO to provide a more independent review of a decision, when a customer requests such a review.

**3.2** AROs are funded at the Area level, and the Areas determine the number of ARO positions they will fund in their Area. The SRT has an advisory role in the ARO process, but has no control over the number of AROs funded for each Area.

**3.3** From Centrelink's perspective, the ARO has a three fold role:

- Review of disputed decisions;
- Promote quality decision making; and
- Raise the profile of internal review.<sup>68</sup>

**3.4** AROs were originally located in Area Offices. However, AROs are now located in the CSCs to more readily allow them to undertake the promotion and training aspects of the role. This also allows the AROs to provide more timely advice to the ODMs on reconsiderations (while seeking to maintain ARO independence), and to provide feedback to individual ODMs on cases that have been escalated by the customer to the ARO.

**3.5** The AROs are also responsible<sup>69</sup> for the provision of information to the SSAT, where a customer has escalated an issue to this level. Under the Social Security Law, escalation to the SSAT can only occur once an ARO review has been conducted. Accordingly, the ARO should be familiar with the case and be best placed to obtain and provide the relevant information.

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<sup>67</sup> See paragraphs 2.1 to 2.7 for further discussion of the legislative basis of the ARO role.

<sup>68</sup> Centrelink, *Authorised Review Officer Training Program*, p. 11.

<sup>69</sup> This was the case in the Areas visited during fieldwork. Area support offices may choose to have this done by AROs and/or other officers at the C3 level.



## Customer awareness of the ARO review

**3.6** Appealing a decision is a critical right of the customer under Social Security Law. As discussed in Chapter 2, making customers aware of the appeals process is the first step in ensuring that customers are empowered to exercise their right to appeal, should they consider that a Centrelink decision is incorrect.

**3.7** The importance of the appeals process is reinforced in the report of the Centrelink internal audit of *Appeal Seekers' Experience*. This report notes the view of the AAT and the Commonwealth Ombudsman that 'social security matters are the most complex of all to deal with...' and that this complexity 'causes higher probability than other jurisdictions for incorrect decisions and misunderstandings'.<sup>70</sup>

### Value Creation Workshop data

**3.8** As discussed in Audit Report No.32 2004–05, *Centrelink's Customer Charter and Community Consultation Program*, customers are not very aware of Centrelink's Charter. Yet, the Charter is the major public document that explains customers' rights, including the right to appeal.

**3.9** Value Creation Workshops (VCW)<sup>71</sup> data show that customers believed that their obligations were more clearly explained to them by Centrelink staff than were their rights. These data indicate that there is an issue with the effectiveness of Centrelink's communication to its customers regarding their rights. The VCW data does not further break down this question on rights to ask about customers' knowledge of their appeal rights.

### Survey data

**3.10** As discussed in Audit Report No.34 2004–05, *Centrelink's Complaints Handling System*, the 2002 Centrelink National Customer Satisfaction Study showed that 26 per cent of customers were unable to name any way of making a complaint to Centrelink. The right to make a complaint is included in the Charter, and is a fundamental right a customer should have in dealing with any organisation. Stakeholders to whom the ANAO spoke during audit fieldwork also supported the view that customers were not made fully aware of their right to complain. Stakeholders believed that, even if customers did understand their right to complain, some would be unwilling to pursue it because of the fear of retribution.

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<sup>70</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, op. cit., p. 3.

<sup>71</sup> Value Creation workshops are a form of focus group.

**3.11** The only data on customers' awareness of the appeals process is a question included in Centrelink's annual National Satisfaction Survey. The question asks whether the respondent agrees that 'Centrelink staff have explained to you how to get a decision reviewed or to make an appeal'<sup>72</sup>. This question was included in the 2003 survey, but not previously. Only 52 per cent of respondents agreed<sup>73</sup> and this was identified as a weak area in the survey report. However, no further information was elicited to find out the reasons why such a low number of respondents agreed with the statement.

**3.12** Centrelink advised the ANAO on 17 November that:

A significant proportion of Centrelink customers do not need to seek a review or appeal because they are satisfied with the decision(s) in their case. Notwithstanding this there appears to be a case for ensuring that Centrelink staff are aware of and promote the review, appeal and other service recovery strategies to customers. This aspect will be incorporated into Centrelink's response to the internal audit recommendation to consider options for the ODM role and the marketing campaign which is designed to have both an internal as well as an external focus.

**3.13** Specific questions on awareness and satisfaction with the appeals process are not included in Centrelink's satisfaction survey program. Therefore, Centrelink cannot determine whether customers' awareness of their appeal rights and/or satisfaction with the appeals process has increased over time, overall or for different categories of customers.

**3.14** While the satisfaction surveys have limitations (discussed further in Audit Report No.33 2004–05, *Centrelink's Customer Satisfaction Surveys*), Centrelink's survey program provides an opportunity to monitor customers' awareness of, and satisfaction with, the appeals process. The retention of the question in the National Satisfaction Survey, and the inclusion of a question on awareness and satisfaction with the appeals process in the CSC satisfaction survey (which has monthly reports) would provide more robust information on the appeals process.

## **Key Performance Indicators**

**3.15** During fieldwork the ANAO was advised that FaCS and Centrelink had been working during the life of the 2001-04 Business Partnership Agreement (BPA) to develop a set of Key Performance Indicators (KPIs) for Centrelink's performance. FaCS' website discussed transitional arrangements and stated that 'FaCS and Centrelink will develop a timetable for the

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<sup>72</sup> DBM Consultants, *Centrelink National Customer Survey 2003, K771 Final Questionnaire*, p. 5.

<sup>73</sup> DBM Consultants, *Centrelink National Customer Survey, Wave 12 Final Report*, February 2004, p. 21.

implementation of the new key performance indicators by 31 August 2001.<sup>74</sup> Included in this section was information on indicators for High Quality Customer Service. One of the issues discussed was the development of strategies to ensure, amongst a range of things, that customers are aware of their appeal rights.

**3.16** However, following the machinery of government changes on 22 October 2004, including the establishment of the new Human Services Portfolio (which incorporates Centrelink) and the transfer of policy responsibility for working age income support payments from FaCS to DEWR, it is likely that the agreements for the delivery of services by Centrelink will have to be revisited.

**3.17** Centrelink advised the ANAO on 17 November 2004 that the SRT Business Plan provides for a review of all KPIs.

### **Confusion between ODM reconsiderations and ARO reviews**

**3.18** As discussed in Chapter 2, there is confusion for customers regarding the ODM and ARO review processes. In some cases, customers may believe they have had an ARO review, when, in reality, their cases have been reviewed by an ODM. This impacts further on customer awareness of the ARO process.

