

The Auditor-General  
Audit Report No.40 2006–07  
Performance Audit

# **Centrelink's Review and Appeals System Follow-up Audit**

**Centrelink**

Australian National Audit Office

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of Australia 2007

ISSN 1036–7632

ISBN 0 642 80960 7

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Canberra ACT  
30 May 2007

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 and the accompanying brochure to the Parliament. The report is titled *Centrelink's Review and Appeals System Follow-up Audit*.

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 'Ian McPhee', is positioned above the printed name.

Ian McPhee  
Auditor-General

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

## AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. 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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# Abbreviations

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AAT	Administrative Appeals Tribunal
ANAO	Australian National Audit Office
APL system	The APL system is a computer database used by Centrelink to record customers' appeals at the ODM, ARO and SSAT levels.
ARO	Authorised Review Officer
ARO QA	Authorised Review Officer Quality Assurance process
BPA	Business Partnership Agreement
CSA	Customer Service Advisor
CSC	Customer Service Centre
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
FaCSIA	Department of Families, Community Services and Indigenous Affairs
IRP report	Report of Centrelink's Internal Review Project
JCPAA	Joint Committee of Public Administration and Audit
ODM	Original Decision Maker
SSA Act	<i>Social Security (Administration) Act 1999</i>
SSAT	Social Security Appeals Tribunal

# Glossary

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Reviewable Decision	The review of a decisions made by Centrelink in respect of the range of payments administered by Centrelink.
Set Aside (a decision)	To replace the original decision with a new decision.
Vary (a decision)	To change the original decision to some degree (which may be to the customers full or partial advantage, or disadvantage).
Affirm (a decision)	To confirm the original decision under review.
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.
ARO	A senior Centrelink officer responsible for reviewing a decision at the request of the customer.
Original decision maker	The CSA who made the original decision regarding a customer’s payment or circumstance.
Business Partnership Agreement	This is a document that provides the basis for the relationship between two Commonwealth agencies, which is a unique arrangement characterised by purchaser/provider responsibilities as well as partnership and alliance.
National Customer Satisfaction Survey	An annual telephone survey of all Centrelink customers.

Vulnerable  
customers

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.



# **Summary and Recommendations**



# Summary

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## Background

1. In 2004–05, the ANAO conducted a series of six audits on Centrelink's customer feedback system, which included Centrelink's review and appeals system (Audit Report No.35, *Centrelink's Review and Appeals System*, 2004–05). The objective of the previous 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 Original Decision Maker (ODM)<sup>1</sup> and the Authorised Review Officer (ARO)<sup>2</sup>.
2. With some 6.5 million customers, Centrelink will make many millions of decisions in a year, ranging from processing fortnightly income statements to undertaking complex pension assessments. 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.
3. Part 4 of the *Social Security (Administration) Act 1999* (the SSA Act) 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. Therefore, access to the review and appeals system is a legislative right of Centrelink's customers.

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<sup>1</sup> The CSA who made the original decision regarding a customer's payment or circumstances.

<sup>2</sup> A senior Centrelink Officer responsible for reviewing a decision at the request of the customer.

4. The SSA Act allows a person affected by a decision of a Centrelink officer to apply to the Secretary<sup>3</sup> for review of the decision. If a person applies for review of a decision, the relevant Secretary, the CEO or an ARO must review the decision.

5. The previous audit found that Centrelink policy included another step in the process prior to the ARO review. This was the Original Decision Maker (ODM) reconsideration step, where the Customer Service Advisor (CSA) who originally made the decision reviews the case.

6. Centrelink 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;
- it allows the customer to present any new information relevant to the decision; and
- it also provides an opportunity for the ODM to fully explain his/her decision to the customer.

7. It was also considered a quick fix for obvious errors and contained the numbers of ARO reviews.<sup>4</sup>

8. In the 2004–05 audit, the ANAO concluded that, while Centrelink's review and appeals system was extensive and well established, there were 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.

9. The previous audit made ten recommendations to improve Centrelink's review and appeals system. Centrelink agreed to all recommendations. The objective of this follow up audit was to review Centrelink's progress in

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<sup>3</sup> At the time the SSA Act was promulgated in 1999, the provisions referring to 'the Secretary' related to the Secretary of only one portfolio department, the then Department of Family and Community Services. However, following machinery of government changes announced by the Prime Minister in October 2004, references in the SSA Act to 'the secretary' may relate to the Secretaries of the Departments of Families, Community Services and Indigenous Affairs (FaCSIA), Employment and Workplace Relations (DEWR) and Education Science and Training (DEST) – depending on the nature of the payment involved.

<sup>4</sup> Centrelink 2005, *Report of Centrelink's Internal Review Project*, 2005. p. 6.

implementing the recommendations of Audit Report No.35, *Centrelink's Review and Appeals System* 2004–05.

## Key Findings

10. Table 1 summarises the ANAO's assessment of Centrelink progress in implementing the ten recommendations from the previous ANAO audit report.

**Table 1**

### Summary of ANAO's assessment of Centrelink's progress in implementing the recommendations from Audit Report No.35 2004–05

Audit Report No.35 2004–05 recommendations	Progress
<b>Recommendation No.1</b> The ANAO recommends that Centrelink monitor and report on customer awareness of, and satisfaction with, the ODM reconsideration process.	Partially Implemented
<b>Recommendation No. 2</b> 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.	Limited Progress <sup>5</sup>
<b>Recommendation No. 3</b> 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.	Limited Progress <sup>6</sup>

<sup>5</sup> The assessment of progress against the recommendations relates to the situation as it was at the time of audit fieldwork and finalisation of this audit report. Centrelink advised the ANAO, in response to the proposed report for this audit, that it intends to progressively introduce interim procedural changes to the present internal review system from 21 May 2007 so that:

- when a customer first requests a review they will be offered the options of having the decision reconsidered initially by the ODM or of exercising their legal right of review by an ARO immediately;
- if the customer chooses to go direct to an ARO, they will be asked if they agree for the ODM to quickly check the decision before the matter is referred to an ARO; and
- if the customer does not agree, there will be no ODM reconsideration or check of the decision before the matter is referred to an ARO.

Centrelink subsequently advised the ANAO on 18 May 2007 that these changes will be subjected to a limited trial to test written instructions and systems changes commencing 21 May 2007 before being implemented nationally.

These measures have the potential to address Recommendations No.s 2 and 3 and the related issues raised in the previous report. However, as they had not been implemented at the time of audit fieldwork and in finalising the report, the ANAO was unable to confirm this.

<sup>6</sup> *ibid.*

Audit Report No.35 2004–05 recommendations	Progress
<b>Recommendation No.4</b> The ANAO recommends that Centrelink: <ul style="list-style-type: none"> <li>a) Require staff to record all ODM reconsiderations on the APL system; and</li> <li>b) Include in relevant Centrelink internal reports information gathered through monitoring and reporting of ODM reconsiderations.</li> </ul>	Fully Implemented
<b>Recommendation No.5</b> The ANAO recommends that Centrelink develop and implement quality control processes for ODM reconsiderations.	Partially Implemented
<b>Recommendation No.6</b> 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.	Substantially Implemented
<b>Recommendation No.7</b> The ANAO recommends that Centrelink develop, in consultation with DEWR, FaCS and DEST, performance indicators for the quality and cost of the appeals system.	Partially Implemented
<b>Recommendation No.8</b> The ANAO recommends that Centrelink mandate and implement quality assurance processes for ARO decisions across the Centrelink network.	Fully Implemented
<b>Recommendation No.9</b> The ANAO recommends that Centrelink develop and implement national systems for the accreditation of AROs and monitor delivery of the training package and ARO's participation.	Substantially implemented
<b>Recommendation No.10</b> 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.	Fully Implemented

11. In response to the proposed report for this audit,<sup>7</sup> Centrelink advised the ANAO of a range of interim changes to the review and appeals system that the agency had implemented or was in the process of implementing subsequent to the ANAO's fieldwork and issues papers for this audit. These changes are set out in Centrelink's full response to the audit at Appendix 6. Centrelink advised the ANAO that it believes that these changes would fully implement Recommendation No.1 of this follow-up audit report, and Recommendations No.1, No.2, No.3, No.5, No.6 and No.9 of the previous audit report. The ANAO recognises the potential that these changes have to address some or all of these recommendations. However, as the measures were not in

<sup>7</sup> Section 19 of the *Auditor-General Act 1997* requires the Agency to be given a copy of the proposed audit report. The Agency has 28 days to provide the ANAO with written comments on the proposed report. Any written comments must be considered by the Auditor-General before preparing the final audit report.

place at the time of audit fieldwork, and in a number of cases at the time of finalising this report, the ANAO was not able to confirm this.

## Proposed New Internal Review Process (Chapter 1)

12. In response to the various concerns and criticisms<sup>8</sup> raised in a number of reports<sup>9</sup> into Centrelink's internal review process, Centrelink undertook a project in 2005 to review its internal review process with a particular focus on the ODM process. A trial of three alternative internal review processes models was held in various parts of Australia. On 22 December 2005, a report on the findings from this trial was produced, entitled the *Report of Centrelink's Internal Review Project* (IRP Report).

13. As a result of the findings and recommendations from the IRP Report, a submission was provided to Centrelink's Executive in September 2006 (after the commencement of this audit) proposing amendments to the ODM reconsideration process. The proposal recommended that the ODM reconsideration process be replaced by a new model whereby the ODM conducts a quick check of the decision, and if the ODM is unable to change the decision in the customer's favour, the matter is referred to an ARO. Centrelink's Executive agreed in principle to the implementation of the proposed internal review process.

14. In February 2007, after the ANAO had provided Centrelink with the initial findings from this follow-up audit, Centrelink further reviewed its proposed new internal review model. This resulted in further changes to the proposed internal review model.<sup>10</sup>

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<sup>8</sup> The concerns and criticisms contained in these reports can be summarised as follows:

- there is no legal requirement for customers to go through the ODM reconsideration process prior to obtaining an ARO review;
- customers have to seek a review twice to access their right of review by an ARO. That is, the ODM reconsideration step has a disincentive effect;
- ODM reconsiderations can take too long, and prolong the overall Internal Review Process;
- the ODM reconsideration process lacks quality checking and assurance processes; and
- the ODM reconsideration process is not transparent.

<sup>9</sup> Reports that have included criticisms of the ODM reconsiderations have included:

- Centrelink internal audit report, February 2004;
- Commonwealth Ombudsman's Annual Report 2003/04, 2004–06 and 2005–06;
- The report of the Breaching Review Taskforce of November 2004, and
- ANAO Report No 35, *Centrelink's Review and Appeals System*, 2004–05.

<sup>10</sup> The key additional changes involve the removal of the ODM from the first step of the review process and the inclusion of a time limit on this first step, which it is now proposed will be undertaken by a Customer Service Adviser (CSA) who was not the ODM. See paragraph 18 for further information.

15. At the time of drafting the final report for this audit, Centrelink was not able to advise the ANAO if the funding the agency advised it requires to implement this new internal review model is to be made available. Accordingly, Centrelink could not advise when the proposed new internal review process would be implemented. While the ANAO acknowledges that the proposed new internal review model has the potential to address many of the outstanding issues from the previous report, the ANAO was unable to test the impact that these changes would have on the internal review process.

## **Original Decision Maker Process (Chapter 2)**

16. The previous audit also found that the ODM reconsideration process had become a substantive process in its own right.<sup>11</sup> However, this process was not always transparent to customers and may have provided a barrier to them pursuing their right to an ARO review.<sup>12</sup> The previous audit made five recommendations aimed at improving the ODM reconsideration process; these are outlined above, in Table 1.

### *Centrelink's examination of its internal review model*

17. As discussed above, during fieldwork for the follow-up audit Centrelink officers advised the ANAO that they had agreement in principle from the Centrelink Executive to amend Centrelink's internal review process, particularly the ODM reconsideration process or first step.

18. In February 2007, in light of the issues raised by the ANAO's initial findings for this audit, Centrelink further reviewed its proposed internal review model. This involved minor changes to the proposed new internal review process, which include:

- wherever possible, a 'quick check' of a decision appealed to an ARO will not be done by the Original Decision Maker (ODM) but by another Customer Service Advisor (CSA) not previously involved in the matter; and
- where a decision has not been changed or reaffirmed within seven calendar days the matter will be passed to an ARO to complete the review. Customers are expected to provide any additional information or reports within the seven calendar day period.

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<sup>11</sup> Australian National Audit Office 2005, Centrelink Review and Appeals System, Audit Report No.35 2004–05, ANAO, Canberra. p. 35 , para 2.10.

<sup>12</sup> *ibid.*, p. 35, para 2.10.

19. However, as noted in paragraph 15, implementation of the new internal review model will be contingent on obtaining additional funding to cover the extra costs to Centrelink. The ANAO notes that at the time of fieldwork and of preparing the final report, the ODM reconsideration process still existed in the same form as that in place at the time of the previous audit.<sup>13</sup>

#### *Awareness of the ODM Process*

20. Centrelink had undertaken a small survey of customer satisfaction with the ODM reconsideration process as a part of the internal review project. Centrelink had also improved the questions in the National Customer Satisfaction Survey on the review process. However, these questions do not specifically measure customer awareness of the ODM reconsideration process. The ANAO considers that it remains important that Centrelink undertake further steps to implement Recommendation No.1 from the previous audit report.

21. Centrelink advised the ANAO in its response to the proposed report for this audit that it will consider, as part of a review, whether the survey questions might be adjusted to differentiate between ODM and ARO aspects of the process.<sup>14</sup>

#### *Disincentive Effect*

22. In the previous audit, the ANAO noted that, for effective access to administrative review, customers need not only to be aware of the 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'.

23. Stakeholders<sup>15</sup> interviewed during the follow-up audit indicated that many of their clients, particularly those from vulnerable groups, would still be unlikely to appeal a decision due to their concern that Centrelink may discriminate against them in the future.

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<sup>13</sup> See footnote 5 for a description on changes Centrelink advised the ANAO it proposes to progressively introduce to the current internal review system from 21 May 2007.

<sup>14</sup> Centrelink, Response to ANAO's proposed audit report, 15 May 2007.

<sup>15</sup> The ANAO interviewed 14 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.

24. Centrelink advised the ANAO that, to address the concerns of stakeholders and those raised by the ANAO in the previous audit, the agency has undertaken a number of initiatives aimed at improving customers' awareness of their rights to have a decision reviewed; these are outlined in Appendix 5.

### *Transparency to Customers*

25. The previous audit found that 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. In particular, the ANAO found that Centrelink practice was that all requests for review would first be looked at by the ODM, even if the customer specifically requested an ARO review. In addition, it was up to the customer to escalate a review from the ODM to the ARO.

26. The result was that Centrelink's internal review process lacked transparency for customers and led to some customers being confused with the difference between an ODM reconsideration and an ARO review. This had the potential to create a barrier to customers in accessing all stages of Centrelink's internal review system, particularly, the customer's legislative right to have a decision reviewed by an ARO. The previous report made two recommendations to improve the transparency of the ODM reconsideration process to customers. This included developing a separate form (from the one that was being used at the time to request an ARO review (the SS351 form)) for customers to request an ODM review and for Centrelink to 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.

27. The ANAO found that Centrelink had not developed a separate form for customers to request an ODM review. Nor was there any other mechanism in place to monitor and record a customer's agreement not to proceed directly to an ARO review.

28. Centrelink advised the ANAO that it will be revising or withdrawing the current SS351 form used to request both an ARO and an ODM review<sup>16</sup>. In addition, in the new internal review model, the progress of an appeal or review will be monitored through the APL system to ensure matters are referred to an ARO after 7 days. Centrelink provided further advice in

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<sup>16</sup> A customer can also request an ARO review by completing the form SS351, titled '*I want to ask for a review of a decision by an Authorised Review Officer*'.

response to the proposed report for this audit that, in the interim, ahead of the introduction of the new internal review model:

The SS351 form is being redesigned for customers to request a review of a Centrelink decision. It will present the two options and ask customers who choose to go direct to an ARO to indicate if they agree to the ODM to quickly checking the decision before the matter is referred to an ARO.<sup>17</sup>

29. Overall, the ANAO found that Centrelink had made limited progress in improving the transparency of the ODM reconsideration process to customers and in implementing Recommendations No.s 2 and 3 from the previous report. The ANAO notes Centrelink's recent advice that it intends to implement further improvements in the interim pending the introduction of the proposed new internal review model (see Appendix 6) that have the potential to address these recommendations.<sup>18</sup> These measures have the potential to address Recommendations No.s 2 and 3 and the related issues raised in the previous report. However, as they had not been implemented at the time of audit fieldwork and in finalising the report, the ANAO was unable to test if this would result in the recommendations being fully implemented.

30. Following implementation of Centrelink's proposed internal review model, it will remain important that transparent information is provided to customers about Centrelink's internal review process, including the role that the CSA undertaking the 'quick check' plays in the process. If this does not occur, there remains a risk that Centrelink's internal practices could contribute to a disincentive effect on customers pursuing their legislative right to have a decision reviewed by an ARO. In addition, until the proposed new internal review model is implemented, the ODM reconsideration is likely to continue to be the most common review undertaken.<sup>19</sup>

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<sup>17</sup> Centrelink, Response to ANAO's proposed report, 15 May 2007.

<sup>18</sup> In particular, Centrelink advised the ANAO that interim changes to the present internal review process will be progressively introduced from 21 May 2007. The key features are:

- When a customer first requests a review they will be offered the options of having the decision reconsidered initially by the ODM or of exercising their legal right of review by an ARO immediately;
- If the customer chooses to go direct to an ARO, they will be asked if they agree for the ODM to quickly check the decision before the matter is referred to an ARO;
- If the customer does not agree, there will be no ODM reconsideration or check of the decision before the matter is referred to an ARO.

Centrelink subsequently advised the ANAO on 18 May 2007 that these changes will be subjected to a limited trial to test written instructions and systems changes commencing 21 May 2007 before being implemented nationally.

<sup>19</sup> Notwithstanding the changes Centrelink proposes to progressively introduce from 21 May 2007.

### *Monitoring and reporting*

31. Since the previous report, Centrelink had significantly improved its processes for the monitoring and reporting of ODM reconsiderations. The ANAO found that Centrelink staff are required to record all ODM reconsiderations on the APL system and information regarding ODM reconsiderations is included in relevant Centrelink internal reports. This had resulted in Recommendation No.4 from the previous audit being fully implemented.

### *Cost*

32. In developing the proposal for the new internal review process, Centrelink has undertaken some analysis to determine the cost of the ODM reconsideration process. For this purpose, it was determined that the ODM reconsideration process currently costs Centrelink \$10 919 970 per annum.<sup>20</sup> Centrelink estimates that the proposed new internal review model would result in a 50 per cent reduction in costs for the ODM/CSA reviews. However, this cost saving will be offset by an increase in the cost of the ARO reviews. Centrelink estimates that, in total, the new internal review model will cost \$39.3 million annually to operate, \$15.3 million more a year than the estimated cost of the current internal review system. This is discussed further in Chapter 3.

33. The ANAO suggests that Centrelink put processes in place that will allow it to monitor the costs of the ODM process while the current model remains in place. This should assist the agency in determining whether the cost savings expected to be made as a result of the elimination of the ODM step, and its replacement with the 'quick check' by a CSA in the proposed new internal review model, are realised following the implementation of the new model. This should also assist Centrelink to identify any further potential cost savings available under the proposed new internal review model.

### *Quality and Timeliness*

34. The ANAO considers that Recommendation No. 5 from the previous report has been partially implemented. The ANAO found that Centrelink had not developed or implemented broader quality control processes for ODM reconsiderations. However, Centrelink had developed reporting procedures that monitor the timeliness of the ODM reconsideration process, and the

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<sup>20</sup> Centrelink spreadsheet, *Internal Review Costing, Version 3 (March 2007)*, provided to the ANAO 15 March 2007.

results indicate that the ODM reconsideration process can lead to significant delays for the customer in having a decision reviewed and finalised.

35. Centrelink's internal reports indicate that the average time taken for an ODM to complete a reconsideration in 2004–05 was 27 days and in 2005–06 it was 37 days. In addition, in 2005–06, on average, 53 per cent of ODM reconsiderations took more than 7 days to be completed.

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

### *Awareness of the ARO review*

36. The previous audit found that the only data available on customers' awareness of the appeals process relates to a question included in Centrelink's Annual National Customer Satisfaction Survey. This question asked whether 'Centrelink staff have explained to you how to get a decision reviewed or to make an appeal'. At the time of the previous audit, 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.

37. The ANAO considers that the additional questions included in the 2006 National Customer Satisfaction Survey should provide Centrelink with information to undertake analysis on customers' awareness of the review process, identify any gaps and address the issues.

38. However, as discussed in Chapter 2, customers can still experience disincentive in accessing Centrelink's internal review system. This can be caused by apparent 'appeal fatigue', confusion of the how the system works and lack of awareness of their rights to request a decision to be reviewed. The ANAO found that Centrelink had not monitored or reported on the impact of any disincentive effect on customers' awareness of their appeal rights. Therefore, the ANAO considers that Recommendation No.6 from the previous audit report has been substantially implemented.<sup>21</sup>

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<sup>21</sup> Centrelink advised the ANAO in response to the proposed report for this audit that when the new internal review model has been implemented, Centrelink will include some questions in the [National Customer Satisfaction] survey to monitor overall customer awareness of the new model.

### *Monitoring and reporting*

39. The ANAO considers that Recommendation No.7 of the previous audit report has been partially implemented. Centrelink's Annual Report and the reports provided to DEWR, FaCSIA and DEST included performance indicators that measured some aspects of quality (number of reviews and timeliness information of ARO reviews).

40. The ANAO found that Centrelink has a better understanding of the cost to the agency of the review and appeals system as a result of the work it has undertaken to estimate the potential costs of a new internal review process. However, there are no performance indicators for cost included in any of the Business Partnership Agreements (BPAs) with DEWR, FaCSIA or DEST. Funding for the internal review function is provided as part of the funding provided to the agency through the Centrelink Funding Model (CFM).

41. The ANAO recognises the difficulties the current CFM presents to Centrelink in terms of breaking down the costs of the various components of its operational services. The ANAO considers that in order to minimise the risk of under-resourcing of the internal review process, and to facilitate informed discussions on this issue with purchasing departments, Centrelink should periodically prepare robust estimates of the costs involved.

### *Quality*

42. Since the previous audit, Centrelink has developed and mandated a national quality assurance process (ARO QA) for AROs. This was initially developed and implemented for five months in the 2005–06 financial year and will run on an ongoing basis during the 2006–07 financial year. Under the ARO QA process, one decision made by an ARO each month will be independently checked during the following month. The ARO decision is selected randomly, and the ARO then sends the associated paper work to a person in the Legal Services Branch. The checker assesses the quality against a standard ARO Quality Checklist. This has resulted in Recommendation No.8 from the previous audit being fully implemented.

### *ARO training*

43. Since the previous audit, a series of technical training modules specifically for AROs had been developed and published on Centrelink's online learning library. These modules had also been used to deliver induction training for almost 60 new AROs across the Centrelink network. Centrelink had also developed and opened the accredited Diploma of Government to

AROs in October 2005. However, the ANAO found that only four AROs had completed the Diploma, with 11 enrolled at the time of fieldwork.

44. A skills audit tool, that allows AROs and their managers to identify specific training needs, had also been developed. The skills audit is an optional self assessment tool that AROs can complete to identify training needs.

45. Centrelink had developed the accredited Diploma of Government for AROs and a number of ARO induction training modules. However, at the time of the fieldwork there was a low take up and completion rate for the Diploma of Government among AROs. There is the potential that the number of new AROs may significantly increase if the proposed new internal review process is implemented. As such it will be important that Centrelink is able to assure that these AROs have the expertise to undertake the role and are appropriately skilled. Overall, the ANAO considers that Recommendation No.9 from the previous report has been substantially implemented.

#### *Promotion of quality decision making*

46. The ANAO found that Centrelink had strengthened its existing mechanism available for AROs to identify and promulgate better practice across the Centrelink network. A common management structure for AROs has been implemented in all Centrelink Areas. This had made it easier for Centrelink to drive consistent national approaches, to direct technical controls and implement new initiatives across all AROs.

47. Centrelink has a number of forums for AROs to share information and discuss issues. These include the online forums such as the ARO teamroom and ARONet. The ANAO considers that Recommendation No.10 from the previous audit has been fully implemented.

## **Overall audit conclusion**

48. Since the previous audit was tabled in March 2005, Centrelink has made improvements to its review and appeals system. Centrelink has significantly improved and enhanced its practices for the monitoring and reporting of ODM reconsiderations. The agency has also improved quality assurance, training and identification of better practice for ARO reviews. In addition, Centrelink has made substantial progress in improving its monitoring of customers' awareness of the review and appeals system.

49. However, the ANAO concluded that Centrelink should further improve the first stage of its internal review process (previously referred to as ODM reconsiderations) in terms of :

- transparency of this process to customers;
- the agency's timeliness in conducting this process; and
- the quality assurance processes applied.

50. In response to the proposed report for this audit, Centrelink advised the ANAO of further interim changes to the current internal review process that the agency has implemented, or is in the process of implementing, since the conclusion of the ANAO's fieldwork and issues papers process for this audit (see Appendix 6). These changes have the potential to address some or all of these issues. However, as the measures were not in place at the time of audit fieldwork, and in a number of cases at the time of finalising this report, the ANAO was not able to test whether the changes would fully address these issues.

51. Centrelink's monitoring and reporting of the cost of its internal review system could also be improved to allow informed discussion with purchaser departments and other stakeholders and to minimise the risk of under-resourcing the internal review process.

52. As noted in paragraph 12, in late 2005, Centrelink undertook a major project that reviewed and trialled options for the ODM reconsideration process within its internal review system. This was in response to a number of reviews and reports, including the previous ANAO audit report. The result of the project was a recommendation to Centrelink's Executive to change its internal review process, in particular the ODM reconsideration or first stage of the internal review system. During the course of the audit, this proposed new internal review model was further enhanced. The ANAO concludes that the proposed new model has the potential to address Recommendation No.s 1, 2, 3 and 5 of the ANAO's 2004–05 audit report.

53. However, Centrelink had not, at the point this audit was finalised, changed its internal review process. Centrelink advised the ANAO that the introduction of Centrelink's proposed new internal review model is subject to the availability of additional funding that would be required to operate this model. The ANAO notes that Centrelink has recently approached its major

purchaser departments (DEWR, and FaCSIA)<sup>22</sup> regarding the additional funding required for the implementation of the proposed new model. However, even should funding be made available, Centrelink does not anticipate that the new model would be implemented before the 2008–09 financial year. Accordingly, many of the issues raised by the ANAO in the 2004–05 audit report related to the Centrelink’s internal review process had the potential to remain unaddressed until at least 2008–09.

54. In this circumstance, while the ANAO has had the opportunity to consider the potential improvements Centrelink’s proposed new internal review model may deliver, the ANAO was unable to test in this audit the impact that the proposed changes would have and whether they would result in the implementation of the outstanding recommendations from the previous audit report. On 15 May 2007, Centrelink advised the ANAO of changes to the current internal review and appeals system that the agency had either implemented, or was in the process of being implementing. These changes have been made since February 2007, after the conclusion of the ANAO’s fieldwork and issues papers process for this audit. The ANAO recognises the potential for these changes (which are set out in Centrelink’s full response at Appendix 6) to address some or all of the recommendations and issues raised in the previous audit. However, the ANAO was unable to test this in this audit.

55. Centrelink’s internal review model, whereby customers’ requests for review are first considered by the ODM, has had the impact of significantly reducing the number of requests for review that go on to consideration by an ARO. This is why Centrelink’s proposed new internal review model, removing the ODM step and replacing it with a time-limited ‘quick check’ by another CSA not previously involved in the matter, involves additional cost as the number of reviews expected to go to an ARO review under this model is much higher. While the ANAO acknowledges that there is a need to contain the costs of the review process, it is equally important that the legislated rights of Centrelink’s customers do not become secondary to negotiations on purchaser provider agreements.

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<sup>22</sup> DEST advised the ANAO in its response to the proposed report (15 May 2007) that the department had not been approached by Centrelink on this matter.

## Agencies' responses

### Centrelink

56. The CEO of Centrelink provided the following response:

Centrelink welcomes this report and considers that implementation of its recommendations will enhance administration of the review and appeals system.

Centrelink agrees with the recommendations in the report.<sup>23</sup>

57. A detailed response was provided by Centrelink and this is included at Appendix 6.

### DEWR

58. The Secretary of the Department of Employment and Workplace Relations provided the following response:

The Department of Employment and Workplace Relations welcomes the findings of the Australian National Audit Office follow-up audit of Audit Report No.35 2004–05 regarding Centrelink's review and appeals system. DEWR notes the ANAO's conclusion that Centrelink has implemented some of the original audit recommendations, but that other audit recommendations have not been addressed.

DEWR would support the implementation of a new internal review model subject to appropriate cost assumptions. From DEWR's perspective funding to implement quality controls and conduct internal reviews is covered in the DEWR Centrelink BPA.<sup>24</sup>

59. A detailed response was provided by DEWR and this is included at Appendix 7.

### FaCSIA

60. The Secretary of the Department of Families, Community Services and Indigenous Affairs provided the following response:

Under the Business Partnership Agreement (BPA) 2006–2010 between FaCSIA and Centrelink, quality indicators have been developed to measure some aspects of the quality of the ARO reviews. From quarterly business discussions which took place for the December 2006 reporting period under the BPA, Centrelink has agreed to provide additional assurance mechanisms for some of

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<sup>23</sup> Centrelink, Response to ANAO's proposed report, 15 May 2007.

<sup>24</sup> DEWR, Response to ANAO's proposed audit report, 15 May 2007.

the Service Delivery Indicators including more analytical information on ARO, SSAT and AAT appeals data.

With respect to cost indicators for the Centrelink review and appeals system, Centrelink receives its funding under the Centrelink Funding Model (CFM). The costs associated with review and appeal activity have been integrated into 'the base' funding Centrelink has received over a number of years. It is difficult to extract these particular cost elements and develop cost indicators for inclusion in the BPA.<sup>25</sup>

61. A detailed response was provided by FaCSIA and this is included at Appendix 8.

## DEST

62. The Deputy Secretary of the Department of Education, Science and Training provided the following response:

DEST supports the proposed ANAO audit report and the recommendations, and agrees with the ANAO assessment of the progress on the implementation of recommendations contained in the previous Audit Report No.35 of 2004–05, *Centrelink's Review and Appeals System*.<sup>26</sup>

63. A detailed response was provided to DEST and this is included at Appendix 9.

## Human Services

64. The Secretary of the Department of Human Services (DHS) provided the following response:

The follow up audit report identifies a number of areas where further improvements could be made. Centrelink has indicated that it agrees with the three additional recommendations. Centrelink has also indicated that negotiations with the three major purchaser Departments in relation to the additional funding required to implement the proposed new internal review model are continuing.

The Department of Human Services will continue to monitor progress in this regard. Following tabling of the report, it is intended to advise all Human Services Portfolio Agencies' of the findings of this audit to ensure that all Human Services agencies review and appeals systems adequately address the issues raised.<sup>27</sup>

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<sup>25</sup> FaCSIA, Response to ANAO's proposed audit report, 15 May 2007.

<sup>26</sup> DEST, Response to ANAO's proposed audit report, 15 May 2007.

<sup>27</sup> DHS, Response to ANAO's proposed audit report, 15 May 2007.

# Recommendations

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## **Recommendation No.1**

### **Para 2.69**

The ANAO recommends that Centrelink inform customers of their legal rights to have a decision reviewed by an ARO and make all stages of the internal review process transparent and accessible for all customers.

*Centrelink Response: Agreed.*

## **Recommendation No.2**

### **Para 2.89**

The ANAO recommends that Centrelink develop and implement quality assurance processes for the CSA role as a part of Centrelink's new internal review model.

*Centrelink Response: Agreed.*

## **Recommendation No.3**

### **Para 2.110**

The ANAO recommends that Centrelink develop and implement a key performance indicator (KPI) that measures a maximum timeframe for the completion of both the ODM and ARO stages of an internal review. This KPI should also be made explicit to customers.

*Centrelink Response: Agreed.*

## **Audit Findings and Conclusions**



# 1. Introduction

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*This chapter provides background information on Centrelink's review and appeals system, the previous ANAO report and the audit approach for the follow-up audit.*

## The Social Security Review and Appeals Process

**1.1** With some 6.5 million customers, Centrelink will make many millions of decisions in a year, ranging from processing fortnightly income statements to undertaking complex pension assessments. Many of these decisions are computer generated. Because many Centrelink customers are dependent on the payments they receive from Centrelink, any 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.

**1.2** 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.

**1.3** Therefore, access to the review and appeals system is a legislative right of Centrelink's customers. The system provides a method of assuring stakeholders<sup>28</sup> and the community that customers' rights are observed. The appeals system also provides the opportunity for mistakes in individual cases to be remedied. In addition, the system 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.

## Centrelink's Internal Review Process

**1.4** Centrelink's current internal review process includes the Original Decision Maker (ODM) reconsideration<sup>29</sup>, and the Authorised Review Officer (ARO) review. Figure 1.1 outlines Centrelink's internal review process.

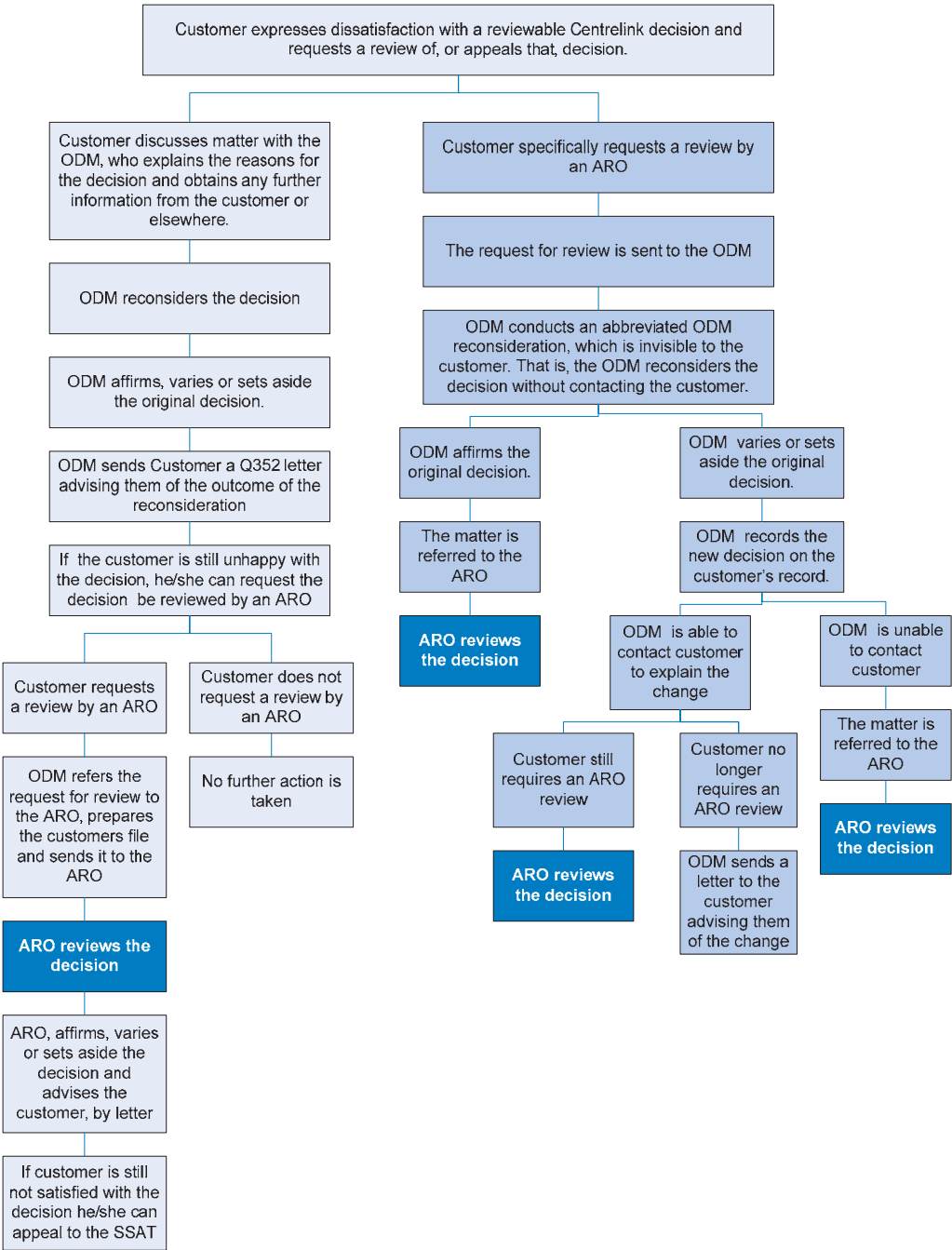
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<sup>28</sup> The ANAO interviewed 14 stakeholder organisations, including advocacy groups, peak bodies representing various customer groups (ranging from the aged to the homeless), and organisations that provide services directly to customers.

<sup>29</sup> The ODM reconsideration is where the Customer Service Advisor (CSA) who originally made the decision reviews the case.

Figure 1.1

Centrelink’s Internal Review Process



Source: ANAO analysis of Centrelink documentation

## Previous ANAO Audit

1.5 In 2004–05, the ANAO conducted a series of audits on Centrelink customer feedback system, including an audit of Centrelink’s review and appeals system that was presented to Parliament as: Audit Report No. 35, *Centrelink’s Review and Appeals System*, 2004–05. The objective of the previous 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.

1.6 The ANAO concluded that, while Centrelink’s review and appeals system was extensive and well established, there were 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.

1.7 The previous audit made ten recommendations to improve Centrelink’s review and appeals system. Centrelink agreed to all recommendations.

## JCPAA

1.8 The Joint Committee of Public Accounts and Audit (JCPAA) reviewed the ANAO’s 2004–05 series of audits on Centrelink’s Customer Feedback System, including Audit Report No.35 of 2004–2005 and published its findings in Report No.407, *Review of Auditor General’s Reports tabled between 18 January and 18 April 2005*. Centrelink advised the JCPAA that seven of the 10 recommendations from Audit Report No.35, 2004–05, *Centrelink’s Review and Appeals System*, were in the process of being implemented and that three had been implemented (completed). The Committee did not make any specific recommendations on the Centrelink’s review and appeals processes, but made the follow comment:

The Committee is interested to see what outcome results from the examination of Centrelink’s review processes, particularly with regard to the ODM reconsideration and the cost implications for the whole of the review process.<sup>30</sup>

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<sup>30</sup> JCPAA, Report No. 407, *Review of Auditor General’s Reports tabled between 18 January and 18 April 2005*, September 2006. p. 108, para 5.73.

**1.9** Appendix 1 includes Centrelink's full response provided to the JCPAA on the status of the recommendations from Audit Report No.35, 2004–05.

**1.10** The CEO of Centrelink, in the context of the JCPAA's review of the feedback series, said:

Centrelink has undertaken a great deal of work in implementing these recommendations. Four have been implemented. Implementation of the remainder is under way. Thirty-one are due for completion by December 2005. All bar two will be completed by March 2006. Those two are tied up with systems implications. I want to leave you in no doubt that Centrelink is committed to making the customer experience one that is as positive and as productive as possible. We welcome the discussion of the committee.<sup>31</sup>

## Recent reviews and reports of Centrelink's Review and Appeals Processes

**1.11** Since the previous audit there have been a number of reviews and reports into Centrelink's internal review processes. These include the:

- Ombudsman's Annual Reports, in his 2004–05 and 2005–06 Annual Reports the Ombudsman made comments in relation to Centrelink's internal review processes, particularly around the unnecessary delays caused to customers by the ODM reconsideration process (further information is in Appendix 2);
- *Breaching Review Taskforce Report*, conducted by Centrelink and released in November 2004, made three recommendations aimed at improving aspects of the ODM reconsideration stage of Centrelink's internal review processes (further information is in Appendix 3); and
- *Report into the current administrative review and debt collection functions in Centrelink* (Tongue Report). Ms Sue Tongue was commissioned by Centrelink, to conduct a review of Centrelink's then current structures and processes in relation to internal and external review and Customer Compensation. The report made 23 recommendations, of which 13 were directed specifically towards the ODM and ARO processes. Appendix 4 discusses these recommendations in more detail.

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<sup>31</sup> JCPAA, Report No. 407, *Review of Auditor General's Reports tabled between 18 January and 18 April 2005*, September 2006.

## Proposed New Internal Review Process

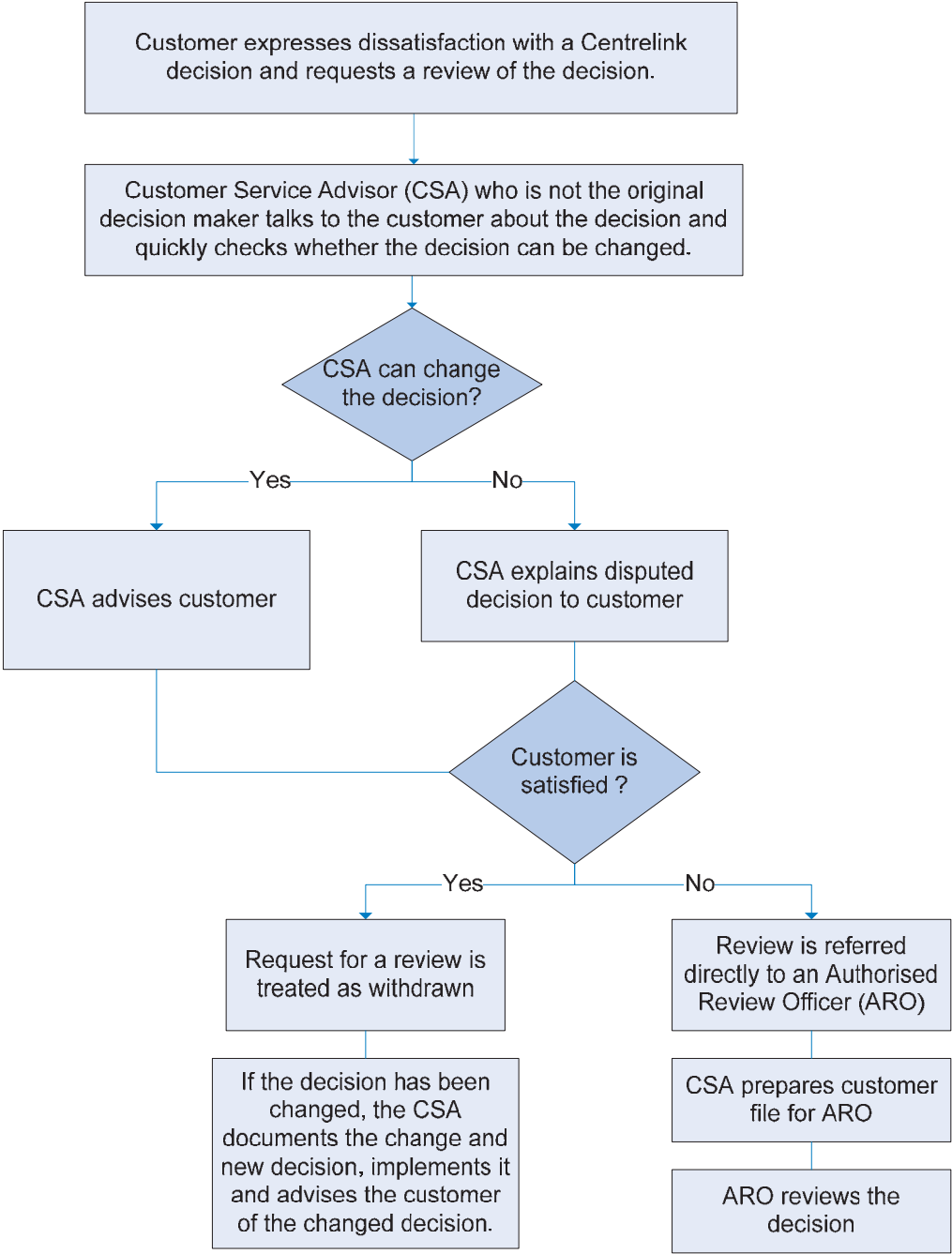
**1.12** In response to the various reports and recommendations discussed above, Centrelink undertook a project in 2005 to review its internal review process with a particular focus on the ODM process. A trial of three alternative internal review processes was held in various parts of Australia. On 22 December 2005, a report on the findings from this trial was produced, entitled the *Report of Centrelink's Internal Review Project* (IRP Report).

**1.13** As a result of the findings and recommendations from the IRP Report, a submission was provided to Centrelink's Executive in September 2006 (after the commencement of this follow-up audit) proposing amendments to the ODM reconsideration process. The proposal recommended that the ODM reconsideration process be replaced by a new model whereby the ODM conducts a quick check of the decision, and if the ODM is unable to change the decision in the customer's favour, the matter is referred to an ARO. Centrelink's Executive agreed in principle to the implementation of the proposed internal review process.

**1.14** In February 2007, after the ANAO had provided Centrelink with the initial findings from this follow-up audit, Centrelink further reviewed its proposed new internal review model. This resulted in further changes to the proposed internal review model. This model is depicted in Figure 1.2.