### **Letters**

**3.19** Centrelink advised the ANAO that all letters that are sent to customers include information on appeal rights. However, stakeholders interviewed by the ANAO discussed the problem of customers' attention to, and comprehension of, this information. This is an issue particularly for the more vulnerable customers, including those with literacy problems. As well, stakeholders commented on the large number of letters that customers receive, and that customers do not always read them in detail. This attention and comprehension issue is supported by the low awareness among Centrelink customers of the Customer Charter<sup>75</sup>, even though it is displayed in every CSC and on every desk.

**3.20** Centrelink advised the ANAO on 17 November 2004 that:

Letters are not the only source of information about appeal rights. Centrelink's Life Events publications, claim information booklets, Customer Charter publications and web site all contain appeal rights information. A translated Rights and Appeals Factsheet is also produced, in 30 languages, for customers from a diverse cultural and linguistic background.

<sup>74</sup> <<http://www.facs.gov.au/bpa2001/sections/outcomep.htm>>.

<sup>75</sup> Centrelink's National Satisfaction Survey found that only 25 per cent of customers were aware of the Customer Charter.

In addition the question of awareness of review/appeal rights has been progressed following the internal audit and a marketing campaign is about to roll out.

The concerns with the frequency of letters are acknowledged. A lot of market research highlights customer concerns about receiving too much information. Unfortunately the same research also highlights customer concerns if they are not sent information. Centrelink is researching ways to try to find some middle ground between these two concerns, including the need for some letters, the frequency of letters, the content of letters, the layout of letters and alternative options to sending letters.

**3.21** The Centrelink internal audit of *Appeal Seekers' Experience* also found problems with customer awareness of the appeals system. The internal audit found:

Visible communication of information to customers for their rights to appeal, their ability to appeal and means of appeal is not apparent in CSC's. Information on the R&A [Review and Appeal] system in Centrelink correspondence to customers and in official documents are ineffective due to being either in small print or 'hidden' in terms of position in a document. This does not promote transparency of the R&A system nor the appearance of openness.<sup>76</sup>

**3.22** The internal audit recommended that a media strategy be developed to assist customers in relation to information on their rights. The SRT agreed to the recommendation. However, the SRT added to its agreement:

but note that this issue raises a paradox. Whilst every reasonable effort must be made to ensure customers are afforded their legal right to review of a decision, the use of the number of reviews and appeals as a customer service indicator can have unintended consequences.

Encouraging or assisting customers to pursue their rights of review leading to an increased number of appeals may reflect adversely on the officer or office involved. In addition, the extra appeals require more resources to process them. The solution is getting the right balance.<sup>77</sup>

**3.23** Centrelink advised the ANAO on 17 November 2004 that a strategy had been developed and was currently being implemented.

## Disincentive effect

**3.24** In discussions with the ANAO during fieldwork, Centrelink officers used the number of ARO reviews undertaken as a measure of the satisfaction with Centrelink processes. The premise put to the ANAO was that

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<sup>76</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, op. cit., p. 9.

<sup>77</sup> *ibid.*, p. 36.

40 000 reviews, out of Centrelink's estimate of 32 million decisions, was evidence that original decisions were mostly correct and that customers knew of the right to appeal.

**3.25** However, there was an underlying assumption that the number of ARO appeals was a true reflection of the number of people who wished to appeal. As discussed in Chapter 2, there is a view amongst the stakeholders interviewed by the ANAO, that there is a disincentive effect for customers to pursue a review, particularly beyond the ODM reconsideration stage. The ANAO considers that it is, therefore, important that Centrelink examine this disincentive effect, as well as undertaking work to determine whether customers are aware of their appeal rights.

**3.26** As discussed in Chapter 2, the disincentive effect reported by stakeholders works on two levels, a disincentive to appeal at all, and a disincentive to escalate due to appeal fatigue. Stakeholders believed that part of the disincentive effect was the difficulty customers had in understanding the process and providing the appropriate information in support of their appeal. A number of stakeholders who had assisted customers in this process commented that it was both onerous and time consuming.

**3.27** More seriously, some stakeholders raised the issue that there were cases where customers had been actively dissuaded, by Centrelink officers, from pursuing an appeal. While the ANAO does not have evidence of individual cases where this has occurred, the perception that this happens is in itself damaging for Centrelink. The Centrelink internal audit of *Appeal Seekers' Experience* reported that the Welfare Rights Network consistently commented that there were cases of 'customers being confronted by front line staff who provided wrong information in regard to customers' rights to appeal; in some instances to the point of deliberately misleading people.'<sup>78</sup>

**3.28** Centrelink advised the ANAO on 17 November 2004 that:

This is unacceptable and examples of such behaviour will be treated seriously and in accordance with performance assessment and discipline procedures as appropriate.

SRT will remind all Centrelink officers that they should not dissuade customers from pursuing an appeal, and instruct them to not offer opinions on the prospects of an appeal succeeding, even when asked.

## Conclusion

**3.29** The ANAO found that there was evidence that customers were often not fully aware of their right to appeal to the ARO. There is also confusion

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<sup>78</sup> *ibid.*, p. 24.

between ODM and ARO reviews. Stakeholders also raised the issue of appeal fatigue and other disincentives to appeal. Centrelink's own data show that only 52 per cent of customers (included in the agency's National Satisfaction Survey) agreed that Centrelink staff had explained how to get a decision reviewed or to make an appeal.

## Recommendation No.6

**3.30** The ANAO recommends that Centrelink monitor and report on customer awareness of their appeal rights and satisfaction with the appeals process, including any disincentive effects.

*Centrelink response:* Agree.

## Monitoring and reporting

**3.31** Centrelink reports on the ARO process in its annual report, and in reports to FaCS under the BPA. Centrelink produces internal reports that provide information at the Area level, and performance information reports at the CSC level can also be generated. Timeliness is the major focus of monitoring and reporting in all these reports. Secondary reporting is related to the outcome of the appeal (that is, percentages of affirmed or set aside decisions). There is little qualitative analysis in these reports. Appeals information is not explicitly included in Centrelink's Balanced Scorecard.

### Annual report

**3.32** In the Centrelink 2002–03 Annual Report, the number of applications for review by the ARO, SSAT and AAT were reported and compared with the previous financial year. Timeliness performance targets for AROs were also reported against. These performance standards were set out in the BPA and were that 75 per cent of ARO reviews will be completed within 28 days, and that 95 per cent of ARO reviews, where a customer has no income, were to be completed within 14 days. Centrelink exceeded both these targets in 2002–03. SSAT and AAT timeliness requirements were also reported.