Figure 1.2

Centrelink’s proposed new internal review process



Source: ANAO analysis of Centrelink documentation and advice

**1.15** The submission to Centrelink's Executive and further discussions identified that the implementation of the proposed new internal review process would involve significant additional costs. Centrelink advised the ANAO that the implementation of the new proposed model for internal review will be contingent on obtaining additional funding to cover the extra costs to Centrelink.

**1.16** The ANAO delayed completion of its audit processes for some weeks to allow Centrelink the opportunity to adjust the proposed new internal review model in light of the ANAO's findings and obtain agreement from the Centrelink Executive to the revised proposed model.

**1.17** Centrelink advised the ANAO that the introduction of Centrelink's proposed new internal review model is subject to the availability of the additional funding that would be required to operate this model as compared to its current model. Centrelink further advised the ANAO that if funding were to be made available, the new internal review process would not be implemented until at least 2008–09.

**1.18** In this circumstance, while the ANAO has had the opportunity to consider the potential improvements the new internal review model may deliver, and acknowledges that this model has the potential to address many of the outstanding issues from the previous audit report, it is not clear whether or not Centrelink will obtain the funding required to implement its proposed new model or exactly when that would occur if funding is made available.

**1.19** Centrelink's current internal review model, whereby customers' requests for review are first considered by the ODM, has had the impact of significantly reducing the number of requests for review that go on to consideration by an ARO. This is why Centrelink's proposed new internal review model, removing the ODM step and replacing it with a time-limited quick check by another CSA not previously involved in the matter, involves additional cost as the number of reviews expected to go to an ARO review under this model is much higher. While the ANAO acknowledges that there is a need to contain the costs of the review process, it is equally important that the legislated rights of Centrelink's customers do not become secondary to negotiations on purchaser provider agreements.

## Audit Objective and Scope

**1.20** The objective of this follow-up audit is to review Centrelink's progress in implementing the recommendations of Audit Report No.35, *Centrelink's Review and Appeals System 2004–05*.

**1.21** As discussed above, the Centrelink Executive has provided approval, in principle, to the implementation of a new internal review process. However, as this model is not in place the ANAO was unable to test in this follow-up audit the full impact that the proposed changes may have on the internal review process and if the proposed changes would result in the implementation of the outstanding recommendations from the previous audit report.

## Audit Criteria and Methodology

**1.22** The initial step in the audit involved seeking information from Centrelink regarding implementation of the recommendations. The audit team then tested this information during fieldwork. The audit methodology also included:

- analysing Centrelink's key systems and documents relating to the administration of its review and appeals system;
- interviewing relevant Centrelink staff members;
- interviewing relevant staff from the Department of Education, Science and Training (DEST), Department of Employment and Workplace Relations (DEWR) and the Department of Families, Community Service and Indigenous Affairs (FaCSIA), especially in regards to Recommendation No. 7 from the previous report;<sup>32</sup>
- interviewing relevant staff from the SSAT and AAT;
- seeking the views of relevant non-government stakeholders;<sup>33</sup> and
- conduct of general research into the administration of the review and appeals system.

**1.23** Fieldwork for the follow-up audit was conducted between August and November 2006. This fieldwork was conducted in conjunction with a follow-up audit on Centrelink Customer Service Charter, which was also an audit in

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<sup>32</sup> The ANAO recommended that Centrelink develop, in consultation with DEWR, FaCS and DEST, performance indicators for the quality and cost of the appeals system.

<sup>33</sup> The ANAO interviewed 15 stakeholder organisations, including advocacy groups and peak bodies representing various customer groups and organisations that provide services directly to customers.

the ANAO series of audit report on Centrelink's Customer Feedback Systems. The associated follow-up report is available as ANAO Audit Report No.33 *Centrelink's Customer Service Charter Follow-Up Audit*, 2006–07.

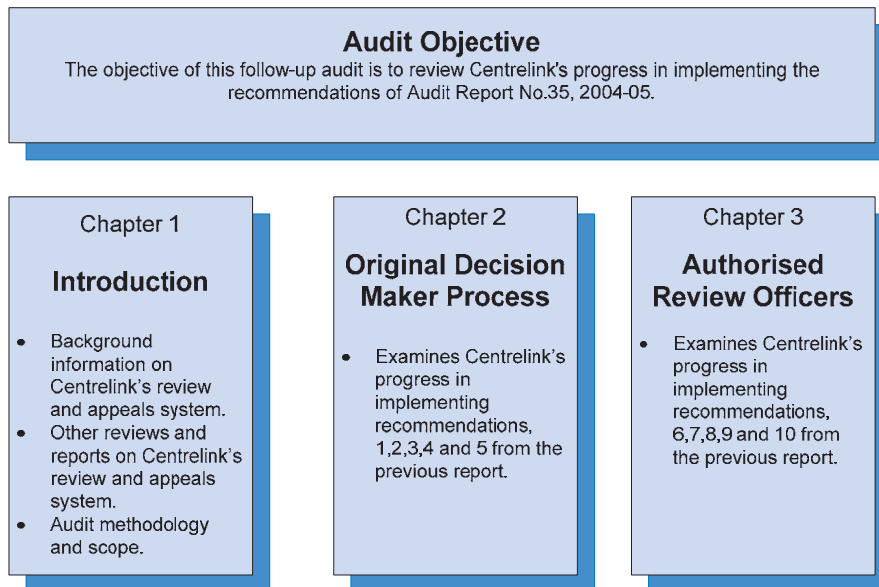
**1.24** The follow-up audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of some \$305 000.

## Structure of the follow-up audit report

**1.25** Figure 1.3 outlines the structure of the follow-up audit report. Each of the two chapters first identifies key findings from the previous ANAO audit, and then assesses Centrelink's progress in addressing those findings. In particular, the focus is on Centrelink's internal review processes, that is, of the ODM reconsideration and the ARO review. Centrelink Advocates<sup>34</sup> and their interaction with the SSAT and AAT are not examined in detail.

**Figure 1.3**

### Structure of the Follow-Audit Report



<sup>34</sup> The previous report included a chapter on the Centrelink Advocates. The primary role of Centrelink advocates is to identify SSAT decisions to be appealed to the AAT and to represent Centrelink and the purchasing departments at the AAT. The previous report made no recommendations relating to Centrelink Advocates.

## 2. Original Decision Maker Reconsideration Process

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*This Chapter examines Centrelink's progress in implementing the recommendations from the previous report in respect of the Original Decision Maker Reconsideration Process. It also considers the potential impacts that may arise should Centrelink's proposed new internal review process be implemented.*

### 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<sup>35</sup> for review of the decision. If a person applies for review of a decision, the relevant Secretary, the CEO or an ARO must review the decision. However, in practice, Centrelink policy includes another step in the process prior to the ARO review. This is the Original Decision Maker (ODM) reconsideration step, where the Customer Service Advisor (CSA) who originally made the decision reviews the case.

**2.2** 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;
- it allows the customer to present any new information relevant to the decision; and
- it also provides an opportunity for the ODM to fully explain his/her decision to the customer.

**2.3** It was also considered a quick fix for obvious errors and contained the numbers of ARO reviews.<sup>36</sup>

**2.4** The previous audit found that the ODM reconsideration process had become a substantive process in its own right.<sup>37</sup> However, this process is not

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<sup>35</sup> At the time the SSA Act was promulgated in 1999, the provisions referring to 'the Secretary' related to the Secretary of only one portfolio department, the then Department of Family and Community Services. However, following machinery of government changes announced by the Prime Minister in October 2004, references in the SSA Act to 'the secretary' may relate to the Secretaries of the Departments of Families, Community Services and Indigenous Affairs (FaCSIA), Employment and Workplace Relations (DEWR) and Education Science and Training (DEST) – depending on the nature of the payment involved.

<sup>36</sup> Centrelink 2005, *Report of Centrelink's Internal Review Project*, 2005.p. 6.

always transparent to customers and may provide a barrier to them pursuing their right to an ARO review.<sup>38</sup>

## Centrelink's Examination of its Internal Review Processes

**2.5** As discussed in Chapter 1 of this report, the JCPAA reviewed the ANAO's 2004–05 series of audit reports on Centrelink's Customer Feedback system in September 2005. Regarding Audit Report No.35, Centrelink advised the JCPAA that:

Recommendations 1, 2, 3 and 5 are being actioned as part of a broad examination of Centrelink's internal review processes. Centrelink has commenced trials of three alternative models for internal review. The trials are being held in and around Newcastle, Adelaide and north-west Tasmania. Two of the models involve retention of the Original Decision Maker in the internal review process; the third does not. The Steering Committee for the review includes representatives from the Social Security Appeals Tribunal, the Ombudsman and the Welfare Rights Network. Recommendations about the future shape of internal review in Centrelink will be referred to the Steering Committee by the end of this calendar year [2005].<sup>39</sup>

**2.6** In May 2006, the JCPAA requested that Centrelink provide a progress report on the completion of the abovementioned trials and their outcomes. Centrelink advised the JCPAA that:

The trials were completed in November 2005 and a report on the project was completed in December 2005. This was followed by further consultation within Centrelink, including [with] Authorised Review Officers. The results were submitted to Centrelink's Executive on 19 May 2006, with a view to deciding what changes should be made to the internal review process. A decision is yet to be made on the changes to be put in place.<sup>40</sup>

**2.7** The trials examined three alternative models for internal review. Each of the models and the associated results from the trials are outlined in Table 2.1

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<sup>37</sup> Australian National Audit Office 2005, *Centrelink Review and Appeals System*, Audit Report No.35 2004–05, ANAO, Canberra. p. 35, para 2.10.

<sup>38</sup> *ibid.*, p. 35, para 2.10.

<sup>39</sup> Submission No.2 JCPAA public hearing for JCPAA report 407 2006.

<sup>40</sup> Submission No.5 JCPAA.

**Table 2.1**

**Centrelink Internal Review Project**

Model	Variation from current processes	Outcomes				Timeliness	Flow on Rates to the ARO
		Finalised	Withdrawn (%)	Affirmed (%)	Set aside Varied (%)		
Model A	<ul style="list-style-type: none"> <li>ODM spoke to the customer and checked if the decision could be changed. If the decision could be changed, it was and the customer was informed.</li> <li>If customer was satisfied with the ODM's explanation of a decision, the request for review was treated as withdrawn.</li> <li>All requests for review proceeded to ARO unless withdrawn earlier.</li> <li>In all cases the matter was referred to the ARO after 7 days. The ARO then managed their target of 75% of reviews completed in 28 days.</li> </ul>	105	10%	44%	46%	30% of reviews took more than 28 days (for the ARO) to finalise.	74%
Model B	<ul style="list-style-type: none"> <li>ODM did not contact the customer but checked if the decision could be changed.</li> <li>If the decision could be changed, it was and the customer was informed. If customer was satisfied, the request for review was treated as withdrawn.</li> <li>All requests for review proceeded to an ARO unless withdrawn earlier.</li> <li>The total timeliness target was 75% of reviews completed within 28 days.</li> </ul>	80 <sup>41</sup>	4%	49%	48%	34% of reviews took more than 28 days to finalise.	89%
Model C	<ul style="list-style-type: none"> <li>All requests for review were referred to the ARO.</li> <li>ODM role was to send the relevant documentation to the ARO.</li> <li>The timeliness target was 75% completed in 28 days.</li> </ul>	60	12%	25%	63%	71% of reviews took more than 28 days to finalise.	100%

Source: ANAO analysis of Centrelink documentation and advice

<sup>41</sup> For Model B the outcome figures total 101% because of rounding. Adding the exact figures of 3.75% + 48.75% + (11.25% + 36.25%) = 100%.

**2.8** Based on results of the trials, the report on the project entitled *Centrelink's Internal Review Project* (IRP project), made four recommendations to improve the internal review process. This included a recommendation for a new model for internal review.

## Proposed New Internal Review Process

**2.9** As discussed in paragraphs 1.12 to 1.19, during fieldwork for the follow-up audit Centrelink officers advised the ANAO that they had agreement in principle from the Centrelink Executive to amend Centrelink's ODM reconsideration process. In particular, early in the follow-up audit process, Centrelink advised the ANAO that:

With the anticipated acceptance by Centrelink Executive of the recommendation to adopt a new internal review model, the findings on which [recommendation No.s 1,2,3 and 5] were based will have been addressed. There will no longer be an ODM reconsideration process.<sup>42</sup>

**2.10** In February 2007, in light of the ANAO's preliminary findings as set out in issues papers provided to the agency in January 2007, Centrelink further reviewed its proposed internal review model. The revised proposed new internal review process included the following changes as compared to the model approved in principle by the Centrelink Executive in September 2006:

- wherever possible, a 'quick check' of a decision to be reviewed by an ARO would be carried out by another 'CSA' not previously involved in the matter rather than the ODM; and
- where a decision has not been changed or reaffirmed within seven calendar days by the CSA carrying out the 'quick check' the matter will be passed to an ARO to complete the review. Customers will also be expected to provide any additional information or reports they wish considered within the seven calendar day period.

**2.11** However, as discussed in Chapter 1, implementation of the new internal review model will be contingent on obtaining additional funding to cover the extra costs to Centrelink.

**2.12** The ANAO notes that at the time of fieldwork and of preparing this audit report, the ODM reconsideration process still existed in the same form as that in place at the time of the previous audit. That is, all requests for review by

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<sup>42</sup> Centrelink advice provided to the ANAO 11 September 2006.

customers were first received and reconsidered by the ODM. In addition, until a final decision is made on the future model for Centrelink's internal review, all requests for review will continue to be first reconsidered by the ODM before they proceed to the ARO.

**2.13** Therefore, the ANAO's findings from the previous audit relating to the ODM reconsideration processes retain currency.

## Awareness of the ODM process

### Findings of the previous audit

At the time of the previous audit, stakeholders to whom the ANAO spoke during fieldwork for the audit 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. In addition, Centrelink did not systematically collect information regarding customer awareness of the ODM reconsideration process.<sup>43</sup>

The ANAO concluded that as the ODM reconsideration process was the first step in Centrelink's internal review system, and the most common review undertaken, it was important that customers were 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.<sup>44</sup>

#### Recommendation No.1 of the previous report

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

**Centrelink response:** Agree.

### Findings of the follow-up audit

**2.14** The ANAO found that Centrelink had not developed any process or mechanisms to systematically collect information regarding customer awareness of, or satisfaction with, the ODM reconsideration process. Specific questions were added to Centrelink's National Customer Survey in 2004<sup>45</sup> and 2005<sup>46</sup> to determine customers' awareness of their review and appeal rights,

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<sup>43</sup> Australian National Audit Office, op. cit., p. 35, para 2.11.

<sup>44</sup> *ibid.*, p. 36, para 2.15.

<sup>45</sup> To what extent would you agree or disagree with the following statement...A customer has the right to ask Centrelink to have another look at any decision that was made about their payments or services if they think it is wrong.

<sup>46</sup> Customers respond on a 5-point rating scale to the following two statements:

- A customer has a right to ask Centrelink to have another look at any decision that was made about their payments if they think it is wrong; and
- You know how to have a decision about your payments reviewed.

which includes the ODM reconsideration process. However, these questions asked about customers' awareness of the review process as a whole, the questions did not differentiate between the ODM and ARO aspects of the internal review process.

**2.15** The results from the survey provide a high-level understanding of customers' awareness and satisfaction with the review process in general, but not specifically the ODM reconsideration process. Customers' awareness and satisfaction of the review process in general is discussed further in Chapter 3 in discussing Centrelink's response to Recommendation No. 6 from the previous report.

**2.16** The IRP Report included the results of a survey that was conducted with 174 customers<sup>47</sup> some of whom had decisions reviewed through one of the three trials and others who had been through the existing process. The surveys were conducted by phone with customers at the completion of the internal review process. The survey questions were developed to understand the impact that each of the models had on the customer experience. The overall level of customer satisfaction with each model is reported in Table 2.2.

**Table 2.2**

**Overall customer satisfaction with the different trial models**

Overall, how would you rate the Centrelink decision review process ?	Existing		Model A		Model B		Model C	
	No.	%	No.	%	No.	%	No.	%
Good/Very Good	22	44.90	29	56.86	19	48.72	18	66.67
Fair	16	32.65	14	27.45	15	38.46	8	29.63
Poor/ Very Poor	11	22.45	8	15.69	5	12.82	1	3.70

Source: Results for Question 13, Attachment 7, *Report of Centrelink's Internal Review Project*, December 2005.

**2.17** The IRP Report recommended that the surveys of customers' satisfaction with the internal review process developed for the trials be further developed and administered on a national basis. Centrelink has advised the ANAO that once the future of the internal review process has been decided, Centrelink will develop and implement a more comprehensive regime of customer satisfaction surveys.<sup>48</sup> These will be separate from the current satisfaction surveys and will be targeted at customers with experience of the review and appeals system.<sup>49</sup>

<sup>47</sup> Centrelink 2005, *Report of Centrelink's Internal Review Project*, December 2005, Attachment 7.

<sup>48</sup> As advised by Centrelink on 11 September 2006.

<sup>49</sup> Centrelink email advice 6 November 2006.

**2.18** Stakeholders and Centrelink staff commented to the ANAO during fieldwork for this audit, that customers were still not commonly aware of the appeals process in general, and were confused regarding the difference between an ODM reconsideration and an ARO review.

**2.19** The ANAO notes that Centrelink’s new preferred internal review model will not include the ODM reconsideration step, but rather will involve a ‘quick check’ conducted by a CSA other than the ODM before the case proceeds to an ARO. However, as the new internal review model had not been implemented at the time of fieldwork and in drafting this audit report, the ANAO could not test if it would reduce customer confusion with Centrelink’s internal review processes.

**2.20** Another indication that customers could be confused or not aware of how Centrelink’s internal review system operates is the number of ‘No Jurisdiction’<sup>50</sup> cases the SSAT receives each year. The number of these cases the SSAT receives has remained steady at around 8 to 9 per cent of its total caseload. The SSAT has reported in its annual reports that the great majority of these cases continue to be applications for review lodged with the SSAT before the decision had first been reviewed by a Centrelink ARO (this is a statutory requirement before review by the SSAT). These matters are referred back to Centrelink and may be resubmitted to the SSAT once they have been reviewed by an ARO. Table 2.3 shows the percentage of No Jurisdiction Cases received by the SSAT in 2003–04 to 2005–06.

**Table 2.3**  
**SSAT No Jurisdiction Cases**

Year	Percentage of No Jurisdiction cases
2003–04	8.9%
2004–05	9.2%
2005–06	8.1%

Source: ANAO analysis of the SSAT Annual Reports

<sup>50</sup> Under the SSA Act, a decision must be reviewed by a Centrelink ARO, before the SSAT can review a decision. If a decision hasn’t been first reviewed by an ARO a finding of No Jurisdiction is made. Other findings of No Jurisdiction could be made if the decision being appealed was not made under the legislation that the SSAT has jurisdiction to review.

**2.21** One of the recommendations from the IRP Report was that the introduction of the new internal review model be accompanied by a campaign within Centrelink to raise the awareness of CSAs about:

- the value in giving customers an adequate explanation of the decision in the first instance;
- the basic fairness of review rights; and
- the appropriate response to requests for review.

**2.22** The ANAO supports this recommendation.

**2.23** On 22 February 2006, Centrelink advised the ANAO that:

Centrelink has already included questions within the annual National Customer Survey to monitor and report on customer awareness of the review and appeals process. These will be adjusted to reflect the new model and the elements of the final model so that we can survey customers annually on their awareness.

Following implementation and communication of the new model to staff and customers, Centrelink will:

- include some additional questions in the national rolling CSC Customer Satisfaction Survey to monitor customer awareness of the new model, and
- survey a specific sample of customers who have been part of the new process to determine their satisfaction with the new model.

Once the model has been fully implemented, Centrelink will conduct an annual survey to determine satisfaction with the internal review process.

**2.24** In addition, Centrelink has advised the ANAO that it has implemented some substantial changes which contribute to addressing the issues of customer awareness about their rights and the appeal and review processes, as well as trying to counteract any concerns customers may have about complaining to Centrelink or appealing a decision. These include:

- enhancements to the information available on these matters, and its positioning for easy access, on the website;
- the development of new communication products including customer comment cards and fact sheets;
- the translations of customer feedback information into more community languages;
- targeted communication campaigns in Indigenous and multicultural media; and

- the development and release of a new Customer Service Charter, which provides a public statement of the commitments that Centrelink is making to its customers about the quality of its service delivery to them. The Charter also highlights that customers have the right to access the review and appeals process if they disagree with Centrelink decisions and can expect their privacy to be protected<sup>51</sup>

## Conclusion

**2.25** The ANAO considers that Recommendation No.1 from the previous report has been partially implemented, given that Centrelink undertook a small survey of customer satisfaction with the ODM reconsideration process as a part of the 2005 Internal Review Project. Centrelink has also included new questions and improved the existing questions in the National Customer Satisfaction Survey on the review process. However, these questions do not specifically measure customer awareness of the ODM reconsideration process.

**2.26** Centrelink has not to date changed its internal review process and it is not yet certain when or if the proposed new model will be introduced. It therefore remains important that customers are aware that the ODM reconsideration process occurs and the difference between the different stages of Centrelink's internal review process.

**2.27** The ANAO notes Centrelink's advice that if the new internal review process is implemented, Centrelink will introduce the conduct of an annual survey to determine satisfaction with the internal review processes well as including additional questions in the national rolling CSC Customer Satisfaction Survey to monitor customer awareness of the new model.

**2.28** However, as the new internal review model and associated processes are yet to be implemented, the ANAO considers that it remains important that Centrelink undertake further steps to implement Recommendation No.1 from the previous audit report.

**2.29** Centrelink further advised the ANAO in its response to the proposed report for this audit that it will consider, as part of a review, whether the survey questions might be adjusted to differentiate between ODM and ARO aspects of the process.<sup>52</sup>

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<sup>51</sup> ANAO has recently tabled a report on a follow-up audit of Centrelink's Customer Charter, see Audit Report No.33, *Centrelink's Customer Charter- Follow-up Audit*.

<sup>52</sup> Centrelink, Response to ANAO's proposed audit report, 15 May 2007.

## Disincentive Effect

### Findings of the previous audit

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'.<sup>53</sup>

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.<sup>54</sup>

### Findings of the follow-up audit

**2.30** Stakeholders interviewed during the follow-up audit indicated that many of their clients, particularly those from vulnerable groups, would still be unlikely to appeal a decision due to their concern that Centrelink may discriminate against them in the future. There is still a perception from some Centrelink customers, that if they question a Centrelink decision they may suffer adverse consequences, so called 'fear of retribution'. Stakeholders commented that for many Centrelink customers, the payment/s they receive are their only income and loss of that payment, or a small amount of that payment, can impact on their quality of life.