**3.33** The 2002-03 Annual Report also included information on the percentage of changed and unchanged decisions at the ARO, SSAT and AAT level. However, there was no discussion about whether the percentages are acceptable, nor any discussion of the nature of appeals or whether any systemic issues were identified.

### Business Partnership Agreement

**3.34** ANAO's fieldwork for this audit was conducted between October 2003 and July 2004. Up until 1 July 2004, the relationship between FaCS and Centrelink was governed by the *Business Partnership Agreement, 2001–2004*. A

new agreement came into force between the agencies from 1 July 2004, the FaCS/Centrelink *Business Alliance Agreement 2004 to 2008*. ANAO's analysis in this audit report chiefly relates to the 2001–2004 BPA.

**3.35** ANAO also notes that following the machinery of government changes announced on 22 October 2004, new agreements may be required in relation to Centrelink's delivery of services on behalf of a range of agencies including FaCS. Of particular note in regard to the satisfaction surveys is the transfer of policy responsibility for income support payments for working-age Australians from FaCS to DEWR and for income support policy for students from FaCS to DEST.

**3.36** Under the BPA, Centrelink reported quarterly to FaCS on ARO reviews. The statistical information required under the BPA included the number of reviews by AROs. This information was further categorised by payment type, outcomes (affirmed, set aside etc) and the five most common reasons for appeal by payment type. Information was also provided on the timeliness of ARO reviews, and any reasons for variations in timeliness.

**3.37** Qualitative information requested under the BPA included any apparent reasons for an upward or downward variation in rates of appeal or in outcomes, with a particular emphasis on explanations that may have implications for the running of programs by FaCS.

**3.38** Centrelink has prepared a report on affirm rates over time.<sup>79</sup> The report shows that affirm rates are slowly increasing.<sup>80</sup>

**3.39** An assumption underlying the affirm rates analysis is that increasing affirm rates is a positive outcome. The ANAO suggests that it could be equally valid to say that decreasing affirm rates could be a positive outcome, as it may be evidence that the cases that get to the ARO level are those where there is a legitimate problem. This would indicate that customers are receiving comprehensive explanations of decisions, at the time the decision is made, and, therefore, there would be fewer requests for ARO reviews where the original decision was accurate. In either case, the rates need to be examined in the context of the number of ARO reviews undertaken.

**3.40** Centrelink advised the ANAO on 17 November 2004 that:

Affirm and set aside rates fluctuate and Centrelink monitors such rates at ARO, SSAT and AAT levels on a regular basis. From 1 October 2004 we are now well positioned to monitor such trends at all levels.

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<sup>79</sup> Centrelink, *Review and Appeals statistics, Affirm Rates Over time*, 9 March 2004.

<sup>80</sup> However, a report of 25 June 2004 suggests affirm rates were falling at that time.

**3.41** The SSAT raised, in discussions with the ANAO, that its members spend a lot of time explaining to customers why the original decision was correct, and, therefore, why their appeals failed. Once this is explained, customers are generally satisfied with the decision. If this explanation was provided at the time of the original decision, it may reduce the number of requests for review.

**3.42** Centrelink advised the ANAO on 17 November 2004 that:

As part of the response to the internal audit Centrelink is committed to providing an improved customer service at the ODM and ARO stages by ensuring that customers get an explanation and reasons for adverse decisions.

**3.43** Under the BPA, FaCS did not specifically require information that provided analysis and identification of systemic issues, and possible causes and appropriate remedial actions. The quarterly and financial year reports provided to FaCS on appeals included some qualitative analysis, but it was limited. The five most common reasons for appeal by payment type were reported, but there was no analysis of this information. While individual segment teams in NSO may have passed on some of this information to FaCS in the course of normal liaison, the inclusion of specific qualitative information requests in the agreements between Centrelink and relevant policy departments, could help to give a more consistent approach across different payment areas.

**3.44** The BPA also allowed for FaCS to request information pertaining to:

- the accessibility of the review and appeals system;
- the quality of decision making by original decision makers and by authorised review officers;
- the average cost of the review of a decision by an authorised review officer; and
- the quality of letters notifying decisions to customers.<sup>81</sup>

**3.45** This information would be valuable to assess the effectiveness and efficiency of the appeals system. However, FaCS advised the ANAO that it had never requested this information<sup>82</sup>.

**3.46** Any future requests from FaCS, and now DEWR and DEST, for this type of information would require Centrelink to develop systems to collect the appropriate data, and analysis of such data has the potential to achieve improvements in these areas.

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<sup>81</sup> FaCS and Centrelink, *Business Partnership Agreement 2001–04 —Legal Services Protocol*.

<sup>82</sup> FaCS email, 10 March 2004.



## Internal reports

3.47 The reports used internally by the Areas focus on meeting the performance standards for timeliness as set out in the BPA. There is also another level of reporting related to those cases that have taken over 50 days to review, which was introduced to decrease the number of these cases.

3.48 A focus on timeliness information alone can lead to unintended consequences, with the quality of decisions being compromised in order to meet timeliness standards. The monitoring of the quality of ARO decisions is not comprehensive, so the data are not available to see if there is an impact on quality from the focus on timeliness. The monitoring and reporting of the quality of ARO decisions is discussed further below.

3.49 During fieldwork, the ANAO found that at the Area level there were varying approaches to the use of ARO data. AROs prepared monthly reports and also reported to Area Leadership Teams on issues (how often they reported varied between Areas). There is also informal contact between the AROs within an Area, to discuss issues and to provide assistance if necessary.

3.50 Few of the AROs interviewed by the ANAO said that they looked at other areas of feedback, such as complaints or the satisfaction survey data. The Area offices produced reports for their Area that contained a range of information on the Area's performance. These reports were not consistent between Areas in terms of what they covered, and many did not contain information on appeals. There was no overall discussion of customer feedback, or interconnections between the different feedback areas.

3.51 Centrelink's internal audit of *Appeal Seekers' Experience* found that 'SRT formal management information (MI) and data requirements, particularly qualitative data, are inadequate for internal management of R&A [Review and Appeals] customer experience.'<sup>83</sup>

## Conclusion

3.52 The ANAO found that Centrelink has good systems for monitoring the timeliness of ARO reviews. However, reporting of qualitative information is limited. The ANAO also found that FaCS has had the ability to request data relating to the accessibility of the review and appeals system, and the quality and cost of decisions. However, FaCS advised that it has never requested this information.

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<sup>83</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, op. cit., p. 9.

## Recommendation No.7

**3.53** The ANAO recommends that Centrelink develop, in consultation with DEWR, FaCS and DEST, performance indicators for the quality and cost of the appeals system.

*Centrelink response:* Agree.