**2.31** In response to this issue, Centrelink advised that ANAO that :

Centrelink engaged [consultants] to conduct a post-complaint survey of 700 customers who had made a complaint to Centrelink within the period July to September 2006. The results about fear of retribution indicated that 67% of respondents believed that Centrelink customers were not discriminated against after lodging a complaint.

74% of those customers who felt they were discriminated against after a complaint believed that their complaints to Centrelink were kept confidential between Centrelink and the customer; and only 4% felt their confidentiality/privacy was breached.

Centrelink advised the JCPAA about the survey and, in its final report, the Committee noted that it was satisfied with Centrelink's response on the issue

<sup>53</sup> Australian National Audit Office, op. cit., p. 36, paragraph 2.17.

<sup>54</sup> *ibid.*, p. 36, paragraph 2.18.

of fear of retribution and that the Centrelink response 'to monitor allegations of retribution or discrimination based on feedback to the organisation, should address what appears to be a small but concerning issue'

Centrelink will also give customers explicit reassurance when advised of their rights to question and appeal Centrelink decisions that they will not suffer adverse consequences, as is done in the new Centrelink Customer Charter.

**2.32** In order to undertake further analysis, the ANAO obtained data from the survey, including response and refusal rates for the survey, and the data for the discrimination question in particular.

**2.33** For the 2006 survey, details relating to 4 555 Centrelink customers were provided to the market research company which conducted the survey on Centrelink's behalf.<sup>55</sup> Of those, 4 088 customers were possible respondents to the survey.<sup>56</sup> Of those, 704 (17.2 per cent) completed the survey, 418 (10.2 per cent) refused to undertake the survey and responses were not finalised for 2 889 (70.7 per cent).<sup>57</sup>

**2.34** The ANAO notes that there is potential for the 17.2 per cent of respondents who completed the survey to have different characteristics from those customers approached who did not answer but who had made a complaint. This low response rate, coupled with the 10.2 per cent refusal rate, suggests that the data from this survey should be used with some caution. Other issues relating to the representativeness of the survey sample compared with the entire Centrelink population are discussed below (see paragraphs 2.41 and 2.42)

**2.35** In relation to the concerns regarding fear of retribution, the following question was included in the survey:

Question 17. To what extent do you agree or disagree that Centrelink customers are not discriminated against after lodging a complaint.

**2.36** As mentioned above, Centrelink advised the ANAO that 67 per cent of customers agreed with the statement.

**2.37** The available response categories to Question 17, and the number of customers who responded to each are provided in Table 2.4. The first five

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<sup>55</sup> Centrelink, *Customer Experience with Centrelink's Complaint Handling*, March 2007. p. 14.

<sup>56</sup> There were 467 customers who were ineligible (eg could not comprehend the survey) or could not be contacted.

<sup>57</sup> An additional 77 customers (1.9 per cent) did not complete the survey because they spoke a foreign language or were unavailable during the survey period.

categories are read out to the respondent as possible responses. 'Don't know' and 'refused' are not read out, but are available if the customer responds in that way.

**Table 2.4**

**Available responses categories and number of responses.**

Question 17	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	Don't Know	Refused
Centrelink customers are not discriminated against after lodging a complaint	92	322	76	61	64	87	2

Source: Centrelink, *Customer Experience with Centrelink's Complaint Handling*, March 2007.

**2.38** ANAO analysis found that 58 per cent of customers agreed with the statement. To arrive at 67 per cent, Centrelink's calculation excluded the customers who responded that they 'don't know' and those who refused to answer. The ANAO would contend that 'don't know' is a legitimate response, even if not offered, particularly in the context of asking about fear of discrimination. In any event, these are not positive responses, and in effect 42 per cent of respondents did not strongly agree, or agree with the statement that Centrelink customers are not discriminated against after lodging a complaint.

**2.39** While 125 customers did not agree with the statement (17.8 per cent), an additional 163 customers neither agreed nor disagreed, or did not know. This represents 23 per cent of those customers who responded, and could warrant further examination to see if these are de facto disagree responses. Alternatively, it may be a reflection of the question design. Rather than asking about the customer's own experience, the question asks about all customers' experience, something about which a customer may not feel able to comment.

**2.40** While the survey results may not be representative of all Centrelink customers, the results still provide some useful information regarding fear of discrimination. Of those customers that disagreed with the statement that Centrelink customers are not discriminated against after lodging a complaint, 25 per cent advised that the reason they disagreed with the statement was that

Centrelink does/did discriminate against them. Table 2.5 provides a breakdown of customers' reasons for fear of discrimination and the results.

**Table 2.5**

**Customers' reasons for fear of discrimination**

Customer Reasons for Fear of Discrimination	Proportion of Total Customers who Disagreed That Centrelink Customers are not Discriminated Against After Lodging a Complaint (n=125) (%)
Staff have poor attitude (eg. rude, disrespectful, dismissive, aggressive)	33
They do / did discriminate against me (general)	25
Staff are untrained / inexperienced	19
Not satisfied with action / feedback regarding my complaint	17
Have experienced more reviews / requests / problems after making complaint	16
Making a complaint affected my payments (eg. payments changed, rejected, cut off)	12
Staff did not believe what I was saying / listen to me	11
I've been marked as a trouble maker / records must say I'm problematic / comes up on screen etc.	9
Confidentiality / my privacy was breached	4
Other	3

Source: Centrelink, *Customer Experience with Centrelink's Complaint Handling*, March 2007.

**2.41** The ANAO notes that the results from the 2006 post complaint survey were conducted via the telephone and with customers who had already contacted and complained to Centrelink. However, this group may not be representative of Centrelink's customers as a whole and results may be

different from that which may have been obtained from asking all Centrelink customers and from vulnerable customers in particular.

**2.42** Those customers who make a complaint may be less concerned about retribution than others. Also, a complaint may be about a service delivery issue, such as not being able to get through to the Call Centre, or having to wait too long in a queue. These issues are not about a customer's payment, whereas an appeal is about a customer's payment and therefore fear of retribution may be of greater concern in this context.

**2.43** Stakeholders, who the ANAO interviewed during fieldwork in the follow-up audit, advised the ANAO that their customers would be unlikely to either request a review or make a complaint to Centrelink if they were unhappy with a Centrelink decision.

**2.44** A peak body to whom the ANAO spoke during fieldwork for the follow-up audit<sup>58</sup> advised that due to customers reliance on Centrelink payments, Centrelink needs to ensure that customers are aware of their rights to question and appeal Centrelink decisions. This includes explicit reassurance that customers will not suffer unfair and adverse consequences.

**2.45** The previous audit report identified that 'appeal fatigue' was another issue raised by stakeholders as contributing to a disincentive effect for customers in accessing Centrelink's review and appeals system. The Commonwealth Ombudsman, in his 2004–05 Annual Report<sup>59</sup>, raised concerns about delays to Centrelink's internal review process and reported that Centrelink's internal review process sometimes leads to customers experiencing 'appeal fatigue'.

**2.46** Of particular concern to the Ombudsman were the delays by the ODM in reconsidering the decision. In 2005–06, the ANAO notes that the average time taken to conduct an ODM reconsideration was 37 days, with 50 per cent of all ODM reconsiderations taking more than 14 days to complete. This is discussed further in the section below on the quality and timeliness of ODM reconsiderations.

**2.47** The ODM reconsideration step was intended to be a quick process to give the ODM the opportunity to see if there has been an error or

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<sup>58</sup> This comment by the peak body summed up the sort of concerns expressed by all the stakeholders that the ANAO spoke with during the fieldwork for the follow-up audit.

<sup>59</sup> These concerns were also repeated in the 2005–06 Annual Report.

misunderstanding between the customer and Centrelink. As indicated by the Ombudsman in his 2004–05 Annual Report:

Excessive delay calls into question the value of a decision being reviewed both by the original decision maker and the Authorised Review Officer.<sup>60</sup>

**2.48** The Ombudsman also pointed out that the Social Security Law does not require that the ODM review a decision before it can proceed to an ARO. In his 2005–06 Annual Report, the Commonwealth Ombudsman again raised the issue of delays and appeal fatigue, and added a further area of concern related to the internal review path adopted by Centrelink.<sup>61</sup>

**2.49** Centrelink advised the ANAO that it had undertaken work to understand any disincentive effect in the review and appeals process as a part of the IRP and that:

Centrelink accepts that where customers are required or requested to have an ODM reconsideration, and are then required to seek a further review to access their statutory rights of review, they can be less inclined to seek an ARO review for a number of reasons, including "appeal fatigue". This is the disincentive effect and it was demonstrated by the different flow-on rates for each model trialled last year as part of the IRP. Removing that disincentive effect was a major reason for the decision to move to a new model for internal review.<sup>62</sup>

**2.50** There are many factors that can contribute to a disincentive effect for customers in accessing Centrelink's review and appeals system, 'appeal fatigue' is only one of them. The ANAO acknowledges that the proposed new internal review process includes a specific timeliness indicator<sup>63</sup> and this has the potential to reduce the total amount of time taken for a customer to have a decision reviewed and may address to some extent the problem of 'appeal fatigue'.

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<sup>60</sup> Commonwealth Ombudsman, *2004–05 Annual Report*, 2005 p. 35.

<sup>61</sup> The Ombudsman reported that a further area of complaint that came to his notice this year related to the internal review path adopted by Centrelink. The Ombudsman received complaints where Centrelink considered cases under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme when it would have been more appropriate to allow the case to be resolved under the social security law. Some customers had delayed pursuing review by the Social Security Appeals Tribunal pending a decision about their claim for compensation. In some cases, the compensation decision declining payment had taken several months, well outside the 13-week period allowed for the customer to lodge an appeal with the Tribunal and be able to receive full arrears from the date of the original decision in the event of a positive outcome. In other cases, the complainant was not aware that their case had been referred for consideration for compensation. Centrelink has advised the ANAO that this issue has since been resolved.

<sup>62</sup> Centrelink, email, 6 November 2006.

<sup>63</sup> Under the proposed new model there will be a seven day time limit on the 'quick check' to be undertaken by a different CSA to the officer who made the original decision. After seven days the case will pass directly to an ARO.

**2.51** However, as noted previously, to date there has been no change to Centrelink's internal review model. Therefore, the ANAO's previous findings remain current. While the ANAO acknowledges the significant work Centrelink work has undertaken in developing the proposed new internal review model, the ANAO was unable to test what impact the proposed changes would have on any disincentive effect and understands that implementation of the new model is contingent on additional funding being provided by the purchasing departments.

## Transparency to the customer

### Findings of the previous audit

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. 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).<sup>64</sup>

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.<sup>65</sup>

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.<sup>66</sup>

The ANAO made the following recommendations:

#### Recommendation No.2

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

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

<sup>64</sup> Australian National Audit Office, op. cit., p. 37, para 2.23.

<sup>65</sup> ibid., p. 37, para 2.25.

<sup>66</sup> ibid., p. 38, para 2.27.

## Findings of the follow-up audit

**2.52** As discussed above, the previous audit found that 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. In particular, the ANAO found that Centrelink practice was that all requests for review would first be looked at by the ODM, even if the customer specifically requested an ARO review. In addition, it was up to the customer to escalate a review from the ODM to the ARO.

**2.53** The result was that Centrelink's internal review process lacked transparency for customers and led to some customers being confused about the difference between an ODM reconsideration and an ARO review. This had the potential to create a barrier to customers in accessing all stages of Centrelink's internal review system, and in particular, a customer's legislative right to have a decision reviewed by an ARO.

**2.54** In the follow-up audit, the ANAO noted that some changes have been made to improve the transparency of the ODM process to customers. For example, a customer can request a review of a decision, verbally or in writing. Centrelink guidance defines a request for a review of a decision as:

...any statement, inquiry or question in which a customer, or their representative, expresses dissatisfaction with a decision or its effect upon them. If they express dissatisfaction, always ask if they are simply seeking an explanation or whether they want the decision reviewed.<sup>67</sup>

**2.55** A customer can also request an ARO review by completing the form SS351, titled '*I want to ask for a review of a decision by an Authorised Review Officer*'. When a customer requests a review, it has continued to be Centrelink's policy to first have it reconsidered by the ODM. This has been the case even if a customer specifically requests that an ARO<sup>68</sup> reviews the decision.<sup>69</sup>

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<sup>67</sup> ODM reconsideration e-reference procedures on Centrelink's intranet.

<sup>68</sup> Centrelink advised the ANAO that:

An abbreviated ODM reconsideration is done when a customer specifically requests an ARO review, which is much quicker and does not involve contact with the customer unless the decision is changed by the ODM. The aim is to correct obvious errors as soon as possible without the need to involve the ARO. If the ODM cannot change the decision, the matter is quickly referred to the ARO and the target timeframe remains 28 days from the date of request for review.

**2.56** The ANAO found that Centrelink had not developed a separate form for customers to request an ODM review. Nor was there any other mechanism in place to monitor and record a customer's agreement not to proceed directly to an ARO review.

**2.57** Centrelink has advised the ANAO that it will be revising or withdrawing the SS351 form and in the proposed new internal review model, the progress of an appeal or review will be monitored through the APL system<sup>70</sup> to ensure matters are referred to an ARO after 7 days. The ANAO considers that this has the potential to address the issues raised by Recommendation No.2 in the previous report. Centrelink provided further advice in response to the proposed report for this audit that, in the interim, ahead of the introduction of the new internal review model:

The SS351 form is being redesigned for customers to request a review of a Centrelink decision. It will present the two options and ask customers who choose to go direct to an ARO to indicate if they agree to the ODM to quickly checking the decision before the matter is referred to an ARO.<sup>71</sup>

**2.58** Centrelink also amended its e-reference procedures for staff to include the statement 'the customer may request that a matter be referred direct to an ARO for review'. This message was also reinforced through a Call Centre National Information update published 15 August 2006. However, Centrelink guidance has not required staff to explicitly inform customers they are not obliged to agree to an ODM reconsideration but have a legislative right to go directly to an ARO.

**2.59** Centrelink has redeveloped its Customer Charter and the new Charter includes more explicit information on customers' right to have decisions reviewed. The Centrelink website states:

Our decisions about your entitlement to a payment or service are made under the law. You don't have to but if you wish, you can talk to the person who made the decision. Many people find this a useful first step. If you think a decision we have made is wrong, you have the right to:

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<sup>69</sup> Centrelink advised the ANAO in response to the proposed report for this audit that this policy will progressively change from 21 May 2007. From this date, customers will be specifically ask whether they agree to an ODM review or, if they wish to go straight to the ARO, whether they agree to the ODM performing a quick check first. If the customer does not agree to the ODM's involvement the matter will be referred directly to the ARO.

<sup>70</sup> The APL system is a computer database used by Centrelink to record customers' appeals at the ODM, ARO and SSAT levels.

<sup>71</sup> Centrelink, Response to ANAO's proposed report, 15 May 2007.

- ask for the decision to be looked at by an independent senior officer (called an Authorised Review Officer) <sup>72</sup>

**2.60** However, the ANAO found that during fieldwork the section on Centrelink's website that relates specifically to review and appeals, as opposed to the section relating to the Customer Charter, contained the statement:

if you are still unhappy with a social security decision after discussing it with the person who made the original decision, you can request a review by an Authorised Review Officer (ARO).<sup>73</sup>

**2.61** At the time, the review and appeals webpage was under the heading 'legal information' and began by advising customers of the steps they can take if they are affected by a decision made about their Centrelink entitlements. The structure and the flow of the webpage implied that a customer is required to undertake a number of steps before they can request a review by an ARO.

**2.62** In addition, there was no information on the website that explicitly advised customers that all requests for review will first be reconsidered by the ODM before it proceeds to the ARO for review. The Centrelink Customer Service Charter section of the website explained to customers that, they don't have to but if they wish, they can talk to the person who made the decision. However, as discussed in paragraph 2.55, at this point it remained Centrelink policy to have all requests for review first reviewed by the ODM before it was referred to the ARO. In recognition of this, Centrelink advised the ANAO on 20 February 2007, that:

The website has been amended to explicitly advise customers that all requests for review will first be reconsidered by the ODM before it proceeds to an ARO for review.

**2.63** In response to the proposed report for this audit, Centrelink advised the ANAO of further interim changes the agency has made to the review and appeals system that have been implemented or are in the process of being implemented. These changes include:

- since February 2007, the review and appeals page has been further amended to advise that customers who request a review have the options of having the decision reconsidered initially by the ODM or of exercising their legal right of review by an ARO immediately. It is now consistent

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<sup>72</sup> <[http://www.centrelink.gov.au/internet/internet.nsf/about\\_us/customer\\_charter.htm#wrong](http://www.centrelink.gov.au/internet/internet.nsf/about_us/customer_charter.htm#wrong)>.

<sup>73</sup> <[http://www.centrelink.gov.au/internet/internet.nsf/legal/review\\_appeal.htm](http://www.centrelink.gov.au/internet/internet.nsf/legal/review_appeal.htm)>.

with the Customer Service Charter web page and the change foreshadowed above.<sup>74</sup>

- the information about reviews and appeals on letters notifying customers of decisions has been revised<sup>75</sup> and is expected to be implemented in June 2007;
- the review and appeals information in Centrelink's Life Events Booklets is being replaced with similar content, and other Centrelink publications will be similarly amended as they are revised; and
- a fact sheet about review and appeals with similar content to the Centrelink web page has been published, and translated versions are being produced.<sup>76</sup>

**2.64** Centrelink advised the ANAO that with the implementation of the proposed new internal review processes, the findings on which Recommendation No.s2 and No.3 of the previous audit report were based will have been addressed, as there will no longer be an ODM reconsideration process. Rather, under the proposed new internal review model a CSA, not previously involved in the case, will undertake a 'quick check' of decisions before they proceed to the ARO.<sup>77</sup> Of course, as the proposed new internal review process is not in place, and its implementation is subject to the availability of additional resources from Centrelink's purchaser departments, the ANAO was not able to test if the proposed new model would address the issues identified in the previous audit about the transparency in the first stage of the internal review process.

**2.65** In response to the proposed report for this audit, Centrelink further advised the ANAO of a range of interim changes to the review and appeals system that the agency had implemented or was in the process of implementing subsequent to the ANAO's fieldwork and issues papers for this

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<sup>74</sup> Centrelink, Response to ANAO's proposed report, 15 May 2007.

<sup>75</sup> To include similar message to that included in Centrelink's staff online reference information.

<sup>76</sup> Centrelink, Response to ANAO's proposed report, 15 May 2007 and Centrelink advice, letter from Deputy CEO in response to the ANAO's Issues papers, 5 March 2005.

<sup>77</sup> The ANAO notes that Recommendation No.2 from the IRP Report was that the introduction of the new model be accompanied by an awareness campaign. The campaign would raise CSA's awareness of:

- the value in giving customers an adequate explanation of the decision in the first instance;
- the basic fairness of review rights; and
- the appropriate response to requests for review.

Centrelink, *Report of Centrelink's Internal Review Project*, December 2005. p. 3 and 22.

audit. These changes are set out in Centrelink's full response to the audit at Appendix 6.<sup>78</sup> Centrelink advised the ANAO that it believes that these changes would fully implement Recommendation No.1 of this follow-up audit report, and Recommendations No.1, No.2, No.3, No.5, No.6 and No.9 of the previous audit report. The ANAO recognises the potential that these changes have to address some or all of these recommendations. However, as the measures were not in place at the time of audit fieldwork, and in a number of cases at the time of finalising this report, the ANAO was not able to test whether the changes would result in the full implementation of the recommendations.

## Conclusion

**2.66** Overall, the ANAO found that, to date, Centrelink had made limited progress in improving the transparency of the ODM reconsideration process to customers, and in implementing Recommendations No.2 and No.3 of the 2004–05 Audit Report. However, the ANAO notes Centrelink's recent advice that it intends to implement further improvements in the interim pending the introduction of the proposed new internal review model (see paragraph 2.65 and Appendix 6) that have the potential to address these recommendations.

**2.67** Centrelink's proposed internal review model retains a first step in the internal review process before review by an ARO, albeit that the intention is that this first step will have a time limit of seven days. Accordingly, this will be the most common review undertaken (as a CSA will look at all requests for review before they flow on to an ARO). As such, it will need to be open, accessible and transparent to customers.

**2.68** Following implementation of Centrelink's proposed internal review model, it will remain important that transparent information is provided to customers about Centrelink's internal review process, including the role that the CSA undertaking the 'quick check' plays in the process. If this does not

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<sup>78</sup> In particular, Centrelink advised the ANAO that interim changes to the present internal review process will be progressively introduced from 21 May 2007. The key features are:

- When a customer first requests a review they will be offered the options of having the decision reconsidered initially by the ODM or of exercising their legal right of review by an ARO immediately;
- If the customer chooses to go direct to an ARO, they will be asked if they agree for the ODM to quickly check the decision before the matter is referred to an ARO;
- If the customer does not agree, there will be no ODM reconsideration or check of the decision before the matter is referred to an ARO.

Centrelink subsequently further advised the ANAO on 18 May 2007 that these changes will be subjected to a limited trial to test written instructions and systems changes commencing 21 May 2007 before being implemented nationally.

occur, there remains a risk that Centrelink's internal practices could contribute to a disincentive effect on customers pursuing their legislative right to have a decision reviewed by an ARO. In addition, until the proposed new internal review model is implemented, the ODM reconsideration is likely to continue to be the most common review undertaken. Therefore the issues raised in the previous report retain currency, albeit that interim changes to the current internal review process that Centrelink advises it intends to progressively implement from 21 May 2007 have the potential to address these.

## Recommendation No.1

**2.69** The ANAO recommends that Centrelink inform customers of their legal rights to have a decision reviewed by an ARO and make all stages of the internal review process transparent and accessible for all customers.

### *Centrelink's Response:*

**2.70 Agreed.** Centrelink is introducing interim changes to its present internal review process that will fully implement this recommendation.

**2.71** DEWR provided the following comments in relation to Recommendation No.1:

ANAO have reported there are substantial problems with the current model. In particular, the additional review layer is not transparent to customers and is not legislatively based. DEWR supports the recommendation and agrees Centrelink should inform customers of their legal rights to have a decision review by an Authorised Review Officer (ARO) and should make the internal review process transparent to customers.

## Monitoring and Reporting

### Findings of the previous audit

#### Monitoring

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.<sup>79</sup>

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.<sup>80</sup>

The major source of ODM reconsideration data is from Centrelink's APL system. However, during fieldwork, Centrelink officers in the Service Recovery Team (SRT) 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.<sup>81</sup>

#### Reporting

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.<sup>82</sup>

The ANAO made the following recommendation:

#### Recommendation No.4

The ANAO recommends that Centrelink:

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

**Centrelink Response:** Agree

### Findings of the follow-up audit

#### Monitoring

**2.72** Centrelink advised the ANAO in the previous audit that the use of the ODM/ARO appeal script when performing ODM reconsiderations was made mandatory from 1 October 2004. The script automatically records the matter on the APL system. In addition, Centrelink's National Support Office produces

<sup>79</sup> Australian National Audit Office, op.cit., p. 46, para 2.70.

<sup>80</sup> ibid., p. 47, para 2.72.

<sup>81</sup> ibid., pp. 47-48, para 2.74 -2.75.

<sup>82</sup> ibid., p. 50, para 2.89.

monthly summary reports of requests for review which have gone to the ODM. These reports are prepared and sent to the Area Offices with comments and suggested actions from National Support Office to improve performance. These reports commenced with July 2004 data.<sup>83</sup>

**2.73** The information gathered on the APL system allows Centrelink to monitor the number, type and location of ODM reconsiderations. The reports also include information on the number of ODM reconsiderations received, the number finalised, the number on hand and the average time taken to finalise an ODM reconsideration. The information is shown at the National level and at the Area level.

**2.74** Centrelink's monthly summary reports on ODM reconsiderations indicate that there has been an increase in the numbers of ODM reconsiderations being recorded on the APL system since 1 July 2004. Figure 2.1 shows the cumulative number of ODM reconsiderations being recorded on the APL system. As shown by the trend lines in the graph, on the basis of the monthly outcomes up to the end of December 2006, there is the potential for considerably more ODM reconsiderations to be recorded on the APL system in the 2006–07 financial year than in previous years. However, on 20 February 2007, Centrelink advised the ANAO that:

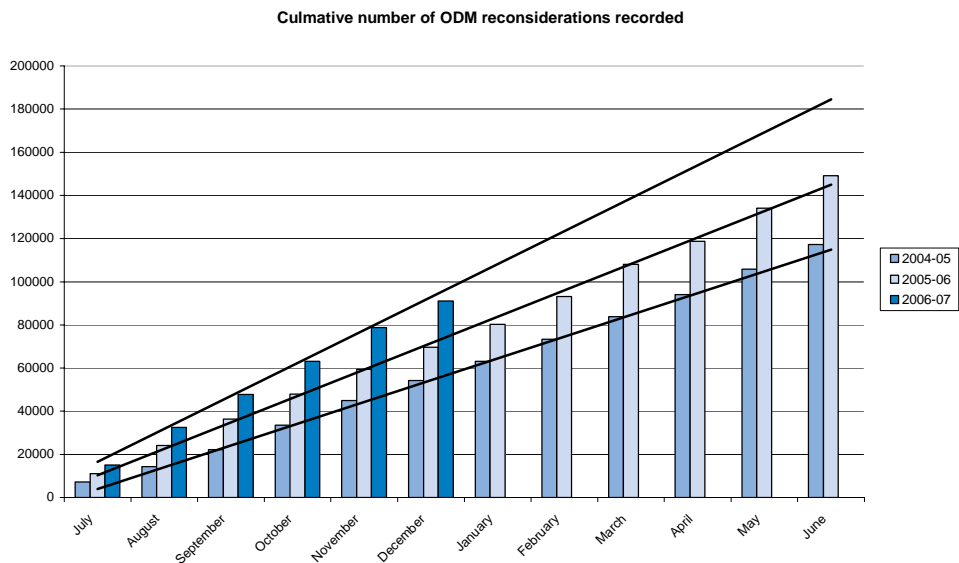
Recent data shows that the number of ODM reviews recorded have stabilised at about 15 700 per month, a rate of 188 000 per annum.<sup>84</sup>

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<sup>83</sup> The reports on the ODM reconsideration began before the use of the appeal script was made mandatory.

<sup>84</sup> Centrelink advise, *Responses to Progress Assessments and Potential New Recommendations*, 20 February 2006.

**Figure 2.1**  
**ODM reconsideration numbers**



Source: ANAO analysis of Centrelink’s internal ODM reports

**2.75** The ANAO considers that Recommendation No.4 has been fully implemented, in that, staff are required to record all ODM reconsiderations on the APL system and information regarding ODM reconsiderations is included in relevant Centrelink internal reports.

**Cost**

**Findings of the previous audit**

During fieldwork, the ANAO interviewed Centrelink officers from NSO [the National Service Office], Areas and Customer Service Centres (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.<sup>85</sup>

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.<sup>86</sup>

<sup>85</sup> Australian National Audit Office, op. cit., p. 52, para 2.100.

<sup>86</sup> ibid., p. 53, para 2.105.

## Findings of the follow-up audit

**2.76** In developing the proposal for the new internal review model, Centrelink undertook analysis to determine the cost of the ODM reconsideration process. For this purpose, it was determined that the ODM reconsideration process currently costs Centrelink \$10 919 970 per annum.<sup>87</sup> This was calculated using an estimated number of ODM reconsiderations to be conducted, average salary level and the average time taken to conduct ODM reconsiderations. Centrelink estimates that the proposed new internal review model would result in a 50 per cent reduction in costs for the ODM/CSA reviews.<sup>88</sup>

**2.77** This cost saving is an estimate by Centrelink.<sup>89</sup> It is based on the assumption that in the new internal review process, the CSA would spend 50 per cent less time on reviews than in the current internal review process. However, the ANAO found that the total and average cost of the ODM reconsideration process was not monitored or reported on a regular basis. Funding for the ODM reconsideration function is provided through the Operational Services Component of the Centrelink Funding Model, which is not costed at the transactional level, but is allocated to each of the Areas as part of their overall budget.

**2.78** The ANAO suggests that Centrelink put processes in place that will allow it to monitor the costs of the ODM process while the current model remains in place and to determine if the expected cost savings estimated to be made as a result of the elimination of the ODM step and its replacement with the 'quick check' by a CSA in the proposed new internal review model are realised. This should allow the agency to identify any further potential costs savings available under the proposed new internal review model.

**2.79** On 20 February 2007, Centrelink advised the ANAO that:

Centrelink will monitor the implementation of the new model to determine its effectiveness.<sup>90</sup>

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<sup>87</sup> Centrelink spreadsheet, *Internal Review Costing, Version 3 (March 2007)*, provided to the ANAO 15 March 2007.

<sup>88</sup> However, this cost saving will be offset by an increase in the cost of the ARO reviews. In total the new internal review model will cost an estimated \$39.3 million, \$15.3 million more than the current internal review system. This is discussed further in Chapter three.

<sup>89</sup> Centrelink internal email, 28/08/2006.

<sup>90</sup> Centrelink advise, *Responses to Progress Assessments and Potential New Recommendations*, 20 February 2006.

## Quality

### Findings of the previous audit

The previous audit found that Centrelink did 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. Generally, the identification of problems with the quality of the ODM reconsideration relies on the customer escalating their request to an ARO.<sup>91</sup>

The ANAO made the following recommendation:

#### Recommendation No.5

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

**Centrelink response:** Agree

### Findings of the follow-up audit

#### Quality

**2.80** Centrelink advised the ANAO that part of the ARO role is to provide feedback to the ODMs on the quality of those ODM decisions that flow on to the ARO, once the ARO has reviewed the decision. This is accomplished through a feedback sheet, which is completed by the ARO once they have completed the review. This feedback sheet is then forwarded to the ODM and the ODM team leader. The completion of the feedback sheet is monitored through the ARO quality assurance process.

**2.81** Many of the AROs interviewed by the ANAO advised that, as well as completing the ODM feedback sheet, they also phone or email an ODM if they are going to set aside or vary an ODM's decision, to explain why they are changing the decision. However, under the current review model, on average only 25 per cent of all ODM reconsiderations flow on to the ARO. This means that, on average, 75 per cent of ODM reconsiderations have no quality assurance processes applied to them because the ARO does not see them.

**2.82** Centrelink also advised the ANAO that it was developing task cards which set out minimum standards for referral of matters from ODMs to AROs. At the time of fieldwork for the follow-up audit, these task cards were being trialled in two Areas.

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<sup>91</sup> Australian National Audit Office, op. cit., pp. 53 -55, para 2.107 -2.115.

**2.83** In the proposed new internal review model, Centrelink estimates that 50 per cent of all requests for review will not proceed to the ARO.<sup>92</sup> That is, they will be resolved by the CSA who reviews the decision. This may be because the CSA who reviews the decision will be able to change the decision in the customer's favour, or because the customer is satisfied with the explanation of the decision given by the CSA. In both these instances, under the proposed model the request for review can be treated as withdrawn if the customer is satisfied.

**2.84** If customers withdraw their requests for review after receiving an explanation from the CSA, there is the potential that this may be because they are reluctant to further pursue their appeal rights. This may occur because the customer perceives that:

- if the CSA does not change the 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 continue the review process.<sup>93</sup>

**2.85** These concerns were also raised with the ANAO by the stakeholders who were interviewed as a part of fieldwork for the follow-up audit.

**2.86** On 20 February 2007, Centrelink advised the ANAO that:

Under the new internal review model, customers will initially be given an explanation for the decision by a CSA, who wherever possible, will not be the ODM that made the original decision. The CSA will advise the customer of their appeal rights, explain the reasons for the decision and check the decision. The matter will proceed to an ARO unless the customer is satisfied with the explanation of the decision or a new decision. That is not the same as lodging another appeal.<sup>94</sup>

**2.87** The IRP report recommended that the new internal review model include quality checking of decisions changed by CSAs and not reviewed by AROs. The ANAO considers that there would be advantage in developing and implementing a quality checking process for all CSA reviews that do not

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<sup>92</sup> Submission to the Centrelink Executive that Centrelink's Original Decision Maker (ODM) reconsideration process be amended, September 2006, p. 3.

<sup>93</sup> This is consistent with the finding from the previous audit. ANAO Report No.35, 2004–05 *Centrelink's Review and Appeals System*, p. 42.

<sup>94</sup> Centrelink advise, *Responses to Progress Assessments and Potential New Recommendations*, 20 February 2006.

proceed to the ARO, not just for the decisions that were changed. The ANAO supports the recommendation from the IRP Report and also recommends that the quality checking process be extended to all CSA reviews that do not proceed to the ARO.

**2.88** However, as noted previously, to date there has been no change to Centrelink's internal review model and implementation of the new model is contingent on additional funding being provided by the purchasing departments. The ANAO found that Centrelink had not developed or implemented broader quality control processes for ODM reconsiderations. Therefore, the ANAO's previous findings remain current.

## Recommendation No.2

**2.89** The ANAO recommends that Centrelink develop and implement quality assurance processes for the CSA role as a part of Centrelink's new internal review model.

### *Centrelink's Response:*

**2.90** Agreed.

**2.91** DEWR provided the following comments in relation to Recommendation No.2:

DEWR is broadly supportive of the new internal review model if it aligns the review process with the legislated review system, which commences at the ARO level. DEWR understands that any work undertaken by the ODM or another Customer Service Advisor (CSA) to check a decision would be part of Centrelink's internal quality assurance process, and is not part of the legislated administrative review process.

DEWR notes that Centrelink has stated that the proposed new model will require additional funding. DEWR has limited information from Centrelink regarding the cost assumptions behind either the current or the proposed model. DEWR would support the implementation of a new internal review model subject to transparent and appropriate cost assumptions.

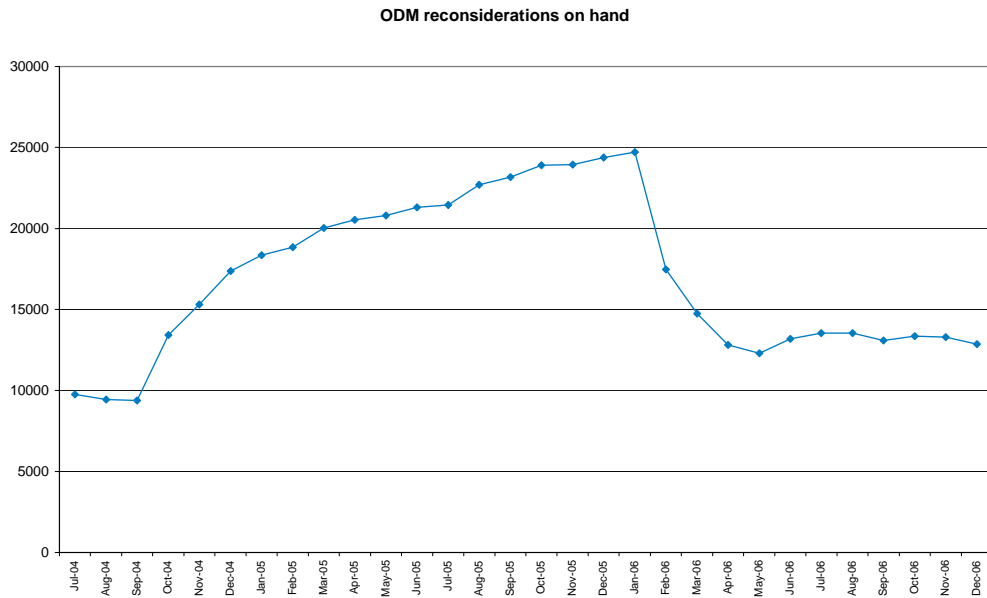
### *Timeliness*

**2.92** The required recording of ODM reconsiderations on the APL system provides Centrelink with an improved ability to monitor that a customer's request for a review was recorded and subsequently completed. The ANAO

found that Centrelink's internal reports indicated that the number of ODM reconsiderations on hand<sup>95</sup> had steadily increased since the introduction of mandatory recording of ODM reconsiderations in October 2004. In January 2006, Centrelink management identified that the number of ODM reconsiderations on hand was high, and required the Areas to address the issue (see Figure 2.2).

**Figure 2.2**

### ODM reconsiderations on hand



Source: ANAO Analysis of Centrelink ODM reconsideration data

**2.93** As shown in Figure 2.2, from January 2006, Centrelink significantly reduced the number of outstanding ODM reconsiderations. The ANAO notes that despite the drive in January 2006 to reduce the numbers of ODM reconsiderations on hand, the numbers appear to have stabilised. However, they will require monitoring to ensure that they do not again increase significantly.

**2.94** As well as monitoring the number of ODM reconsiderations on hand, Centrelink is also able to monitor the timeliness of ODM reconsiderations. Centrelink's e-reference procedures state that the resolution of a customer

<sup>95</sup> ODM reconsiderations on hand are those ODM reconsiderations that have been recorded on the APL system, but have not been completed or finalised.

request should occur within seven days. However, the ANAO found that compliance with this procedure is not enforced.

**2.95** Centrelink advised the ANAO that:

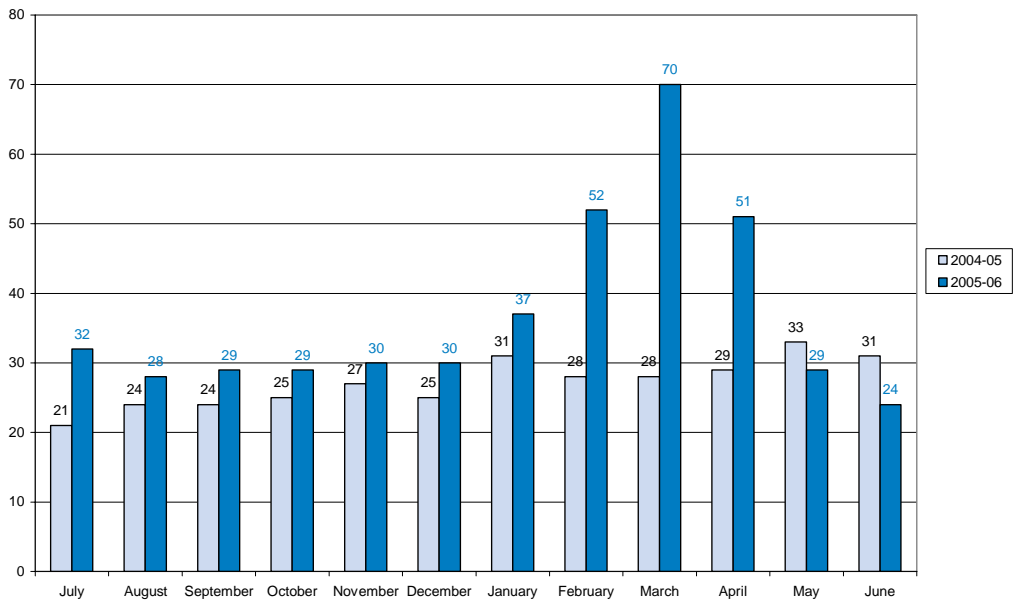
The Business Integrity Business Line has placed a strong emphasis on ODM reconsiderations occurring in a timely manner and the number recorded as on hand has reduced dramatically in the past 12 months. Timeliness has improved. Sometimes however, the lack of timeliness is often a coding mishap, rather than failure to complete the case on time, and steps have been taken to minimize those in the future.

The BIBL [Business Integrity Business Line] and LSB [Legal Services Branch] will be reporting more thoroughly against these timeliness standards in future through monthly and quarterly reports.

**2.96** Centrelink's internal reports indicate that the average time taken for an ODM to complete a reconsideration in 2004–05 was 27 days and in 2005–06 it was 37 days.<sup>96</sup> Figure 2.3 shows the average time taken, in days, to complete an ODM reconsideration, by month, in 2004–05 and 2005–06. For example, the ODM reconsiderations that were finalised in March 2006 had, on average, taken 70 days to be finalised.

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<sup>96</sup> That is, it took an average of 27 days from when the ODM recorded the reconsideration on the APL system to when the ODM recorded that the reconsideration had been completed.

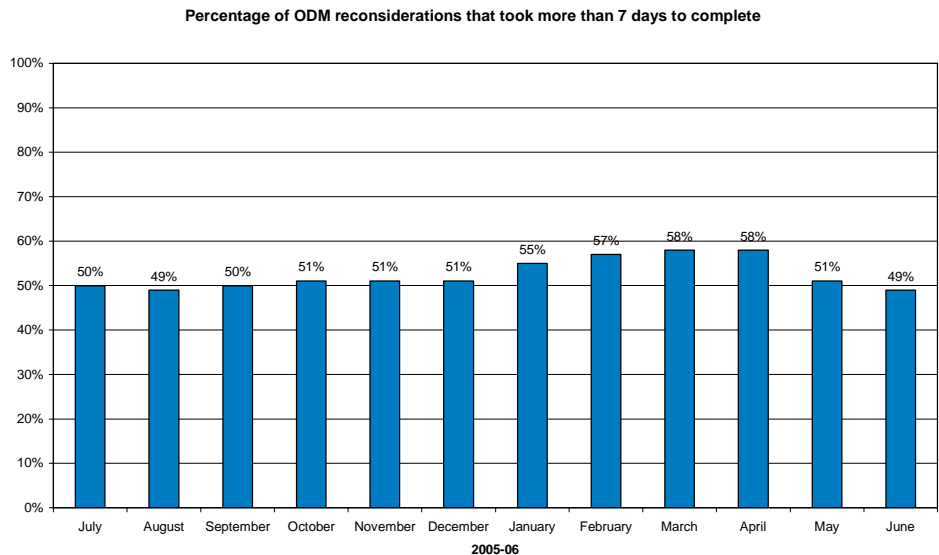
**Figure 2.3****Average time taken to complete ODM reconsiderations**

Source: ANAO Analysis of Centrelink's internal ODM reports.

**2.97** In addition, in 2005–06, on average 53 per cent of ODM reconsiderations took more than 7 days to be completed. Figure 2.4 shows the percentage of ODM reconsiderations that took more than 7 days to complete.

Figure 2.4

Percentage of ODM reconsiderations that took more than 7 days to complete



Source: ANAO analysis of Centrelink data

**2.98** Based on the above ODM timeliness results, there is the potential that, on average, it may take 65 days or more for a customer to have decision reviewed by both the ODM and the ARO. The ANAO found that Centrelink did not report or monitor the total time taken for a customer to have a decision reviewed by both the ODM and the ARO.

**2.99** Centrelink advised the ANAO that:

The percentage of ODM reconsiderations that take more than 7 days have stabilised at about 49% since June 2006...This will be addressed by the new model as CSAs will have to refer matters to AROs after 7 days.<sup>97</sup>

**2.100** In January 2007, Centrelink introduced new reporting to monitor the number of ODM reconsiderations each Area has on hand. This reporting includes benchmarks, tolerance levels and graphs to show how each Area has performed. However, the ANAO was unable to test the impact that this reporting will have on reducing the numbers of ODM on hand as only one report had been produced at the time of drafting this audit report.

<sup>97</sup> Centrelink advice, *Responses to Progress Assessments and Potential New Recommendations*, 20 February 2006.

**2.101** At the time of fieldwork, Centrelink's Customer Charter informed customers that :

When you ask us to review a decision we have made, we will tell you about the result in writing within 28 days.<sup>98</sup>

**2.102** The Charter did not specify if this referred to just the review by the ARO or both the ODM and the ARO.

**2.103** On 5 March 2007, Centrelink advised the ANAO that the standard has been amended and is available on the website and in other internal documents. The standard now reads:

When you ask an Authorised Review Officer to review a decision we have made, the Authorised Review Officer will tell you about the result in writing in 28 days.

**2.104** However, as discussed, customers can be confused about the difference between an ARO review and an ODM reconsideration. Therefore, customers may interpret the standard to mean that the entire review process will take no more than 28 days. Subsequently, Centrelink advised the ANAO that:

Centrelink will amend the wording of the charter (online and as the products are reprinted) to indicate that the 28 days applies to ARO reviews.<sup>99</sup>

**2.105** The Business Partnership Agreement (BPA) between FaCSIA and Centrelink requires that 75 per cent of all reviews at the ARO phase be completed within 28 days and that 95 per cent of all reviews involving customers with no ongoing income be completed within 14 days<sup>100</sup>. Centrelink's BPA with DEST has the same timeliness requirements<sup>101</sup>. Centrelink monitors the timeliness of both standard ARO reviews and no ongoing income reviews, but this does not include the ODM component of the review.

**2.106** The Commonwealth Ombudsman in his 2004–05 Annual Report<sup>102</sup>, raised concerns about the impact that the delay from the finalisation of ODM

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<sup>98</sup> Centrelink 2006, *What you can expect form Centrelink – Centrelink's Customer Service Charter*, 2006 p. 8.

<sup>99</sup> Centrelink advice, *Responses to Progress Assessments and Potential New Recommendations*, 20 February 2006.

<sup>100</sup> FaCSIA /Centrelink 2006–2010 BPA, p. 109.

<sup>101</sup> DEST/ Centrelink, *2005–2008 Business Partnership Agreement*, p103.