### Cost

**3.54** During fieldwork, the ANAO interviewed Centrelink officers from the SRT, and also Area Managers and officers from the Areas, who had responsibility for ARO functions. As part of these interviews, the ANAO asked for information regarding the costs of the appeals system.

**3.55** The ANAO was informed that AROs are funded at the Area level, and the Areas determine the number of ARO positions they will fund from available resources. The SRT has an advisory role in the ARO process, but has no control over the number of AROs in each Area. The SRT advised that it has no information on the cost of funding ARO positions, nor any information on the cost of ARO decisions, although it had a 'guesstimate'. While the Areas know the cost of funding ARO positions in their Area, they advised that they do not know the cost of ARO decisions.

**3.56** The 'guesstimate' SRT provided to the ANAO of the cost to Centrelink of the ARO process was \$12 million a year. Centrelink advised the ANAO that the estimate was based on recent ARO productivity figures of 18–24 cases each per month, and a roughly equivalent figure of 366 minutes per case which was used when the function was transferred from the former Department of Social Security to Centrelink in 1997. However, the ANAO notes that the estimate would not include the cost of the corporate support and infrastructure required, nor would it include the cost of the involvement of ODMs in providing information to the ARO.

**3.57** Given the significant cost of the ARO process (even at the potential underestimate of \$12 million per annum), and the concomitant potential for cost savings, Centrelink would benefit from a better understanding of the cost to the agency of the appeals system.

**3.58** As discussed in relation to the cost of the ODM reconsideration process, the lack of cost-related performance information relating to Centrelink processes has been raised previously in a Centrelink commissioned review, and in ANAO Audit reports (see paragraphs 2.101–2.103). As was the case for the ODM reconsideration process, given the total cost of the appeals system is unknown, the ANAO cannot assess the cost efficiency of the system. Also, without information on the cost of the system, Centrelink is hampered in identifying efficiencies or better practices which may lead to cost savings.

**3.59** Centrelink advised the ANAO on 17 November 2004 that:

It is true that SRT does not have ready access to such costings but such information is available within the broader organisation and does require a deal of enquiry across 15 Areas to bring together.

## Quality

**3.60** The quality of ARO reviews is also important as good quality reviews (that is where the review decision is correct, it is well documented and clearly communicated to the customer) may reduce the number of appeals that are escalated by the customer to the SSAT. This may also lead in turn to cost savings for Centrelink and the SSAT. The quality of the ARO reviews also impacts on the quality of the data that the ARO appeal process generates, and ultimately its usefulness for informing Centrelink and the policy departments about areas for improvement.

**3.61** The ANAO examined Centrelink's processes for ensuring the quality of ARO decisions. The areas covered included: the role of the SSAT review process; provision of information to the SSAT; quality assurance process; ARO training; promotion of quality decision making by AROs; identifying and promulgating better practice; and ARO performance assessment.

### Role of SSAT review process

**3.62** The SSAT is a statutory body established to review decisions made in relation to social security, education or training payments. The Tribunal can hear appeals against decisions by Centrelink, FaCS and DEST. The Tribunal is also able to review some decisions made by officers of the Department of Veterans' Affairs.

**3.63** The Tribunal is completely independent of Centrelink and the departments. It has the power to review the merits of decisions made by Centrelink and the Department of Veterans' Affairs. That is, the SSAT has the power to change Centrelink and the Department of Veterans' Affairs decisions. This contrasts with the powers of the Commonwealth Ombudsman, who can only recommend that a decision, with which he disagrees, be changed. The only requirement is that a decision must be reviewed by a Centrelink ARO or a the Department of Veterans' Affairs' Service Pension Review Officer before an appeal is made to the Tribunal.<sup>84</sup>

**3.64** During ANAO fieldwork, AROs and other Centrelink officers commented that the major quality check for the ARO process was feedback from the SSAT review process. They also stated that all records and decisions

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<sup>84</sup> <<http://www.ssat.gov.au>>.

from an SSAT review are returned to the ARO who made the decision. In addition, Centrelink Advocates examine the varied and set aside cases (where the SSAT overturns the original decision). The quality of the ARO decision and the documents provided to the SSAT by Centrelink are examined in this process (including ODM and ARO letters).

**3.65** The Advocates' primary role is to represent Centrelink and FaCS in AAT matters. It is for this reason that they examine the SSAT review cases where the original decision is varied or set aside, as they make a recommendation as to whether or not the Secretary of FaCS will take the case to the AAT for review. Affirmed cases are not examined. The role of Advocates is examined in more detail below.

**3.66** AROs commented that they did not speak with the Advocates very often about the quality of the ARO review in varied or set aside cases, and that there was no discussion about the quality of the reviews that had been affirmed. This reflects that the primary purpose of the Advocates' review is to decide whether an SSAT case should be taken to the AAT.

**3.67** In 2002–03, of the 39 383 ARO reviews undertaken, 9 144 were escalated to the SSAT. Roughly one third of the SSAT reviews result in the ARO decision being varied or set aside. This means that approximately 3 000 cases, or around 8 per cent of ARO cases, receive this check. There is no consistent quality check of those reviews that do not proceed to the SSAT.

**3.68** The customers who escalate their cases to the SSAT may not be representative of all Centrelink customers. Various stakeholders and Centrelink officers advised the ANAO that vulnerable customers were less likely to appeal in general, and also less likely to proceed to the SSAT having had the original decision affirmed by the ARO. Therefore, using the SSAT review as the sole quality check for ARO reviews may introduce some bias in terms of the information produced and how it is used.

**3.69** As with ODM reviews, the quality of ARO reviews is not consistently checked, unless the customer escalates the review to the SSAT. This reliance on escalation is not good practice, as escalation does not give any quality assurance in those cases that are not escalated. Furthermore, escalation does not provide a timely quality check, as it takes some time from when the customer first requests a review by Centrelink, until a decision is made by the SSAT.

## **Provision of information to the SSAT**

**3.70** When a Centrelink customer appeals to the SSAT, the SSAT notifies Centrelink of the appeal, and Centrelink then has 28 days to provide the following to the SSAT:

- (a) a statement about the decision under review that:
  - (i) sets out the findings of fact made by the person who made the decision; and
  - (ii) refers to the evidence on which those findings were based; and
  - (iii) gives the reasons for the decision; and
- (b) the original or a copy of every document or part of a document that:
  - (i) is in the possession, or under the control, of the Secretary; and
  - (ii) relates to the applicant; and
  - (iii) is relevant to the review of the decision.<sup>85</sup>

**3.71** During fieldwork, the ANAO was advised that the ARO involved puts together the relevant information package, including the original file and other documentation. The provision of the material within 28 days is one of the key KPIs for AROs. In 2002–03, information was provided to the SSAT within 28 days in 89.6 per cent of cases.<sup>86</sup>

**3.72** In some cases, the customers will lodge their SSAT appeal form with Centrelink, and Centrelink has seven days to forward the form to the SSAT. Receipt of the forms in the SSAT within seven days is another timeliness indicator (as required by the legislation). The target is for 100 per cent within seven days. In 2002–03, 75.8 per cent were received by the SSAT within seven days.<sup>87</sup>

**3.73** There are no quality indicators for the provision of information to the SSAT, other than any feedback received from the SSAT, and the examination by the Advocates of those cases that are varied or set aside by the SSAT.