<sup>102</sup> In his 2005–06 Annual report, the Ombudsman also commented on the identified the problems raised in the 2004–05 Annual report of delays and appeal fatigue.

reconsideration could have on the customer. The Commonwealth Ombudsman commented that this delay could lead to ‘appeal fatigue’ and have a significant consequence for a customer, particularly if the decision being reviewed was a denial of income support. The Breaching Review Taskforce Report also recommended:

That where as a matter of internal processes a request [for a decision to be reviewed] is [first] reviewed by an Original Decision Maker, that review be accommodated within existing time limits.<sup>103</sup>

**2.107** Other stakeholders interviewed by the ANAO for the follow-up audit supported this sentiment.

**2.108** On 5 March 2007, Centrelink advised the ANAO that with the implementation of the new internal review model its intention is to have a KPI of 70 per cent internal reviews completed within 28 days. This will cover both the ‘quick check’ by the CSA and an ARO review. However, Centrelink noted that adoption of this model will be subject to the commencement of negotiations with policy departments and subject to their agreement as to funding for the proposed new internal review model. Centrelink further advised that under the new model, CSAs will be instructed to inform customers of this target on receiving a request for review, either verbally or in writing.

**2.109** The ANAO welcomes Centrelink’s intention to introduce a KPI under the proposed new internal review model that will measure all stages of its internal review process and provide customers with a standard of expected performance. However, as noted previously, Centrelink is yet to implement a new internal review model and it is not certain when or if this will occur. In the meantime, it remains important that the agency ensure that the total time taken to undertake internal reviews is minimised and is transparent.

## Recommendation No.3

**2.110** The ANAO recommends that Centrelink develop and implement a key performance indicator (KPI) that measures a maximum timeframe for the completion of both the ODM and ARO stages of an internal review. This KPI should also be made explicit to customers.

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<sup>103</sup> Centrelink 2004, *Report of the Breaching Review Taskforce*, December 2004. Recommendation 30 p. 29.

*Centrelink's Response:*

**2.111 Agreed.** This KPI will be considered for inclusion in the Customer Service Charter as an explicit commitment to customers.

**2.112** DEWR provided the following comment in relation to this recommendation:

DEWR is concerned about developing a KPI which establishes a maximum timeframe for completion of reviews as recommended by the ANAO. Such a KPI might provide an incentive to make a decision to meet the timeframe, rather than make the best possible decision. The development of a KPI needs to balance timeliness with the quality of decision making, otherwise it could undermine the review process. As noted in the ANAO report, DEWR is currently working with Centrelink to develop a quality KPI. Additionally, service standards in which the customer is regularly updated on the progress of their case could be developed to improve customer awareness and satisfaction with the ARO review process.

**2.113** The ANAO agrees with DEWR's comments about the importance of quality decision making and the need for timeliness to be balanced with the quality of decision making. Recommendation No.2 at paragraph 2.89 proposes that Centrelink develop and implement quality assurance processes for the CSA role as part of Centrelink's proposed new internal review model. However, both quality and timeliness are important to customers. The indicator proposed in Recommendation No.3 would allow Centrelink's performance against a standard maximum timeframe to be monitored and managed. These two recommendations are aimed at ensuring that the balance between quality decision making and the need for timely decisions is maintained.

*ODM letters*

**2.114** Stakeholders and AROs interviewed by the ANAO during fieldwork for the follow-up audit, also raised concerns regarding the quality of the letters prepared and sent by the ODMs to customers. The Breaching Review Taskforce Report found that many of the ODM letters are more of a re-statement of the decision than an explanation or outline of the reasons for the decision. To this extent the ODM letters do not show that a real review of the case has occurred.

**2.115** In March 2005, Centrelink rewrote the Q352 template letter which the ODM sends to advise customers of the outcome of the reconsideration. At the same time, an authoring guide was developed to assist ODMs in writing the letter. However, there is no other quality check carried out on the ODM letters. The Q352 letter is not checked or quality assured as a part of Centrelink's broader quality assurance processes, such as the agency's Quality On-Line system (QOL)<sup>104</sup>. Where a case proceeds to review by an ARO, the ARO reviews the Q352 letter as a part of the review process. However, this check is carried out after the letter has been sent to the customer and only around 25 per cent of all requests for review currently proceed to the ARO.

**2.116** Centrelink advised the ANAO that:

[one of the] key features of the new internal review model is that it will achieve much shorter overall times for the quick check process as demonstrated by the IRP trials, and eliminate the need for the Q352 or an equivalent letter.<sup>105</sup>

## Conclusion

**2.117** Overall, the ANAO considers that Centrelink, to date, has partially implemented Recommendation No.5 from the previous audit. Centrelink now has reporting procedures that monitor the timeliness of the ODM reconsideration process. The results indicate that the ODM reconsideration process can lead to significant delays for the customer in having a decision reviewed and finalised. In addition, the identification of problems with the quality of the ODM reconsideration process relies on a customer requesting escalation to the ARO and currently only about 25 per cent of requests for review proceed to the ARO. Centrelink has not developed or implemented broader quality control processes for ODM reconsiderations.

**2.118** The ANAO notes that Centrelink, contingent on the implementation of its proposed new internal review model, intends to develop and implement quality control processes for the CSA 'quick check' to be undertaken as part of the new model and a timeliness KPI that covers all stages of the internal process.

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<sup>104</sup> Quality On-line (QOL) - Centrelink's on-line quality assurance tool, where either 5 per cent or 100 per cent of a CSO's work, depending on his/her experience, is referred to a qualified officer, who checks for completeness and correctness.

<sup>105</sup> Centrelink advice, *Responses to Progress Assessments and Potential New Recommendations*, 20 February 2006.

## 3. Authorised Review Officers

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*This chapter examines the extent to which the recommendations from the previous audit relating to the Authorised Review Officer review have been implemented and/or progressed.*

### Background

**3.1** The ARO review is the first step in the legislated appeals process. The ARO review process is important in ensuring that customers receive correct and consistent decisions, and consequently their correct entitlements. While the primary purpose of AROs is to meet these legislative requirements, the ARO review process is also important for Centrelink. Through the information gathered from this process, Centrelink can identify any systemic problems with decision making, and therefore identify process improvements and potential cost savings through a reduction in rework and/or appeals.

**3.2** Section 135 of the *Social Security (Administration) Act* prescribes the review of a decision following application by a customer (under Section 129 of the Act). If a person applies for a review, Section 135(1) states that the relevant Secretary, the CEO or an authorised review officer must:

- (a) review the decision; and
- (b) do one of the following:
  - (i) affirm the decision;
  - (ii) vary the decision;
  - (iii) set the decision aside and substitute a new decision.

**3.3** Under the Act an authorised review officer means an officer authorised by the Secretary, in writing, to perform duties as an authorised review officer for the purposes of the Social Security Law.

**3.4** 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 an independent review of a decision.

### Centrelink Restructure

**3.5** Since the previous audit, Centrelink has introduced a national business line model. This model organises the service delivery network (which includes

Areas Support Offices, Call Centres and Customer Service Centres (CSC's)) along four business lines. Business lines are divisions of work that define customer groups, staff, training and delivery systems for customers and align to the client departments purchasing services from Centrelink<sup>106</sup>. There are four business lines, namely:

- Working Age Participation (WAP)<sup>107</sup>;
- Seniors, Rural and Carers<sup>108</sup>;
- Families and Childcare<sup>109</sup>; and
- Business Integrity.

**3.6** All Area Support Offices within the Centrelink network are organised along business lines. For each business line a National Business Line Team was also created to act as a focal point for managing performance of the business line nationally.

**3.7** The Area Support Offices have responsibility for the direct management of the AROs. Within each Area Support Office, the AROs are managed centrally through the Area Business Integrity business line. The Business Integrity business line also provides services such as:

- debt management coordination including debt prevention, raising and recovery;
- child care compliance;<sup>110</sup>
- compensation recovery;<sup>111</sup>
- compliance reviews;<sup>112</sup>

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<sup>106</sup> Centrenet, *Customer Services Design and Implementation Division*, National Business Lines.

<sup>107</sup> The WAP Business line delivers a range of products on behalf of DEWR and DEST including, amongst others, Austudy, Disability Support Pension, Newstart allowance, Parenting Payment (single and partnered) and Youth Allowance.

<sup>108</sup> The Seniors, Rural and Carers Business line delivers payments and services relating to: Age Pension; Bereavement Allowance and payment; Carer allowance and payment; Drought Assistance; Farm help; Pension Bonus Scheme; Pension Loan Scheme; Seniors Health Card; Telephone Allowance; Utilities Allowance; and Widows Pension.

<sup>109</sup> The Families and Childcare Business line delivers payments and services relating to Childcare Benefit, Double Orphan Pension, Family Tax Benefit, Maternity Payment, Maternity Immunisation Allowance, CCB Pay teams and Child support Unit.

<sup>110</sup> Childcare compliance is in the process of being transferred to FaCSIA.

<sup>111</sup> Compensation recovery includes determining periods for which certain payments were and/or will not be payable to customers who have received compensation payments for loss of income, and the recovery of amounts paid for earlier.

- data matching;<sup>113</sup>
- fraud investigations teams (Prosecutions, OSI, Cash Economy, ID Fraud, etc.);
- ‘Getting It Right’ coordination <sup>114</sup> and Check the Checking across business lines (Centrelink’s quality assurance processes);
- Rolling random sample surveys<sup>115</sup>;
- service profiling<sup>116</sup>; and
- voluntary compliance initiatives.<sup>117</sup>

3.8 AROs are funded at the Area Support Office level, through the Business Integrity business line, and it is up to each individual Area Support Office to determine the number of ARO positions to be funded. The Legal Services Branch has an advisory role in the ARO process, but has no control over the number of AROs funded for each Area.

3.9 From Centrelink’s perspective, the ARO role is to:

- provide independent and expert review;
- promote greater care and accountability at the primary decision making level;
- provide a feedback mechanism to primary decision makers in Customer Service Centres on the quality of their decisions; and
- reduce the numbers of appeals by providing an effective filter for the external review process.<sup>118</sup>

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<sup>112</sup> Compliance reviews means reviews arising from tip-offs and data matching.

<sup>113</sup> Data matching is conducted by Centrelink in association with a number of Australian Government and State Government bodies, such as the Australian Taxation Office.

<sup>114</sup> *Getting It Right Strategy*.

<sup>115</sup> The Rolling Random Sample Survey is a point-in-time analysis of sampled customers’ circumstances, designed to establish whether customers are being correctly paid.

<sup>116</sup> Service profiling is a method of selectively targeting Centrelink services and assistance to its customers. Profiling is supported by an information technology tool that checks a customer’s record for the predictors or characteristics which are relevant to the service being provided. It then determines the most appropriate pattern of actions, recognising that not all customers require the same level of service.

<sup>117</sup> Voluntary compliance initiatives encourage customers to comply with their reporting obligations.

<sup>118</sup> Centrelink, *Authorised Review Officer Role Study Guide*, p. 7.

**3.10** The location of the AROs varies across the Centrelink network. In some Areas they are located in Area Support Offices and in other Areas they are located in the Customer Service Centres.

**3.11** The AROs are also responsible for the provision of information to the SSAT, where a customer has escalated their appeal 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 to the SSAT.

## Awareness of the ARO review

### Findings of the previous audit

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.

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.<sup>119</sup>

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.

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.

The ANAO made the following recommendation:

#### Recommendation No. 6

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

### Findings of the follow-up audit

**3.12** Centrelink advised the ANAO that the agency considered that this recommendation had been substantially implemented. As discussed in Chapter 2, two questions were added to the 2005 National Customer

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<sup>119</sup> Australian National Audit Office, op. cit., p.58 para 3.11.

Satisfaction survey. The survey asks customers to provide responses to a range of statement using a five-point rating system<sup>120</sup>. The 2004, 2005 and 2006 National Customer Satisfaction Surveys included the questions as outlined in Table 3.1.

**Table 3.1**

**Questions in the 2005 National Customer Satisfaction Survey**

Question	Results		
	2006	2005	2004
A customer has a right to ask Centrelink to have another look at any decision that was made about their payments if they think it is wrong	94% (Strongly Agree/Agree)	93% (Strongly Agree/Agree)	95% (Strongly Agree/Agree) <sup>121</sup>
You know how to have a decision about your payments reviewed	Not asked	74% (Strongly Agree/Agree)	Not Asked
		5% (Neither Agree or Disagree)	
		21% ( Strongly Disagree/Disagree)	
Centrelink Staff have clearly explained to you your rights and obligations with regards to your payment?	88% (Strongly Agree/Agree)	86%(Strongly Agree/Agree)	82%(Strongly Agree/Agree)

Source: 2005 and 2006 Centrelink National Customer Survey: A survey to investigate Centrelink's corporate image, reputation and service delivery among customers, Final Report.

**3.13** The ANAO notes that in 2005, 93 per cent of customers strongly agreed or agreed with the statement about their right to have a decision reviewed. However, only 74 per cent strongly agreed or agreed that they knew how to have a decision reviewed. To understand the gap, Centrelink changed the questions that it asked in the 2006 National Customer Satisfaction Survey.

<sup>120</sup> The five points are: Strongly agree; agree; neither agree or disagree; disagree; strongly disagree; or a customer can answer don't know or refuse to answer the question.

<sup>121</sup> In 2004 this question read 'The extent to which you agree or disagree with the following statement.... Centrelink Staff have clearly explained to you your rights and obligations'.

**3.14** In the 2006 National Customer Satisfaction Survey, Centrelink did not ask the question ‘you know how to have a decision about your payments reviewed’. Instead, Centrelink included an additional question which had two response options, these were :

- (a) If customer agrees that a customer has a right to ask Centrelink to have another look at a decision they are asked - You mentioned that a Centrelink customer has the right to ask Centrelink to have another look at your decision. How would you go about this? or
- (b) If a customer is unaware that they could ask Centrelink to have another look at a decision they are asked- You mentioned that you were unaware that you could ask Centrelink to have another look at a decision. If you received a decision that you were unhappy with, what would you do?

**3.15** Table 3.2 and Table 3.3 outline the results to these questions in the 2006 National Customer Satisfaction Survey.

**Table 3.2**

**Results from the 2006 National Customer Satisfaction Survey**

<p><b>Question: If you wanted Centrelink to have another look at a decision, who would you ask?</b></p> <p><i>This was asked to survey respondents who agreed that a customer has the right to ask Centrelink to have another look at any decision that was made about their payments if they think it is wrong</i></p>	
Response	Percentage
Centrelink	86%
Government ombudsman	3%
Other Government Office	0%
Member of Parliament	1%
Don't know	8%
Appeals/complaints tribunal	1%
Other	3%

Source: Centrelink's 2006 National Customer Satisfaction Survey

**Table 3.3**
**Results from the 2006 National Customer Satisfaction Survey**

<b>Question: If you received a decision that you were unhappy with, what would you do?</b> <i>This was asked to survey respondents who did not agree that a customer has the right to ask Centrelink to have another look at any decision that was made about their payments if they think is wrong.</i>	
<b>Response</b>	<b>Percentage</b>
Appeal the decision/ask for the decision to be reviewed	12%
Contact Centrelink by phone	34%
Visit a Centrelink office	20%
Contact Centrelink (no method specified)	22%
Speak to Government Ombudsman/other Government office	5%
Nothing	10%
Don't know	2%
Other	16%

Source: Centrelink's 2006 *National Customer Satisfaction Survey*

**3.16** As shown in Table 3.2, 94 per cent of respondents agreed or strongly agreed that they have a right to ask Centrelink to review a decision. In addition, 86 per cent of those respondents (as shown in Table 3.3) would ask Centrelink to look at the decision. However, the ANAO also notes that 10 per cent of respondents that did not agree that a customer has a right to ask Centrelink to have another look at a decision, indicated that if they disagreed with a decision Centrelink had made, they would do nothing. This could indicate that there is a disincentive for these customers to accessing Centrelink's internal review system.

**3.17** This is consistent with comments made by stakeholders to the ANAO in interviews for the follow-up audit. These stakeholders advised that customers, especially those from vulnerable groups, such as those in the Indigenous communities, would do nothing if they disagreed with a Centrelink decision.

**3.18** The ANAO considers that the additional questions added to the 2006 National Customer Satisfaction Survey provide Centrelink with information to undertake analysis on customers' awareness of the review process, identify any gaps and address the issues.

**3.19** As discussed in Chapter 2, customers can still experience disincentive in accessing Centrelink's internal review system. This can be caused by apparent 'appeal fatigue', confusion of the how the system works and lack of awareness of their rights to request a decision to be reviewed. The ANAO found that Centrelink had not monitored or reported on the impact of any disincentive effect on customers' awareness of their appeal rights.

**3.20** Centrelink advised the ANAO that:

Whilst the disincentive effect could impact a customer's willingness to request a review, it should not impact on a customer's awareness of their appeal rights. A customer would be aware of their appeal rights before experiencing any possible disincentive effect. The original recommendation was understood as referring to monitoring the affect of the disincentive effect on customers' willingness to request a review.<sup>122</sup>

**3.21** Centrelink further advised the ANAO:

To explore the disincentive effect, some questions will be included in an annual survey of a specific sample of customers to determine their satisfaction with the new internal review process.<sup>123</sup>

**3.22** The ANAO found that Centrelink advises its customers of their rights to appeal through the Centrelink Customer Charter, the website and all letters advising customers of a reviewable decision.

**3.23** Centrelink advised the ANAO that:

Centrelink also advises its customers of their rights to appeal through a range of publications including life events booklets, newsletters, Centrelink information handbook, etc.<sup>124</sup>

**3.24** In the previous audit, Centrelink advised the ANAO that a strategy was being developed and implemented to assist customers in relation to information on their rights. Centrelink advised the ANAO that this strategy had been developed, but was not implemented due to the costs involved. Instead, Centrelink developed and implemented a broader communications and marketing strategy to underpin the new Centrelink Service Charter. Furthermore, Centrelink advised the ANAO that:

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<sup>122</sup> Centrelink advice, *Responses to Progress Assessments and Potential New Recommendations*, 20 February 2006.

<sup>123</sup> Centrelink, Response to ANAO's proposed report, 15 May 2007.

<sup>124</sup> *ibid.*

It is believed that communication, internally and externally, on the current review and appeals process would be best served by being part of the broader communication strategy and consequent activities for the new Centrelink Customer Service Charter. These strategies and activities suit our purpose of extensively promulgating customers' rights of review and appeal.<sup>125</sup>

**3.25** Information on the review and appeals process is only one aspect of the information provided to customers in the Charter and therefore may not fully register with customers. In addition, as discussed in the ANAO's recent follow-up audit on Centrelink's Customer Charter<sup>126</sup>, the one page translated version differs from the printed English language brochure of the short version of the Customer Charter available at Centrelink's CSCs. In particular, under the section entitled 'What to do if you think a decision is wrong', the only information included is as follows: 'If you think a decision we have made is wrong, please talk to us. You have the right to ask for the decision to be looked at again.'<sup>127</sup>

**3.26** This compares with the short version of the revised Charter which provides information on AROs, and contact details, including websites, free call numbers and TTY<sup>128</sup> details, for both the Social Security Appeals Tribunal, and the Administrative Appeals Tribunal.

**3.27** Given that those who need translations rely on the translated versions, more detail could be provided in the translated version of the Customer Charter on the avenues of appeal available to customers. The ANAO considers that Centrelink should ensure that the information about a customer's right to appeal is clear, accessible and consistent for all customers.

**3.28** Centrelink advised the ANAO that:

Centrelink already has an extensive range of options to provide information on appeal rights for these customers including the multicultural Call Centre and other specific translated products already available on Centrelink's

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<sup>125</sup> Centrelink, Email advice—6 November 2006.

<sup>126</sup> See Audit Report No.33, *Centrelink's Customer Charter – Follow-up Audit*, pp. 45.

<sup>127</sup> Centrelink, *We speak your language: Centrelink's Customer Charter*, <[http://www.centrelink.gov.au/internet/internet.nsf/multifilestores/mcco301c\\_0609](http://www.centrelink.gov.au/internet/internet.nsf/multifilestores/mcco301c_0609)> [Accessed 14 November 2006].

<sup>128</sup> Telephone Typewriter – this allows people who are deaf or hearing impaired to communicate by telephone.

website. Customers are directed to these in the translated version of the Customer Service Charter.

In addition, Centrelink uses extensive consultation methods to ensure customers from multicultural backgrounds are aware of their rights, and these avenues are being extensively used as part of the communication strategy for raising awareness of the new Customer Charter. For example, Centrelink facilitates Multicultural Advisory Committees at the State/Territory and local levels. These committees provide local communities with a forum to discuss issues that affect the multicultural community, and this provides a framework for local input to be fed through to Centrelink's national Multicultural Reference Group, and through direct advice from FECCA [the Federation of Ethnic Communities' Councils of Australia] and other key peak groups.<sup>129</sup>

### **3.29** Centrelink further advised the ANAO:

When the new model for internal review has been implemented, Centrelink will include some questions in the [National Customer Satisfaction] survey to monitor overall customer awareness of the new model, and conduct an annual survey of a specific sample of customers to determine their satisfaction with the new process.<sup>130</sup>

## **Conclusion**

**3.30** The previous audit found that the only data available on customers' awareness of the appeals process related to a question included in Centrelink's annual National Satisfaction Survey. This question asked whether 'Centrelink staff have explained to you how to get a decision reviewed or to make an appeal'. At the time of the previous audit, 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.

**3.31** The ANAO considers that the additional questions included in the 2006 National Customer Satisfaction Survey should provide Centrelink with information to undertake analysis on customers' awareness of the review process, identify any gaps and address the issues.

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<sup>129</sup> Centrelink, Response to ANAO's proposed report, 15 May 2007.

<sup>130</sup> *ibid.*

**3.32** However, as discussed in Chapter 2, customers can still experience disincentive in accessing Centrelink's internal review system. This can be caused by apparent 'appeal fatigue', confusion of the how the system works and lack of awareness of their rights to request a decision to be reviewed. The ANAO found that Centrelink had not monitored or reported on the impact of any disincentive effect on customers' awareness of their appeal rights. Therefore the ANAO considers that Recommendation No.6 from the previous audit report has been substantially implemented.

## Monitoring and reporting

### Finding of the previous audit

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). 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.<sup>131</sup>

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.<sup>132</sup>

Any future requests from FaCS, and now 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.<sup>133</sup>

The ANAO made the following recommendation:

### Recommendation No.7

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

<sup>131</sup> Australian National Audit Office, op. cit., p.62 para 3.31.

<sup>132</sup> *ibid.*, p. 63.

<sup>133</sup> *ibid.*, p. 64 para 3.46.

## Findings of the follow-up audit

**3.33** The ANAO found that Centrelink continues to report on the ARO process in its annual report and provides quarterly statistical reports to DEWR, FaCSIA and DEST. Centrelink advised the ANAO that performance indicators for the quality of the review process were considered during negotiation of the new BPAs with DEWR<sup>134</sup> and FaCSIA<sup>135</sup>.