**3.74** AROs interviewed during fieldwork commented on some difficulties with meeting the 28 day timeline for provision of information, due to difficulties in obtaining the relevant documents from the records management unit. AROs also commented that they often put together themselves information that should have been provided to them by the ODM, to avoid missing the 28 day deadline.

**3.75** The ANAO held discussions with the SSAT to discuss the quality of information provided to the SSAT by Centrelink. The SSAT noted that ‘while the Tribunal is conscious of the need to be independent of Centrelink, both agencies must also work together to ensure the administration of the appeal process satisfies the objectives of the legislation’.<sup>88</sup> The SSAT advised that the

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<sup>85</sup> *Social Security (Administration) Act 1999*, section 157(3).

<sup>86</sup> SSAT advice 2 February 2005.

<sup>87</sup> *ibid.*

<sup>88</sup> *ibid.*

relationship with Centrelink was good. The two organisations meet at a number of different levels, and there is regular discussion of issues, including the discussion of the quality of information provided to the SSAT by Centrelink.

**3.76** The good relationship acknowledged, the SSAT raised a number of issues with the ANAO, which it has also raised with Centrelink. The SSAT commented on the poor quality of the ODM letter, and its lack of explanation of the reason for the ODM's decision. This view also flowed onto the ARO review. The SSAT stated that the ARO decision is usually quite clear, but the reasons for that decision are sometimes lacking or are not sufficiently clearly stated and, therefore, a number of people appeal to get a better/further explanation.<sup>89</sup>

**3.77** The SSAT sees an underlying cause of confusion as the computer generated general payment letter, which throws together a number of different paragraphs. The paragraphs are not incorrect, but the letter continuity and flow is lost, hence causing confusion for the customer. A number of stakeholders interviewed by the ANAO echoed this view of Centrelink letters.

**3.78** The SSAT has the power to 'remit back to Centrelink' the files for additional information. The SSAT commented that annually it could send back a very large number of cases to Centrelink to request that the missing relevant documents/evidence be placed on file. However, the SSAT advised the ANAO that:

[the SSAT] prefers not to do this as it adds too much time to a case, and the Tribunal believes it needs to fulfil its statutory responsibility to provide a 'quick' mechanism of external review, as well as look after the customer's interests. The SSAT therefore reluctantly often identifies for itself the documents/evidence relevant to the decision appealed. This should not be necessary. The accessibility of the review process to customer is paramount, and it takes too long to go back to the ARO or to the CSC Manager to get done what should have been done in the first place.<sup>90</sup>

**3.79** The SSAT stressed to the ANAO how important it is that:

Centrelink's decisions clearly set out the facts which Centrelink believe exist and refer to the relevant law in each particular appeal case. Centrelink do not attend the SSAT appeal hearings and therefore the written decisions and the supporting files represent the entire Centrelink case. Evidence omitted from the file or the written decision, that is not raised by the customer at the hearing, may not be considered by the Tribunal in reaching its decision

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<sup>89</sup> *ibid.*

<sup>90</sup> *ibid.*

thereby resulting in potentially poor outcomes for the customer and/or the decision-maker.<sup>91</sup>

**3.80** As mentioned above, the SSAT and Centrelink meet regularly to discuss issues, at both the national and State levels. One of the outcomes from these discussions was that the Executive Director of the SSAT and the then Chief Executive of Centrelink agreed to an Administrative Arrangements Agreement. Part of this Agreement refers to the implementation of a checklist ('task card'), in order to ensure that the appropriate information was provided to the SSAT. The task card is a checklist of information that needs to be included in the file to support the decision under review. There are separate task cards for the most usual type of appeal cases.

**3.81** The SSAT advised the ANAO on 2 February 2005 that:

Checklists (task cards) setting out minimum documentation requirements for key case types have been developed by agreement between the SSAT and Centrelink to address the quality issues around the provision of information to the Tribunal. Sample audits are undertaken six monthly to assess compliance with the agreed 'task cards'. In this way, the task cards operate as a general quality indicator for the information provided to the SSAT, albeit not as a QA tool for each and every case.

**3.82** The SSAT noted during discussions with the ANAO, that SSAT audits of compliance with the task cards by Centrelink, in all SSAT offices, showed that there was less than 50 per cent compliance nationally. This was in the second year of the use of task cards. This low compliance also leads to the SSAT tribunal members and case managers themselves having to identify (or seek out) additional information before appeals can be heard. The SSAT stated that SSAT members should not be responsible for the identification of evidence to explain Centrelink's case and would have more confidence in the material provided, if they knew that the task card had been followed. An additional important benefit to such compliance is that Centrelink too would have confidence that its ODMs and AROs had in fact identified and considered all relevant documents and issues during the internal Centrelink reviews.<sup>92</sup>

**3.83** That such a low level of compliance is apparent, even after the use of task cards was agreed and mandated, is of concern. This coupled with the low level of implementation of the quality assurance form (discussed below), shows that acceptance by Centrelink staff throughout the Centrelink network of quality tools is problematic.

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<sup>91</sup> *ibid.*

<sup>92</sup> *ibid.*

**3.84** Centrelink advised the ANAO on 17 November 2004 that:

Centrelink is about to undertake a joint (with SSAT) review of compliance with task cards which should ensure that issues of non compliance are readily identified and addressed.

### **Quality assurance process**

**3.85** The issue of quality was discussed at an ARO conference in December 2002, and a quality assurance checking form was developed. In the minutes of the conference, the actions from this item are to 'Implement prior to July' [2003]<sup>93</sup>. However, the ANAO found that an ARO quality assurance process had only been implemented in one of the six Areas visited by the ANAO during fieldwork. In this Area, there was peer checking of a random selection of two cases from each ARO, every three months.

**3.86** Centrelink advised the ANAO on 17 November 2004 that:

Quality assurance processes are in place for 50% of the ARO network and the objective is to reach 100% coverage.

**3.87** In the Area visited by the ANAO, which had implemented a quality check process, a report prepared from this process stated that the process 'also provided an opportunity to provide ARO's with feedback from their peers about their work, as this is not something that happens in SSAT decisions or scrutiny's (sic) from the Service Recovery Team'.

**3.88** The SRT advised the ANAO during this audit that it cannot mandate that the Areas implement peer checking, nor can it mandate how the check will be conducted, or the extent of the checking. Whether peer checking is the most appropriate way to check for quality, and whether there has been any evaluation of the process in the Areas where it has been implemented, was not discussed in material provided to the ANAO.

**3.89** Centrelink advised the ANAO on 17 November 2004 that:

SRT has a keen interest in and commitment to ensuring that quality becomes a focus for decision making generally as there are potential savings of time and resources. As part of that commitment best practice quality checking will be incorporated into the response to the internal audit recommendation to consider options for the ODM process.

**3.90** The ANAO found that there are problems with the monitoring of the quality of ARO decisions. There is a reliance on customers escalating a review to the SSAT to trigger an assessment of quality. While a quality assurance form for peer checking has been developed, and the 2002 national ARO conference

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<sup>93</sup> Minutes of the National ARO Conference, Sydney, 4–5 December 2002.



agreed to its implementation by July 2003, only one of the six Areas visited by the ANAO during fieldwork had implemented peer checking.

## Recommendation No.8

**3.91** The ANAO recommends that Centrelink mandate and implement quality assurance processes for ARO decisions across the Centrelink network.

*Centrelink response:* Agree.

### ARO training

**3.92** The ANAO found during fieldwork that there was no process for the accreditation of AROs, or any monitoring of the currency of ARO skills.

**3.93** The SRT has developed an ARO training program. This program was designed to be delivered face to face by a trainer, but can also be worked through on an individual basis. The report of the Centrelink internal audit of *Appeal Seekers' Experience* states that:

Advocate courses have been conducted ad hoc and the ARO course **has never been used** [emphasis added] because there are no centrally controlled training funds or authority and ability for the SRT to coordinate and deliver training courses. Not formalising training objectives, training delivery, course funding and course coordination has meant that AROs and Advocates are under prepared and slower to reach competency.<sup>94</sup>

**3.94** Centrelink advised the ANAO on 17 November 2004 that Areas have reported that almost all new AROs over the last two years have used the ARO training course.

**3.95** During fieldwork, the ANAO interviewed a number of AROs in each of the Areas visited. The AROs said that they had learnt on the job and used the ARO 'on the job' handbook. None mentioned the ARO training program when asked about how they were trained. Some of the AROs said that new AROs were mentored by the more experienced AROs. AROs within an Area generally had a good network for advice and information, and this also assisted new AROs in learning about the job.

**3.96** However, there are problems with relying on on the job training of new AROs by experienced AROs, particularly in the absence of a national training program. Experienced AROs have not been through formal training and accreditation in their role and many are not subject to any quality assurance process, such as quality assurance through peer checking. Therefore, an experienced ARO may not be training a new ARO appropriately, and may in fact be entrenching incorrect processes or, at a minimum, bad habits.

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<sup>94</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, op. cit., p. 6.

**3.97** The ARO role is acknowledged to be complex. Given this complexity, the legislative requirement for the ARO review, and the impact on customers' views of Centrelink from their experiences in pursuing a review, providing assurance as to the expertise of the ARO is critical.

**3.98** There needs to be national consistency in the conduct of the ARO process. Customers should be confident that the decision they receive under an ARO review would be the same irrespective of which ARO makes the decision, or in which CSC or Area the review is conducted. Such national consistency would be underpinned by a mandated national approach to the delivery and monitoring of training of AROs.

**3.99** The report of the Centrelink internal audit of *Appeal Seekers' Experience* states that 'Quality and consistency of individual AROs and Advocates widely varies and is easily discernible by the SSAT, AAT, WRN [Welfare Rights Network] and COO [the Commonwealth Ombudsman].'<sup>95</sup>

**3.100** The ANAO considers that the minimum requirement for assurance of the expertise of AROs across Centrelink's network would involve the delivery of a mandated national training package, that all AROs undergo, and that this participation is monitored and recorded. While the training program can be self-administered, this approach, if it is not combined with suitable follow-up measures, does not by itself allow for quality control to assure Centrelink that this training is completed and understood.

**3.101** Ideally, such a national training package would be an accredited course, with testing, to provide assurance that a level of expertise has been obtained, with regular updates and testing to ensure that ARO skills and expertise were maintained.

**3.102** The Centrelink internal audit of *Appeal Seekers' Experience* found that:

The R&A [Review and Appeals] system and its component ODM, ARO and Advocate processes constitute technical disciplines that currently do not require Centrelink learning accreditation...The ARO and Advocate roles require individual accreditation, likewise the ODM function, should its current role remain with the R&A system. The risk in not doing so is to continue wide variance in quality and consistency within each of the roles.<sup>96</sup>

**3.103** The internal audit recommended that Centrelink 'Establish an accreditation authority for the roles, based on managed completion of respective role training objectives by individuals. This will require

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<sup>95</sup> *ibid.*, p. 16.

<sup>96</sup> *ibid.*, p. 28.

administrative oversight of progress of individuals in the satisfactory completion of each training objective.<sup>97</sup>

**3.104** The SRT agreed to the recommendation (subject to qualifications) and stated that the 'idea of integrated, progressive and accredited training, through the CVC [Centrelink Virtual College], for AROs, Advocates and Practice Specialists has been accepted and steps to implement it are in train.'<sup>98</sup>

**3.105** Centrelink has advised the ANAO during fieldwork that core competencies have been identified by the SRT for both ARO's and Advocates, and that the SRT is currently working with the Centrelink Virtual College to align these competencies with the Diploma of Government. The target for completion of the development of this training program is December 2004.

**3.106** Centrelink further advised the ANAO on 17 November 2004 that:

It is agreed that there needs to be a mandated national approach [to the delivery of training]. Work is progressing on accredited learning and skilling for AROs under the relevant workplace agreement.

**3.107** The ANAO found during fieldwork that there was no process for the accreditation of AROs, or any monitoring of the currency of ARO skills. The ANAO considers that the minimum requirement for assurance of the expertise of AROs across Centrelink's network would involve the delivery of a mandated national training package, that all AROs undertake, and that this participation is monitored and recorded. Centrelink advised the ANAO in November 2004 that work is progressing on accredited learning and skilling of AROs.

## Recommendation No.9

**3.108** The ANAO recommends that Centrelink develop and implement a process for the accreditation of AROs, and monitor delivery of the training package and AROs' participation.