**3.34** The previous report found the then BPA between the then Department of Family and Community Services (FaCS) and Centrelink 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.

**3.35** The ANAO considered that this information would have been valuable to assess the effectiveness and efficiency of the appeals system. However, in the previous report, the ANAO found that FaCSIA had never requested this information.<sup>136</sup>

**3.36** Table 3.4 includes the details of the quality indicators contained in each of the current BPAs Centrelink has with its major purchaser departments.

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<sup>134</sup> Signed on 30 August 2006.

<sup>135</sup> Signed on 5 October 2006.

<sup>136</sup> Australian National Audit Office, *op. cit.*, p. 64 paragraph 3.45.

**Table 3.4**
**Indicators in BPA's**

Agency	KPI <sup>A</sup>	Measure
DEWR	(Proposed) 8.1 Quality of reviews by Authorised Review Officers (AROs)	Examine accuracy of review decisions made by AROs, including ensure correct procedures followed and correct decisions made
	(Proposed) 8.2 Ombudsman's complaints	Examine complaints referred back to Centrelink for their administrative action, and/or quality of actioning could be considered as indicators
FaCSIA	Centrelink does not correctly process appeals due to incomplete information	Number of customer based appeals that are overturned or reviewed due to additional information being supplied at a subsequent level of review.
	Centrelink incorrectly assess decisions made by ODM's ARO's or the SSAT for appeal to SSAT or the AAT	Number of decision overturned to the SSAT or AAT
DEST	Centrelink agrees to complete 75% of all reviews at the ARO phase within 28 days and 95% of all reviews involving customers with no ongoing income within 14 days	Completion of 75% of all reviews at the ARO phase within 28 days and 95% of all reviews involving customers with no ongoing income within 14 days

Notes FaCSIA advised the ANAO that the BPA between FaCSIA and Centrelink is a risk management agreement and, therefore, FaCSIA refers Key Delivery risks in lieu of Key Performance Indicators (KPIs) in this document.

Source: ANAO analysis of the BPAs

**3.37** In the 2006–2010 BPA between FaCSIA and Centrelink, quality indicators have been developed to measure aspects of the quality of the ARO review, but the ANAO found that there are no indicators that measure the accessibility of the review processes or the quality of the letters. FaCSIA advised the ANAO:

FaCSIA's position is that the monitoring of the accessibility of the review process is handled in accordance with Principles of Administration as contained in section 8 of the *Social Security (Administration) Act 1999* by Centrelink. Centrelink's effectiveness in this regard is measured by its Annual National Customer Satisfaction Survey, which measures customer awareness of the review and appeals system. Information from this survey is available to FaCSIA. FaCSIA can also determine the effectiveness of the accessibility of the review process by numbers of reviews and appeals lodged.

The reference to the quality of the letters is understood to refer to the quality of the 'free text' portions of the decision letters written by AROs in making determinations as delegates in accordance with applicable law. FaCSIA's Legal Services Branch has been engaged in discussions with representatives of the

Centrelink Legal Services Branch with a view to amending the quarterly report received from Centrelink under the BPA to include more analytical information on ARO, SSAT and AAT appeals data, such as trends in appeals by locale or payment type, 'hot issues' and other systemic issues which can be fed back to policy areas as appropriate. The department is of the view that this will assist Centrelink in being able to further demonstrate its performance in the area of monitoring the quality of the appeals system.<sup>137</sup>

**3.38** The current BPA with DEST expires on 30 June 2008, and includes one indicator on the timeliness of ARO reviews, but no other quality indicators. DEST advised the ANAO that:

...a new Business Partnership Agreement (BPA) between this department and Centrelink has commenced since Audit Report No.35. In this new BPA, quality indicators have been developed and included to measure some aspects of the quality of Authorised Review Officers (ARO) reviews.<sup>138</sup>

As noted in the table above, DEWR's quality indicators are proposed and are not currently reported against. The Centrelink/DEWR BPA includes details of a planned project to develop and adopt mutually acceptable performance indicators. DEWR advised the ANAO that:

...DEWR's quality indicators are currently being developed under the Business Partnership Agreement Protocol 04 Key Performance Indicators and therefore are not currently reported against as official KPI's.<sup>139</sup>

**3.39** The previous report found the then BPAs between FaCS and Centrelink set out reporting requirements related to appeals data. This data focused on numbers and timeliness information. Under the BPAs with DEWR, FaCSIA and DEST, Centrelink reports quarterly on ARO reviews. The reports include statistical information such as the number of reviews by AROs, the outcomes of the reviews (affirmed, set aside etc), the timeliness of ARO reviews, and any reasons for variations in timeliness as set out in Table 3.5.

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<sup>137</sup> FaCSIA, Response to ANAO issues papers, 14 February 2007.

<sup>138</sup> DEST, Response to ANAO issues papers, 21 February 2007.

<sup>139</sup> DEWR, Response to ANAO's issues papers, 5 February 2007.

**Table 3.5**
**Content of the reports provided to the purchasing departments**

	Numbers of reviews	Outcome of the reviews (Set aside, varied or affirmed)	Timeliness Results	Commentary on trends	Cost Indicators
DEWR	✓	✓	✓	✓	✗
FaCSIA	✓	✓	✓	✓	✗
DEST	✓	✓	✓	✗	✗

Source: ANAO analysis of the BPAs.

**3.40** The ANAO found that there were no specific cost indicators in any of the BPAs for the review and appeals system. Centrelink receives its funding under the Centrelink Funding Model. DEWR advised the ANAO that:

... while DEWR have requested information on the cost of reviews from Centrelink this information has not been provided. DEWR welcomes any improvements in transparency of costs and is actively supportive of greater transparency within the Centrelink Funding Model.<sup>140</sup>

**3.41** In regards to cost indicators FaCSIA advised the ANAO that:

...Centrelink receives its funding under the Centrelink Funding Model (CFM). The costs associated with review and appeal activity have been integrated in to 'the base' funding Centrelink received over a number of years. It is difficult to extract these particular cost elements.<sup>141</sup>

**3.42** DEST advised the ANAO that:

DEST is currently conducting a general review of Key Performance Indicators (KPIs), including those between DEST and Centrelink. Specific cost indicators are being considered as a part of this review.<sup>142</sup>

**3.43** The Centrelink Funding Model is discussed in detail in the cost section of this chapter.

### *Annual Report*

**3.44** The ANAO found that in its 2005–06 Annual Report, Centrelink continued to report on the number of applications to the ARO, SSAT and AAT

<sup>140</sup> DEWR, Response to ANAO issues papers, 5 February 2007.

<sup>141</sup> FaCSIA, Response to ANAO issues papers, 14 February 2007.

<sup>142</sup> DEST, Response to ANAO issues papers, 21 February 2007.

and these are compared with the previous financial year. Timeliness performance targets for AROs were also reported against. These performance standards are set out in the FaCSIA and DEST BPAs and were:

- 75 per cent of ARO reviews will be completed within 28 days; and
- 95 per cent of ARO reviews where a customer has no income were to be completed within 14 days.

**3.45** Centrelink did not achieve either of these targets in 2005–06. The ANAO notes that in the July to September quarter of 2006–07, Centrelink had met the 75 per cent timeliness target for FaCSIA and DEST, but had not met the timeliness target for DEWR (73 percent result). In addition, between July 2006 and January 2007 an average of 12 per cent of all ARO cases on hand were older than 56 days. The impact that delays in the appeals process can have on customers is discussed in detail in Chapter 2 on the Original Decision Maker process (see paragraph's 2.45- 2.49 and 2.106-2.107).

**3.46** Centrelink's 2005–06 Annual Report also included information on the percentage of changed and unchanged decisions at the ARO, SSAT and AAT level. There is also discussion on the type of decisions most often challenged at all stages of review. However, there was no discussion about whether the results achieved, especially the failure to meet the timeliness targets, were acceptable or whether they were the result of any systemic issues.

**3.47** Centrelink advised the ANAO that:

The drop in ARO performance reported in Centrelinks' 2005–06 Annual Report was due to an unexpected increase in the number of ARO reviews towards the end of 2004–05 that continued throughout 2005–06.

Apart from seasonal variations, the extra ARO lodgements were attributed to the update of the ODM database that began in late 2004–05 and continued throughout 2005–06. Additional AROs were made available by Area Offices to recover the performance, and that has continued into 2006–07. On page 86 of Centrelink's 2005/06 annual report, table 12 indicates that 68% of all ARO reviews were completed in 28 days against a KPI of 75%. As at the end of January 2007 this figure was 73% and it is expected to be 75% by the end of June 2007.

**3.48** The ANAO considers that there would be value in including such commentary in the annual report.

## Conclusion

**3.49** The ANAO considers that Recommendation No.7 of the previous audit report has been partially implemented. Centrelink's Annual Report and the reports provided to DEWR, FaCSIA and DEST included performance indicators that measured some aspects of quality (number of reviews and timeliness information of ARO reviews). However, there are no performance indicators for cost included in any of the BPAs with DEWR, FaCSIA or DEST. Funding for the internal review function is provided under the Centrelink Funding Model. This is discussed further below.

**3.50** The Deputy Secretary of the Department of Education, Science and Training provided the following response to the ANAO's findings in terms of the implementation of Recommendation No.7 of the previous audit report:

DEST broadly agrees with the recommendation and notes that it:

- has in place performance indicators to measure some aspects of quality of the review and appeals system;
- collects additional information on appeals of ARO decisions to assess the quality of ARO decisions; and
- is considering the development of specific cost indicators for reviews and appeals system.<sup>143</sup>

## Cost

### Findings of the previous audit

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' 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.<sup>144</sup>

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.<sup>145</sup>

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.<sup>146</sup>

<sup>143</sup> DEST, Response to the ANAO's proposed audit report, 15 May 2007.

<sup>144</sup> Australian National Audit Office, op. cit., p. 66 para 3.55.

<sup>145</sup> *ibid.*, p. 66 para 3.57.

<sup>146</sup> *ibid.*, p. 66 para 3.58.

## Findings of the follow-up audit

**3.51** The ANAO found that AROs were still funded at the Area level and that the Areas determined the number of ARO positions they will fund from available resources. Under the business line structure, the Area Business Integrity business line has responsibility for funding and managing the AROs in each area.

**3.52** The ANAO found that the DEWR, FaCSIA and DEST BPAs did not include cost indicators for Centrelink's review and appeals process. Instead, Centrelink obtains funding for the review and appeals processes under the Centrelink Funding Model (CFM). The principal purpose of the CFM is to provide a uniform approach for the client agencies to fund Centrelink.<sup>147</sup>

**3.53** The cost of the review and appeals processes, for both ODM reconsiderations and AROs is included as part of the Operational Services Component of the CFM. The Operational Services Component comprises those elements of Centrelink's work completed by operational staff who are not included within other cost drivers.<sup>148</sup> This includes work for which there is no identified reliable data at present, or work effort that can not be quantified with any degree of accuracy. Centrelink does not measure the average cost per review, and funding for the review and appeals process is not directly sourced from any of the purchasing departments.

**3.54** As part of the development for the proposed new internal review process, Centrelink did undertake analysis of the current internal review costs and identified the potential additional costs of the proposed new internal review model. These figures were based on the average salary of the ODM and

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<sup>147</sup> Centrelink and FaCSIA, *Centrelink Funding Model, An Overview*, p. 3.

<sup>148</sup> Cost drivers are groups of tasks or activities that Centrelink undertakes in the delivery of an output. There are nine cost drivers:

- Claims;
- Participation support activities;
- Participation Assessments;
- Notifiable Events;
- Income support reviews ;
- Debts;
- General enquiry contacts at call centres; and
- Operation Services Component.

ARO, and the costs of several alternative models were calculated. The details of the estimated cost of the new proposed internal review model and the current model are provided in Table 3.6.

**Table 3.6**

**Costs of the Internal Review Processes**

	<b>Current Internal Review Model ( based on estimated results for 2006–07)</b>	<b>Proposed New Internal Review Model</b>
<b>Estimated number of ODM reviews</b>	190 000	190 000
<b>Estimated number of ARO reviews</b>	41 500	107 540
<b>Total Cost</b>	\$23 967 989	\$39 275 830
<b>Additional Cost</b>	-	\$ 15 307 841

Source: ANAO Analysis of Centrelink Documentation<sup>149</sup>

**3.55** The ANAO considers that Centrelink has a better understanding of the cost to the agency of the review and appeals system as a result of the work it has undertaken to estimate the potential costs of a new internal review model. Robust cost information is important to facilitate Centrelink in identifying efficiencies or better practices which may lead to cost savings. There is also a risk that the cost of the introduction of the new internal review process could exceed the amounts estimated by Centrelink.

**3.56** Centrelink advised the ANAO that:

...it is very difficult for Centrelink to develop cost indicators that separately identify the cost of its internal review process. Centrelink is, however, able to estimate the cost of its internal review processes using an annual survey approach.

**3.57** The ANAO recognises the difficulties the current CFM presents to Centrelink in terms of breaking down the costs of the various components its operational services. However, the ANAO considers that in order to minimise the risk of under-resourcing the internal review process and to facilitate informed discussions on this issue with purchasing departments, Centrelink should periodically prepare robust estimates of the costs involved.

<sup>149</sup> Centrelink spreadsheet, *Internal Review Costing, Version 3 (March 2007)*, provided to the ANAO 15 March 2007.

## Quality

### Findings of the previous Audit

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.<sup>150</sup>

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.<sup>151</sup>

The ANAO made the following recommendation:

#### Recommendation No.8

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

**Centrelink response:** Agree

### Findings of the follow-up Audit

**3.58** The ANAO found that the national quality assurance process (ARO QA) had been developed and mandated for AROs. This was initially developed and implemented for five months in the 2005–06 financial year and will run on an ongoing basis during the 2006–07 financial year. Under the ARO QA process, one decision made by an ARO each month will be independently checked during the following month. The ARO decision is selected randomly, and the ARO then sends the associated paper work to a person in the Legal Services Branch. The checker assesses the quality against a standard ARO Quality Checklist.

**3.59** All the AROs that the ANAO interviewed as a part of fieldwork for the follow-up audit advised that they had at least one of their cases reviewed each month since July 2006. In addition, the AROs interviewed indicated that they appreciated the feedback and focus on their work that they received from the ARO QA process.

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<sup>150</sup> Australian National Audit Office, op. cit., p. 72 para 3.90.

<sup>151</sup> *ibid.*, p. 68 para 3.68.

**3.60** One case a month under the ARO QA is equivalent to approximately 5 per cent of an AROs decisions being reviewed each month. It was suggested by the AROs to the ANAO that there could be advantage in have 100 per cent of a new AROs decisions being reviewed each month.

**3.61** Centrelink advised the ANAO that:

In view of the suggestion by the ANAO that there could be advantage in having 100% of a new AROs decisions reviewed each month, a reminder will be sent to ARO Managers in the network that the QA procedures can currently be used for that purpose.

**3.62** The ANAO considers that Recommendation No.8 from the previous report has been fully implemented. The ARO QA process is mandated and provides for a percentage of ARO decisions to be checked consistently at a national level.

### **Feedback from the SSAT to Centrelink**

**3.63** During ANAO fieldwork for the follow-up audit, AROs interviewed by the ANAO commented that feedback from the SSAT review process also remained a major quality check for the ARO process. This complemented the ARO National Quality Assurance process. They also stated that all records and decisions 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).

**3.64** AROs commented that they did not speak with the Centrelink 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. AROs interviewed by the ANAO in all of the Areas commented that they would see value in having feedback provided to them on the quality of their decision that had been reviewed at the SSAT, especially those that had been set aside.

**3.65** The Tongue Report commented that one of the weaknesses with Centrelink's servicing of the SSAT's review of decision was a 'lack of capture of learnings' from SSAT decisions'.<sup>152</sup> The Tongue Report made a

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<sup>152</sup> Ms Sue Tongue, *Report into the current administrative review and debt collection functions in Centrelink*, June 2005. p. 40 para 128.

recommendation that there should be 'Scrutiny by AROs (or a central officer) of all SSAT decisions to determine any issues raised that are of normative importance'. The Tongue report also commented that:

'at present there appears to be emphases on searching for the problems in SSAT overturn decisions rather than emphasis in overall learning from all decisions. For example, an affirm decision may contain information about a customer service issue'.<sup>153</sup>

**3.66** The ANAO agrees that there would be value in information being collected centrally from the decisions handed down by the SSAT identify any recurring themes. This information could then be used to address any identified training gaps and to improve service delivery.

**3.67** Centrelink advised the ANAO that:

A copy of every SSAT decision is sent to the ARO whose decision was reviewed. Together with the ARO QA process, Centrelink believes AROs' decisions are subject to a sufficient level of quality monitoring and checking.

Legal Services Branch ('LSB') Advocates scrutinise every SSAT decision where the decision is changed, and some other cases the SSAT has identified as possibly being of interest. The decisions are scrutinised to consider whether they should be accepted and implemented or appealed to the AAT. The policy departments are involved in this process and make the final decision on Secretary appeals. Sometimes poor quality ARO decisions will be identified by the SSAT, AAT, Advocates or policy departments during these processes. Feedback to those AROs is provided through LSB.

## **Provision of Information to the SSAT**

**3.68** As discussed in the previous audit report, Centrelink and the SSAT have developed the Administrative Arrangements Agreement (AAA).<sup>154</sup> 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. The SSAT undertakes six monthly sample audits to assess compliance with the agreed 'task cards'. Compliance with the task cards is important as it adds confidence that AROs had identified and

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<sup>153</sup> Ms Sue Tongue, *Report into the current administrative review and debt collection functions in Centrelink*, June 2005. p. 41 para 130.

<sup>154</sup> Australian National Audit Office, op. cit., p. 77 para 3.81.

considered all relevant documents and issues during the internal Centrelink reviews.

**3.69** The ANAO found that there had been improvement in the level of overall compliance with the task cards since the previous audit report. The SSAT March 2006 audit of compliance with the task cards by Centrelink, in all SSAT offices, showed that there was 73 per cent compliance. The ANAO notes that the overall compliance with the standards has dropped slightly from 77.7 per cent in March 2005 to 73 per cent in March 2006. However, these results are considerably higher than the results achieved at the time of the previous ANAO audit (less than 50 per cent compliance).<sup>155</sup>

## ARO training

### Findings of the previous audit

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.<sup>156</sup>

The ANAO made the following Recommendation:

#### Recommendation No. 9

The ANAO recommends that Centrelink develop and implement national systems for the accreditation of AROs and monitor delivery of the training package and ARO's participation.

**Centrelink response:** Agree

**3.70** The ANAO found that a series of technical training modules specifically for AROs had been developed and published on Centrelink's online learning library. These modules had also been used to deliver induction training for almost 60 new AROs across the Centrelink network. This training was provided as a three day facilitated course. The AROs that the ANAO interviewed during fieldwork, who had attended the training, commented that the training had been useful.

**3.71** Centrelink had also developed and opened the accredited Diploma of Government to AROs in October 2005. However, the ANAO found that only four AROs had completed the Diploma, with 11 enrolled at the time of fieldwork. In addition, half of the AROs interviewed during fieldwork for the

<sup>155</sup> Australian National Audit Office, op. cit., p. 71 para 3.82.

<sup>156</sup> Australian National Audit Office, op. cit., p. 75 para 3.107.

follow-up audit told the ANAO that they were not aware that the Diploma was available.

**3.72** Centrelink advised the ANAO that:

The take-up rate of the Diploma of Government for AROs has been low. The requirements of the course are demanding.

However, one of the units for the diploma is focused specifically on the technical skills required by an ARO and is directly supported by the 5 ARO-specific training modules in Centrelink's Learning Library. This unit is PSPGSD Provide Specialist Technical Service Delivery. The Organisation and Learning Branch has advised that the National Training Authority will accredit successful completion of that unit. A copy of the description of that unit is attached.

Accordingly, while the Diploma of Government will continue to be made available to AROs, Centrelink will encourage all AROs to complete the requirements of that unit. This will be done through the learning and development plans in the performance appraisal process.

**3.73** A skills audit tool, that allows AROs and their managers to identify specific training needs, had also been developed. The skills audit is an optional self assessment tool that AROs can complete to identify training needs. At the time of fieldwork, of the 180 AROs, 49 had completed the skills audit. Of the AROs who the ANAO interviewed during fieldwork, only half knew that there was a skills audit, and of those who knew about it, only half again had completed it.

**3.74** Those who had completed it were unsure of where the results were sent and how the information is to be used. Centrelink has advised the ANAO that the information from the individual skills audit will be used to identify national and local training needs for AROs, and to plan the delivery of ARO training.

**3.75** Centrelink advised the ANAO that:

The skills audit was discussed in detail at the conferences last year, and details were sent to their managers asking them to share it with their AROs. Centrelink will send a reminder and details will be sent to all AROs.

**3.76** The proposed changes to the internal review processes will require a significant increase in the number of AROs across Centrelink. At present, Centrelink's AROs tend to be very experienced and of long standing in the job. The ANAO acknowledges that there would be less value for the very experienced AROs from completing the Diploma of Government, particularly

compared to a less experienced or new ARO. However, the proposed changes to the internal review processes could mean that the number of ARO reviews generated will double. This will involve the recruitment of new and inexperienced AROs.

**3.77** Area Office staff interviewed by the ANAO during fieldwork for the follow-up audit, commented that it would take 6 to 12 months to fully train and skill a new ARO. The ANAO notes that many of the Centrelink Areas had developed an order of merit in anticipation of any change to the internal review process. Centrelink advised the ANAO that while the Diploma of Government will continue to be available to AROs, Centrelink will particularly focus on only one of the Diploma's units. Centrelink will encourage all AROs, through the learning and development plans in the performance appraisal process, to complete the requirements of a unit of the Diploma of Government which:

- is focused specifically on the technical skills required by AROs;
- is supported by the technical training modules in Centrelink's Learning Library; and
- can be accredited by the National Training Authority.<sup>157</sup>

**3.78** Overall, the ANAO considers that Recommendation No.9 has been substantially implemented. In the previous audit, the ANAO considered 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 had developed the accredited Diploma of Government for AROs and a number of ARO induction training modules. The ANAO notes that at the time of fieldwork for this audit there was a low take up and completion rate for the Diploma of Government among AROs.

**3.79** The ANAO considers that there is the potential that the number of new AROs may significantly increase if the proposed new internal review model is implemented. As such it will be important that Centrelink is able to assure that these AROs have the expertise to undertake the role and are appropriately skilled.

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<sup>157</sup> Centrelink, Response to ANAO's Proposed Draft Report., 15 May 2007.