*Centrelink response:* Agree.

## Promotion of quality decision making by AROs

**3.109** Centrelink has identified the promotion of quality decision-making as one of the roles to be undertaken by AROs. During ANAO fieldwork, AROs and other Centrelink officers advised that they saw this role as both delivering training and providing one on one advice to CSOs. This role provides an opportunity for quickly taking and using the customer feedback generated by

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<sup>97</sup> *ibid.*, p. 29.

<sup>98</sup> *ibid.*

the ARO review process, to improve service at the front line of decision-making.

**3.110** The ARO functional role statement describes one role as identifying training needs within CSCs and, in consultation with the Network Learning Co-ordinator, to facilitate the provision of training. The functional role statement document also includes, as part of the quality requirements, the role of contributing to Centrelink's Getting it Right Strategy by identifying areas for improvement. The Getting it Right Strategy aims to improve payment correctness and eliminate preventable rework.

**3.111** The AROs interviewed by the ANAO during fieldwork, discussed this role, but acknowledged that their primary role was undertaking reviews, and that this was the most time consuming role. The training role appeared to be ad hoc, with no forward planning for the provision of training undertaken or identification of the specific training to be delivered. The focus was on the contribution to the Getting it Right Strategy. The ANAO was advised that the CSC Managers who managed these AROs, did not play a strong role in driving the ARO promotional role. There was also no monitoring or recording of this role at the Area level.

**3.112** The SRT advised the ANAO that it has no role in monitoring the promotion aspects of the ARO role and, consequently, there is no national information collected on how AROs carry out this role. Accordingly, Centrelink does not have any mechanism in place to monitor the effectiveness and efficiency of how this role is being carried out by AROs across the network. This limits the capacity to identify any better practices in the conduct of the promotion aspects of the ARO role.

### **Identifying and promulgating better practice**

**3.113** The AROs interviewed by the ANAO identified the ARO Team Room, and the ARO national conference, as the major ways of receiving new information, sharing information and identifying better practices. However, there hasn't been a national conference held since December 2002. Centrelink informed the ANAO on 6 May 2004 that:

There are no plans at this stage to hold another conference in the near future. These conferences usually consist of 36 people. Generally there are two representatives from each Area depending on the nominees the Area wishes to send plus representatives from the Service Recovery Team.

**3.114** Centrelink has since advised that an Internal Review conference scheduled for 30 November–1 December 2004 will be attended by AROs.

**3.115** These conferences, when held, may assist in better practice promulgation. However, they have limited coverage of the AROs. This is not a timely method of communication. If a national conference is not to be a regular

event, Centrelink may need to consider other, more timely, measures for better practice promulgation.

**3.116** The 'ARO Team Room' is an online chat room on the Centrelink intranet, which AROs can log into and find out about changes in legislation and other policy information, and also contribute to discussions. The AROs interviewed during fieldwork, had varying views on the value of the Team Room, although most used it to find out new information. Some AROs thought that the Team Room was not of much use, and they did not contribute to discussions. Others used the Team Room every day for updates and thought it was very good. Few of the AROs interviewed contributed regularly to the discussions.

**3.117** The SRT advised the ANAO that it estimated that there were 12 regular contributors to the Team Room, out of the 180 AROs nationally. This limits the usefulness of the Team Room as a method for identifying and promulgating best practice.

**3.118** As discussed above, the SSAT found in its audits that there was low compliance by Centrelink with the procedures to use task cards which were designed both to ensure the Centrelink delegates identified, and considered, relevant documents, and that all relevant documents would be provided to the SSAT. Also, only one of the six Centrelink Areas visited by the ANAO during fieldwork had implemented a peer check of ARO work. This indicates a problem with consistent acceptance across the Centrelink network of both procedures agreed with the SSAT and identified better practice.

**3.119** Centrelink's internal audit of *Appeal Seekers' Experience* found that the 'Lack of authority to direct technical controls is a major risk to the quality and consistency of internal R&A [Review and Appeals] system roles and functions, as are required under legislation'.<sup>99</sup>

**3.120** A part of this finding included that:

There was no formal ability within the SRT to harvest best/better practice nor develop standard processes, practices and procedures for promulgation to a compliant national community of AROs. There was evidence that this had been achieved ad hoc, but not to a level where there had necessarily been Network-wide acceptance of all technical controls.<sup>100</sup>

**3.121** This limited SRT mandate was previously raised in relation to mandating processes for the ODM reconsideration process (paragraph 2.92), ARO funding (paragraph 3.55) implementation of peer checking (paragraph 3.88), and national training (paragraph 3.93). The lack of SRT mandate is a

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<sup>99</sup> *ibid.*, p. 15.

<sup>100</sup> *ibid.*

theme that runs through the audit reports in this series, in particular in relation to complaints (see ANAO Audit Report No.34 2004–05, *Centrelink Complaints Handling System*).

**3.122** The internal audit recommended that Centrelink ‘Authorise and promulgate Technical Delegate authority for R&A [Review and Appeals] system to NM [national manager] SRT and redeploy resources to allow for greater centralised technical control of national ARO functions.’<sup>101</sup>

**3.123** The SRT disagreed with the internal audit’s finding and associated recommendation, saying that ‘SRT has been performing this role for many years and it would be difficult, if not impossible, to identify resources which could be redeployed from ASOs [Area Support Offices].’<sup>102</sup> SRT argued that centralised operational control would be less effective and more expensive.

**3.124** However, it was agreed that a statement would be prepared which identified the separation between the technical and operational roles of the SRT and the Area Support Offices, and included reporting requirements.

**3.125** Centrelink advised the ANAO on 17 November 2004 that:

A statement has been developed and is proposed for endorsement by the Internal Review conference planned for 30 November and 1 December 2004.

**3.126** In Audit Report No.4 2004–05, *Management of Customer Debt*, the ANAO found that:

Variations in Area Recovery Team structures reflected an inconsistent approach to debt recovery across the network...That is, both the customer’s outcome, and the effectiveness of operations, depends disproportionately on the structure and processes of the relevant Area, and the priority the Area’s management places on the function.<sup>103</sup>

**3.127** The report went on to state that:

Centrelink is a national organisation. Therefore, the quality of outcomes and customer service should not be dependent on the customer’s geographic location.<sup>104</sup>

**3.128** The ANAO considers that these findings apply equally to the appeals process.

**3.129** The ANAO found that the SRT has limited ability to mandate Area practices in relation to the review and appeals system. This finding was

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<sup>101</sup> *ibid.*, p. 16.

<sup>102</sup> *ibid.*

<sup>103</sup> ANAO Audit Report No.4 2004–05, *Management of Customer Debt*, pp. 121–122.

<sup>104</sup> *ibid.*, p. 122.

reinforced by Centrelink's internal audit of *Appeal Seekers' Experience*. Therefore, it is important that systems are in place to allow for national consistency in the appeals process, identification and promulgation of better practice, and identification of cost savings in Centrelink's administration of the appeals process.

## Recommendation No.10

**3.130** The ANAO recommends that Centrelink develop and implement national systems for the identification of better practice in ARO reviews and its timely distribution across the Centrelink network.

*Centrelink response:* Agree.

### ARO performance assessment

**3.131** During ANAO fieldwork, the AROs interviewed, and their managers, identified individual performance assessment as the tool used to monitor ARO performance. Centrelink policy prescribes performance assessment discussions for all staff every four months, culminating with an annual assessment. There is a standard AROs' performance agreement that covers meeting the KPIs and performing the promotion role.

**3.132** Discussions with AROs regarding the ARO performance agreement showed a wide variation in the conduct of performance assessments. Some AROs advised that they had not participated in a performance assessment discussion for some time. Some had them regularly.<sup>105</sup> One of the issues with performance assessment appeared to be that AROs were generally on the top of the pay scale and, therefore, there was little incentive to go through the assessment process.

**3.133** A number of Centrelink managers commented that AROs were experienced officers and required little management. Others said that ARO teams were self managed. Overall, there was no evidence of a strong level of senior management of AROs.

**3.134** While AROs may be experienced officers, the monitoring of performance is important to ensure that quality is maintained and that any aberrant behaviour is quickly identified. Centrelink is implementing a system for tracking whether all individuals have signed a performance agreement. This new system should assist in monitoring whether an assessment has taken place, including for AROs. However, it would not be able to monitor the quality of such assessments.

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<sup>105</sup> Centrelink advised the ANAO on 31 August 2004 that a survey of Areas undertaken in response to the ANAO audit revealed that almost all current AROs have performance agreements in place.

**3.135** ARO performance is monitored through individual performance assessments. However, not all AROs the ANAO spoke to during fieldwork had had regular assessment discussions.



## 4. Centrelink Advocates

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*This chapter briefly examines the role of Centrelink Advocates and issues relating to the training of Advocates.*

### Background

**4.1** The ANAO did not specifically examine the role of Centrelink Advocates during the conduct of the audit, and Advocates were not interviewed during fieldwork. However, Centrelink raised the Advocate role in the context of providing a quality check for ARO decisions, and this led to a limited examination of the role.

**4.2** As discussed in paragraph 3.65, the Advocates' primary role is to identify SSAT decisions to be appealed to the AAT, and to represent Centrelink and FaCS<sup>106</sup> in AAT matters. The AAT provides independent review of a wide range of administrative decisions made by the Australian Government and some non-government bodies. The AAT aims to provide fair, impartial, high quality and prompt review with as little formality and technicality as possible. Both individuals and government agencies use the services of the AAT.<sup>107</sup>

**4.3** At the time of audit fieldwork, the role of the Advocates was set out under the BPA with FaCS. The BPA has a section on vetting of SSAT decisions for possible appeal. The Secretary to FaCS has primary responsibility for deciding whether set aside or varied decisions should be appealed to the AAT or from the AAT to a court.

**4.4** The BPA states that Centrelink will consider the implications of any SSAT decision that varies or sets aside a Centrelink primary decision and take a number of steps in relation to those decisions. This includes providing FaCS with a written recommendation that a case be considered for appeal.

**4.5** The BPA also states that Centrelink will provide FaCS with access to advocacy and related services. Centrelink's Advocates will appear for and take instructions from FaCS in representing:

- the Secretary to FaCS in AAT matters;
- FaCS in staff disciplinary matters involving FaCS staff; and

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<sup>106</sup> The machinery of government changes announced on 22 October 2004 will have implications going forward for the role of the Advocates, particularly in light of the transfer of policy responsibility for income support policy for working age people to DEWR and policy responsibility for income support for students to DEST.

<sup>107</sup> <<http://www.aat.gov.au>>.

- FaCS in the Human Rights and Equal Opportunity Commission and similar matters involving staff of FaCS or customers of either FaCS or Centrelink making a complaint against FaCS.

**4.6** If either FaCS or Centrelink consider that a matter ordinarily handled by a Centrelink Advocate should be referred to another legal adviser, Centrelink will refer the matter to FaCS to make a discretionary decision on the referral.

## Advocate training

**4.7** Given the importance of the Advocate role in providing quality assurance to ARO decisions, the ANAO requested information relating to the type and amount of training Advocates receive in order to undertake the advocacy role.

**4.8** Centrelink provided a listing of Advocates and the training they had undertaken. Advocate training included basic advocacy training and advanced advocacy. These courses are delivered face to face by a combination of Centrelink Business Leaders and experienced Advocates. They cover such things as: the role of the advocate; the role of the Service Recovery Team; the Federal Court; conferences and mediation; and rules for examination and cross examination.

**4.9** The information provided to the ANAO by Centrelink shows that of the 35 Advocates listed, 16 had undertaken the basic advocacy training course, and five had attended the advanced advocacy training course. Nineteen of the advocates, or more than half of the advocates listed, had not undertaken the basic training.

**4.10** This is so, even though Advocates undertake a specialist role in representing Centrelink and FaCS at the AAT, and a large part of their role is to negotiate an agreement before the case appears before the AAT.

**4.11** There is also a level of expertise required to assess whether a case (where the decision has been varied or set aside by the SSAT) should be appealed by FaCS to the AAT. A by-product of this process is an assessment of the quality of the ARO decision, and the quality of information provided in support of the ARO's decision.

**4.12** Given the specialist role and the level of representation required, the Advocate role is complex. Therefore, assurance as to the expertise of the Advocate is needed, as well as assurance that there is national consistency in the conduct of the Advocate process.

4.13 However, the Centrelink internal audit of *Appeal Seekers' Experience* found that quality and consistency of individual Advocates was discernible by the AAT<sup>108</sup>, and recommended the accreditation of Advocates. The SRT agreed indicating steps are in train.<sup>109</sup>

4.14 Centrelink informed the ANAO that core competencies have been identified by the SRT for both AROs and Advocates, and that the SRT is currently working with the Centrelink Virtual College to align these competencies with the Diploma of Government. The target for completion of this training package was December 2004.

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Canberra ACT  
9 March 2005



P. J. Barrett  
Auditor-General

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<sup>108</sup> Centrelink, *Final Audit Report, Appeal Seekers' Experience*, op. cit., p. 6.

<sup>109</sup> *ibid.*, pp. 28–29.

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