## Promotion of quality decision making

### Findings of the previous audit

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.<sup>158</sup>

The ARO Team Room 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. The ANAO found that the SRT has limited ability to mandate Area practices in relation to the review and appeals system.<sup>159</sup>

The ANAO made the following recommendation:

#### Recommendation No.10

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

### Finding of the follow-up audit

**3.80** The promotion of better decision making remains one of the roles of the AROs. While case work and reviewing disputed decisions is the main function of the ARO, a subsidiary function of the AROs is to promote quality decision making at the local level. This is done in a number of ways including:

- being a role model for the CSAs;
- providing constructive feedback to the ODMs on the decisions they make;
- providing decision support for ODMs;
- identifying problems with Centrelink policy and procedures and providing this feedback to relevant stakeholders to improve processes in Centrelink administration and service delivery;
- identifying training needs and trends for CSAs from the decisions they are reviewing; and
- providing training to address the gaps identified.

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<sup>158</sup> Australian National Audit Office, op. cit., p. 75 para 3.109.

<sup>159</sup> *ibid.*, p. 77 para 3.116.

**3.81** The ANAO found that Centrelink had strengthened its existing mechanism available for AROs to identify and promulgate better practice across the Centrelink network.

**3.82** As discussed in the introduction to this chapter, Centrelink has recently undergone an organisational restructure and this included a change in the management structure for AROs. A common management structure for AROs has been implemented in all Centrelink Areas. This had made it easier for Centrelink to drive consistent national approaches, to direct technical controls and implement new initiatives across all AROs.

**3.83** Centrelink has a number of forums for AROs to share information and discuss issues. These include the online forums such as the ARO team room and ARO net. The AROs interviewed during fieldwork advised that they regularly use both, if they have question or needed information. The ANAO notes that the ARO teamroom is used more extensively and regularly than in the previous audit.

**3.84** Between April and June 2006, Centrelink held a series of ARO forums around Australia attended by AROs and their Managers. These forums, organised and run by the National Business Integrity business line, were organised for:

- the delivery of Welfare to Work training for AROs; and
- discussions with AROs in order to establish improved processes and reporting for internal review in Centrelink.

**3.85** From this series of ARO conferences, Centrelink established the ARO Consultative Committee. This committee included a representative group of experienced AROs from each of Centrelink's Areas Offices. The activities of this group, in turn, created the agenda for the National ARO Conference held in early November 2006. This was the first National ARO conference held since 2001, although a National Internal Review Conference was held in Canberra on 30 November and 1 December 2004, that focused on both ODM and ARO reviews.

**3.86** In addition, AROs in each of the Areas meet either in person or via teleconference on a regular basis to discuss issues and share ideas at a local level. This generally included all the AROs from the Area and provided a forum for AROs and their managers to identify and discuss any issues with performance and/or delivery of the internal review process, and for national messages to be disseminated to the AROs.

**3.87** The ANAO considers that Recommendation No.10 from the previous report has been fully implemented. There are now nationally consistent mechanisms in place to drive change and monitor ARO performance and promulgate better practice.

### **ARO Performance Assessment**

**3.88** The ANAO found that a national ARO performance agreement had been developed and implemented. All the AROs who the ANAO spoke to as part of the follow-up audit either had this as their performance agreement, or indicated that it would be used as part of the next Performance Agreement discussions. This action addressed the concerns and findings from the previous audit.

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Ian McPhee  
Auditor-General

Canberra ACT  
30 May 2007

# Appendices



## Appendix 1: Centrelink's JCPAA Response—Progress Against ANAO Recommendations

No.	Recommendation	Status	Milestone Date
1	The ANAO recommends that Centrelink monitor and report on customer awareness of, and satisfaction with, the ODM reconsideration process.	1,2,3,5. A broad review of Centrelink's internal review process is well under way. Any changes flowing directly from the ANAO recommendations will be determined in light of the Review outcomes.  A Steering Committee for the Review includes the Commonwealth Ombudsman, SSAT and the Welfare Rights Network  Trials to test 3 alternative models for internal review to be held.  <b>IN PROGRESS</b>	31 December 2005
2	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.	As per Rec 1  <b>IN PROGRESS</b>	31 December 2005
3	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.	As per Rec 1  <b>IN PROGRESS</b>	31 December 2005
4	The ANAO recommends that Centrelink:  Require staff to record all ODM reconsiderations on the APL system; and  Include in relevant Centrelink internal reports information gathered through monitoring and reporting of ODM reconsiderations.	4(a) In October 2004 all Centrelink staff were instructed to use the ODM/ARO referral script for ODM reconsiderations which automatically records them in the APL (appeals) management information system.  4(b) Monthly management information reports on ODM reconsiderations are now prepared and distributed to the Area network with comments.  <b>COMPLETED</b>	<b>COMPLETED</b>
5	The ANAO recommends that Centrelink develop and implement quality control processes for ODM reconsiderations.	As per Rec 1  <b>IN PROGRESS</b>	31 December 2005

No.	Recommendation	Status	Milestone Date
6	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.	<p>Centrelink will incorporate relevant questions in the November 2005 National Customer Survey to attempt to elicit customer awareness of, and satisfaction with, the review and appeals process, including disincentive effects.</p> <p>From December 2005, Centrelink will publish information booklets for customers informing them of the review and appeals processes.</p> <p><b>IN PROGRESS</b></p>	<p>30 November 2005</p> <p>31 December 2005</p>
7	The ANAO recommends that Centrelink develop, in consultation with DEWR, FaCS and DEST, performance indicators for the quality and cost of the appeals system.	<p>Centrelink is working with DEST, DEWR and FaCSIA on issues relating to the quality and cost of the appeals system.</p> <p>Qualitative indicators are being negotiated with these departments as part of the Legal Services Protocol in the respective Business Partnership Agreements.</p> <p><b>IN PROGRESS</b></p>	Various dates apply to completion of purchaser department agreements.
8	The ANAO recommends that Centrelink mandate and implement quality assurance processes for ARO decisions across the Centrelink network.	<p>National quality assurance processes for AROs were implemented in July 2005.</p> <p><b>COMPLETED</b></p>	<b>COMPLETED</b>
9	The ANAO recommends that Centrelink develop and implement national systems for the accreditation of AROs and monitor delivery of the training package and ARO's participation.	<p>An accredited Diploma of Government for AROs is now available through the Organisational Learning and Development Branch, and a number of AROs have already enrolled.</p> <p>Supporting technical training modules are in preparation for publication in the Learning Library.</p> <p><b>IN PROGRESS</b></p>	31 December 2005
10	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.	<p>The new Legal Services Branch has taken responsibility for identifying and promoting best practise for AROs.</p> <p>The implementation of national Quality Assurance for AROs provides a means for identifying and sharing better practices.</p> <p><b>COMPLETED</b></p>	<b>COMPLETED</b>

Source: Centrelink JCPAA Response – Progress against ANAO Recommendations, 23 September 2005.

## Appendix 2: Comments Included in the Commonwealth Ombudsman's Annual Reports

1. The Commonwealth Ombudsman has made comments on Centrelink's internal review processes in his 2003–04, 2004–05 and 2005–06 annual reports. The reports raise the particular concern the Ombudsman had with the unnecessary delays caused to customers by the ODM reconsideration process. The Ombudsman is concerned that the additional level of review that has been introduced by the ODM reconsideration step in Centrelink's internal review processes can cause review fatigue for applicants. In his 2004–05 Annual Report, the Ombudsman made the following comment:

The social security law does not require that the original decision maker review a decision before it can proceed to an Authorised Review Officer for review. However, under the current review system, the original decision maker will initially treat a customer's request for review as a request for reconsideration. Even if the original decision is not changed after this process, the customer must again request review by the Authorised Review Officer, rather than the decision being automatically referred for review. The Ombudsman is concerned that this review process sometimes leads to customers experiencing appeal fatigue.<sup>160</sup>

2. Staff from the Commonwealth Ombudsman's office participated as members of Centrelink's Steering Committee that oversaw the internal review, and trials of alternative ODM reconsideration processes in 2005.

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<sup>160</sup> Commonwealth Ombudsman Annual Report 2004–05, p. 35.

## **Appendix 3: Findings and Recommendations from the Breaching Review Taskforce Report**

1. In November 2004, the Breaching Review Taskforce released its report which contained considerable reservations in regards to the retention of the ODM in the review process. In particular, the report highlighted that SSAT experience showed the quality of the ODM review was poor, the letter often simply restated the decision, did not contain reasons for the decision and that the role of the ODM was confusing to customers.
2. The report recommended that Centrelink practices in relation to internal review of decisions be changed so that any request or re-examination of a breach decision be treated as a request for review by an ARO and logged immediately as such. It also recommended that where, as a matter of internal processes, a request was reviewed by an ODM, that review be accommodated within existing time limits and that in the event of any ODM review leading to an affirm decision, the request should automatically go to an ARO for review.

## Appendix 4: Findings and Recommendations from the Tongue Report

1. Ms Sue Tongue was commissioned by Centrelink in May 2005, to conduct a review of Centrelink's then current structures and processes in relation to internal and external review and Customer Compensation. The report, titled *Report into the current administrative review and debt collection functions in Centrelink* made 23 recommendations, of which 13 were directed specifically towards the ODM and ARO processes including:
  - that the current ODM process be changed into a process of review preparation;
  - improve primary decision making by a systematic targeted program of feeding back learnings from internal and external reviews, training and an emphasis within the organisation on legally accurate decision making;
  - move AROs into central areas and place them under the management of the Legal Services Branch;
  - increase the focus and skills of the AROs and continue to formalise governance arrangements for the AROs, including specialisation of AROs;
  - that the training recommended by the ANAO and internal audit should be implemented;
  - the monitoring of ARO decisions be continued and valued as an important tool in improving service delivery and client relationships;
  - a skills audit of all staff in the Legal Services Branch should be considered to determine immediate and future training needs and potential duties; and
  - scrutiny by AROs of all SSAT decisions to determine any issues raised that are of normative importance.

## Appendix 5: Access to Reviews and Appeals

1. On 5 March 2007, Centrelink advised the ANAO that it has or will undertake the following actions to improve customer's awareness and access to the review and appeals system. These are outlined below.

Centrelink has implemented some substantial changes which contribute to addressing the issues of customer awareness about their rights and the appeal and review processes, as well as trying to counteract any fears customers may have about complaining to Centrelink or appealing a decision.

### **Strengthening Customer Awareness**

Centrelink has enhanced awareness of its feedback channels through:

- enhancements to the information available, and its positioning for easy access, on the website;
- the development of new communication products including customer comment cards and fact sheets;
- the translations of this customer feedback information into more community languages; and
- targeted communication campaigns in Indigenous and multicultural media.

### **Assurance of Non-Discrimination**

A statement of assurance has been added to all new customer feedback communication products, including the Customer Service Charter, customer comment cards and website information, to tell customers that Centrelink will not discriminate against, or otherwise disadvantage, anyone who complains or provides feedback to Centrelink.

### **Centrelink's new Customer Service Charter**

The new Customer Service Charter is a public statement of the commitments that Centrelink is making to its customers about the quality of its service delivery to them. The key messages are about:

- making it easy for customers to deal with us;
- treating our customers with courtesy and respect;
- explaining customers' options to them;
- respecting their rights; and
- inviting them to talk to us if they have any feedback, both positive and negative about the quality of service we deliver.

The Charter highlights that customers can expect a range of service commitments and standards to be met when they do business with Centrelink. Centrelink will measure itself against the standards against each of the commitments and we will use the results to identify areas of improvement:

1. We will answer your phone call within 3½ minutes (you may have to wait longer during our busiest times).
2. We will reduce the time that you wait in the queue when you come in to a Centrelink office.
3. If we can't answer your question immediately, we will get back to you within an agreed time.
4. We will always behave towards you in a way that upholds the Australian Public Service Code of Conduct and the principles of the Charter of Public Service in a Culturally Diverse Society.
5. At all times we will work with you to match Centrelink services and resources to your individual circumstances.
6. We will work with you to resolve any complaint as early as possible but we may take up to 5 working days to answer more complicated complaints.
7. We will clearly explain our decisions to you and tell you about your rights and responsibilities and what you need to do.
8. When you ask an Authorised Review Officer to review a decision we have made, the Authorised Review Officer will tell you about the result in writing within 28 days.

The Charter also highlights that customers have the right to access the review and appeals process if they disagree with Centrelink decisions and can expect their privacy to be protected. It also explains that Centrelink provides many avenues for customers to tell us what they think about our services and help us identify opportunities to improve our service delivery, and stresses that customers can make a complaint about Centrelink's service level or behaviour without being discriminated against or disadvantaged.

### **Statement of Commitment to Listening to, and Responding to, Customer Feedback**

The Statement of Commitment has been developed which sets out the means by which Centrelink staff will respond to all customer feedback. The Statement of Commitment (together with the supporting Chief Executive Instruction and Guide for staff) show Centrelink's commitment to take customer feedback seriously, and to ensure that both customers and staff understand Centrelink's position reassures customers they will not suffer any

unfair or adverse consequences. External comment was sought from the Commonwealth Ombudsman and Welfare Rights network and both organisations were supportive of the content and direction of the Statement.

An internal education and communication campaign is being undertaken to ensure Centrelink staff understand the background, purpose and content of the Statement of Commitment before its public release, and so that they will respond to all customer feedback in accordance with the principles set out in the Statement. The Chief Executive Instruction will mandate the application of the principles by all Centrelink staff. The supporting Guide will be provided to explain the background to the *Statement of Commitment* and, in particular, to indicate how all staff should play a role in ensuring that customer feedback and complaints are handled professionally and effectively in Centrelink.

It is intended that Centrelink will be releasing the *Statement of Commitment* in April 2007. When released publicly, the Statement will be available through the Centrelink website, and Centrelink staff will be able to provide copies to customers and stakeholders.

## Appendix 6: Centrelink's Response

1. The CEO of Centrelink provided the following response:

I am writing you in response to the proposed report on *Centrelink's Review and Appeals System Follow-up Audit*. Thank you for the opportunity to comment on the report.

I am pleased the report recognises the effort that Centrelink has made to address the recommendations from the previous audit. In particular:

- Improved customer satisfaction surveys to better understand customers' awareness of, and satisfaction with the review and appeals system;
- All ODM reconsiderations are now recorded on the APL system, and the development of relevant management reporting about them in Centrelink;
- Performance indicators for the quality of the review and appeals system are being developed;
- A quality assurance process for ARO reviews has been developed and implemented;
- Accredited learning for AROs has been developed and implemented; and
- National systems to identify better practice for ARO reviews have been developed and implemented.

Centrelink agrees to the additional recommendations and suggestions by the ANAO that have been made in this follow-up audit report, and indeed has already acted on some of them.

The following interim changes to the review and appeals system have been implemented or are in the process of being implemented:

- Since 20 February 2007 the review and appeals web page has been further amended to advise that customers who request a review have the options of having the decision reconsidered initially by the ODM or of exercising their legal right of review by an ARO immediately.
- A review and appeals fact sheet with similar content has been published, and translated versions are being produced.
- The review and appeals information in Centrelink's Life Events booklets and Information handbook is being replaced with similar content, and other Centrelink publications will be similarly amended as they are revised.
- Interim procedural changes to the present internal review process will be progressively introduced from 21 May 2007 so that -

- when a customer first requests a review they will be offered the options of having the decision reconsidered initially by the ODM or of exercising their legal right of review by an ARO immediately;
  - if the customer chooses to go direct to an ARO, they will be asked if they agree for the ODM to quickly check the decision before the matter is referred to an ARO; and
  - if the customer does not agree, there will be no ODM reconsideration or check of the decision before the matter is referred to an ARO.
- The form SS351 has been revised accordingly and will be released as soon as possible.
  - The information about reviews and appeals on letters notifying customers of decisions has been revised and is expected to be implemented in June 2007.
  - Centrelink will continue to improve the National Customer Satisfaction Survey on the review process so that it specifically measures customer awareness of the ODM reconsideration process. Centrelink has gone back and asked customers if they felt any disincentive to continue with seeking review. Centrelink continues to do so on a periodic basis.
  - In the last 12 months all AROs have undertaken some form of training including 70 new AROs who have undertaken administrative law training. Centrelink will ensure it has a greater focus on encouraging AROs to take up technical training including the accredited Diploma of Government.

**2. Centrelink subsequently advised the ANAO on 18 May 2005 that:**

in relation to the interim procedural changes to the present internal review process, these will be subjected to a limited trial to test written instructions and system changes commencing 21 May 2007 before being implemented nationally.

## Appendix 7: DEWR's Response

1. The Secretary of DEWR provided the following response:

The Department of Employment and Workplace Relations (DEWR) agrees with the findings of the ANAO's follow-up audit of Audit Report No. 35 2004–05 regarding Centrelink's review and appeals system. DEWR supports the need for Centrelink's internal review process to be cost effective and transparent, both to customers and purchasing agencies.

DEWR notes the ANAO's conclusion that Centrelink has implemented some of the original audit recommendations, but that other audit recommendations have not been addressed. It would appear Centrelink are relying on the implementation of their proposed new internal review process to correct the issues raised in the original audit report. From DEWR's perspective funding to implement quality controls and conduct internal reviews is covered in the DEWR Centrelink BPA.

DEWR has the specific comments regarding the three recommendations contained in the ANAO's follow-up audit:

### *Recommendation 1*

ANAO have reported there are substantial problems with the current model. In particular, the additional review layer is not transparent to customers and is not legislatively based. DEWR supports the recommendation and agrees Centrelink should inform customers of their legal rights to have a decision reviewed by an Authorised Review Officer (ARO) and should make the internal review process transparent to customers.

### *Recommendation 2*

DEWR is broadly supportive of the new internal review model if it aligns the review process with the legislated review system, which commences at the ARO level. DEWR understands that any work undertaken by the ODM or another Customer Service Advisor (CSA) to check a decision would be part of Centrelink's internal quality assurance process, and is not part of the legislated administrative review process.

DEWR notes that Centrelink has stated that the proposed new model will require additional funding. DEWR has limited information from Centrelink regarding the cost assumptions behind either the current or the proposed model. DEWR would support the implementation of a new internal review model subject to transparent and appropriate cost assumptions.

### ***Recommendation 3***

DEWR is concerned about developing a KPI which establishes a maximum timeframe for completion of reviews as recommended by the ANAO. Such a KPI might provide an incentive to make a decision to meet the timeframe, rather than make the best possible decision. The development of a KPI needs to balance timeliness with the quality of decision making, otherwise it could undermine the review process. As noted in the ANAO report, DEWR is currently working with Centrelink to develop a quality KPI.

Additionally, service standards in which the customer is regularly updated on the progress of their case could be developed to improve customer awareness and satisfaction with the ARO review process.

## Appendix 8: FaCSIA's Response

1. The Secretary of FaCSIA provided the following response:

FaCSIA's position is that the monitoring of the accessibility of the review process is handled in accordance with Principles of Administration as contained in section 8 of the *Social Security (Administration) Act 1999* by Centrelink. Centrelink's effectiveness in this regard is measured by its Annual National Customer Satisfaction Survey, which measures customer awareness of the review and appeals system. Information from this survey is available to FaCSIA. FaCSIA can also determine the effectiveness of the accessibility of the review process by numbers of reviews and appeals lodged.

The reference to the quality of the letters is understood to refer to the quality of the 'free text' portions of the decision letters written by AROs in making determinations as delegates in accordance with applicable law. FaCSIA's Legal Services Branch has been engaged in discussions with representatives of the Centrelink Legal Services Branch with a view to amending the quarterly report received from Centrelink under the BPA to include more analytical information on ARO, SSAT and AAT appeals data, such as trends in appeals by locale or payment type, 'hot issues' and other systemic issues which can feed back to policy areas as appropriate. The department is of the view that this will assist Centrelink in being able to further demonstrate its performance in the area of monitoring the quality of the appeals system.

As a result of quarterly business discussions which took place for the December 2006 reporting period under the BPA, Centrelink has agreed to provide additional assurance mechanisms for some of the Service Delivery Indicators including more analytical information on ARO, SSAT and AAT appeals data. For example under the Legal Services protocol, Centrelink has agreed to provide details of its policy regarding the referral/non-referral of matters to FaCSIA under Key Service Delivery Risk – *Centrelink incorrectly assesses decisions made by ODM's ARO's or the SSAT for appeal to SSAT or the AAT.*

In relation to cost indicators for the Centrelink review and appeals system, Centrelink receives its funding under the Centrelink Funding Model (CFM). The costs associated with review and appeal activity have been integrated in to 'the base' funding Centrelink received over a number of years. It is difficult to extract these particular cost elements and develop cost indicators for inclusion in the BPA.

## Appendix 9: DEST's Response

1. The Deputy Secretary of DEST provided the following response:

We note that there are no specific recommendations in the proposed report concerning this Department (DEST) and that all three recommendations in the Report relate to Centrelink. Our comments are therefore related to Recommendation 7 of the previous Audit Report No.35 of 2004–05, *Centrelink's Review and Appeals System*, which the ANAO has noted as being only partially implemented. Recommendation 7 reads 'The ANAO recommends that Centrelink develop, in consultation with DEWR, FaCS and DEST, performance indicators for the quality and cost of the appeals system'.

As noted in the proposed report, DEST has performance indicators to measure some aspects of quality of the review and appeals system. In addition to information on number of reviews and timeliness of Authorised Review Officer (ARO) reviews required under the DEST-Centrelink Business Partnership Agreement (BPA), DEST also collects information on appeals in the Centrelink Quarterly Business Reports to DEST.

The development of specific cost indicators for the review and appeals system is still under consideration by DEST. However, our preliminary assessment is that it would be difficult to extract relevant cost elements as the agency specific costs for review and appeals processes are not identified in the Centrelink Funding Model (CFM). Even if costs are identified, monitoring performance by way of cost indicators may be problematic given the variability in complexity and circumstances between cases and the preferences of the appellants. For example, a review may address a simple error of a wrong date and may take a few minutes but another may be a complex issue surrounding the application of say, Family Actual Means Test which might take days. Also, two individuals in the same circumstances may choose two different outcomes – one may be satisfied with an outcome from an ARO decision but another may consider taking a similar decision up to the Administrative Appeals Tribunal or even the Federal Court.

The comment in paragraph 3.42 (page 88) of the report refers to FaCSIA and DEWR but not to DEST. I can advise you that Centrelink has met the 75 per cent timeliness target for DEST in the first three quarters of 2006–07.

Paragraph 52 (page 20) notes that Centrelink has recently approached its major purchasing departments, including DEST, regarding the additional funding required for the implementation of the new review model. I wish to note that DEST has not been approached by Centrelink on this matter.

I would also like to note that the ABSTUDY and Assistance for Isolated Children Schemes, administered by DEST and its predecessors since their

inception, have different review arrangements to that of other income support schemes delivered by Centrelink. There is no Original Decision Maker (ODM) reconsideration and all requests for reviews are undertaken by an officer not involved in the original decision.

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