

The Auditor-General
Audit Report No.4 2008–09
Performance Audit

**The Business Partnership Agreement
between the Department of Education,
Employment and Workplace Relations
(DEEWR) and Centrelink**

Australian National Audit Office

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of Australia 2008

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Canberra ACT
24 September 2008

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Education, Employment and Workplace Relations (DEEWR) and 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 *The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink*.

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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Glossary/Abbreviations

Agency Act	<i>Commonwealth Services Delivery Agency Act 1997</i>
AEMs	Assurance Expectations Matrices. The AEMs define three high-level risk areas under the Business Partnership Agreement: payment integrity; service delivery; and business continuity. The AEMs detail various control activities undertaken within these areas that provide assurance to DEEWR that Centrelink is managing the risks.
AAS	Annual Assurance Statement; a written statement and supporting report provided annually by Centrelink to DEEWR that covers the risk areas and controls in the AEMs.
BASC	Business Assurance Sub-committee; a sub-committee under the Business Partnership Review Group (BPRG).
BPA	Business Partnership Agreement. An arrangement under the <i>Commonwealth Services Delivery Agency Act 1997</i> whereby Centrelink undertakes service delivery for a Commonwealth body.
BPRG	Business Partnership Review Group
CAR	Customer Activity Ratio. For each client group, the CAR represents the average workload per customer calculated from the year of the last CFM rebase. This is calculated by the volume of CFM process points per client group in that year divided by the average number of customers for that client group.
Centrelink	The Commonwealth statutory agency that delivers a range of services to the Australian public, most particularly on behalf of DEEWR and FaHCSIA.
CFM	Centrelink Funding Model. The CFM is used to determine funding for Centrelink for services it provides for DEEWR and other policy agencies.
Core Agreement	The Core Agreement of the BPA

CSC	Customer Service Centre. A service outlet which Centrelink customers can visit in connection with payments and services delivered by Centrelink.
DEEWR	Department of Education, Employment and Workplace Relations
DEWR	Department of Employment and Workplace Relations
DHS	Department of Human Services
<i>e-reference</i>	An on-line reference tool used by Centrelink staff to access up-to-date guidance on policies and procedures.
FaCSIA	Department of Families, Community Services and Indigenous Affairs
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
Finance	The Department of Finance and Deregulation
FMA Act	<i>Financial Management and Accountability Act 1997</i>
JNM	Job Network Member. An organisation providing various forms of job search support and training to eligible job seekers.
KPI	Key Performance Indicator
OSC	Operational Services Component. The OSC is included in the CFM and comprises elements of Centrelink's work not captured through normal mainframe transactions.
PAGES	Providers of Australian Government Employment Services
Policy guide	Policy guides are attachments to the BPA. They describe aspects of DEEWR policies on working age payments, the roles and responsibilities of DEEWR and Centrelink in implementing payment programs, and other information to assist Centrelink in delivering employment-related services on DEEWR's behalf.

Policy agency/purchasing agency	In the context of this report, policy agencies refer to agencies that 'purchase' services from Centrelink, and include DEEWR and FaCSIA. These agencies are also often referred to as 'purchasing agencies' throughout the report.
PR	Participation Report
Protocol	Protocols are attached to the 2006–09 BPA Core Agreement. They detail the administrative arrangements between DEEWR and Centrelink under the BPA.
RapidConnect	RapidConnect is a referral process that gives unemployed people early access to Job Network assistance and employment opportunities. Job seekers are referred directly to the Job Network for registration before their income support claim is finalised with Centrelink.
REW	Relative Effort Weight
SECMON	Centrelink's Security Monitoring and Logging System
SLA	Service Level Agreement
Welfare to Work	A Government initiative involving significant changes to employment services for working age Australians, announced in 2004.

Summary and Recommendations

Summary

Current arrangements for providing working age employment services

1. Under current Administrative Arrangements, the Department of Education, Employment and Workplace Relations (DEEWR) is responsible for income support payments such as Newstart Allowance, Parenting Payments, Youth Allowance and Sickness Allowance,¹ and a range of other employment services, including job search facilities, counselling and training opportunities for job seekers.

2. DEEWR (and previously the Department of Employment and Workplace Relations—DEWR)² is not a direct service provider, but administers employment services in accordance with the *Social Security Act* and government policy through two purchaser-provider arrangements:

- a Business Partnership Agreement (BPA) with Centrelink; and
- a Job Network Service Contract with Job Network service providers.

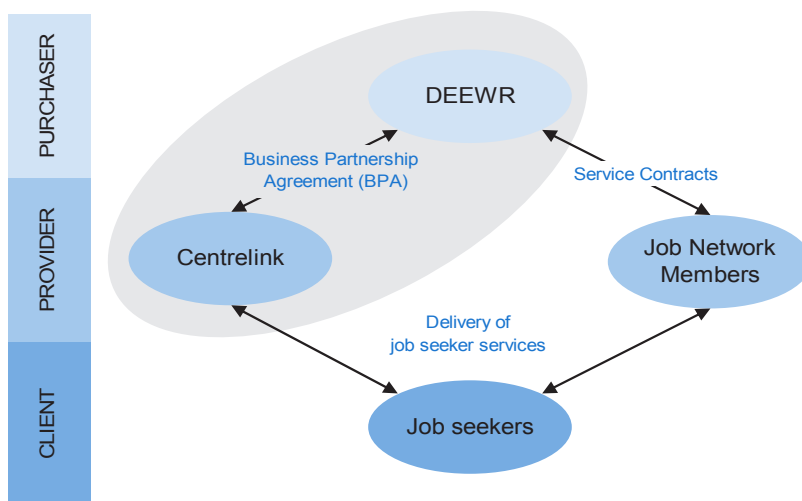
3. The interaction between clients (job seekers), service providers (the Job Network and Centrelink) and the service purchasing/policy agency (DEEWR) under these arrangements is shown in Figure 1. The grey-shaded area of the figure shows the scope of the audit, which largely focused on evaluating the effectiveness of the business partnership between DEEWR and Centrelink, and the ability of the BPA itself to support the partnership.

¹ See Appendix 2 for a list of income support payments for Working Age Programs.

² During the fieldwork for this audit (July to November 2007), the former Department of Employment and Workplace Relations (DEWR) was responsible for managing working age employment services. On 3 December 2007, the Department of Education, Employment and Workplace Relations (DEEWR) was established. This change did not affect the conclusions in the audit.

Figure 1.1

Purchaser–provider arrangements for working age employment services



Source: ANAO

Note: The scope of the present audit is indicated by the grey shaded area.

The context and purpose of the Business Partnership Agreements

4. The BPA is a formal signed agreement between DEEWR and Centrelink for the delivery of working age employment services. Its formality is intended to provide Government with a suitable level of assurance that working age employment programs, including benefits and allowances, are delivered efficiently and effectively.

5. In achieving this, the BPA operates within the broader accord of current government policy, including the Outcomes and Outputs Framework and cross-agency program implementation. It is also expected to recognise and comply with relevant legislation, especially the *Financial Management and Accountability Act 1997* (FMA Act) and the *Social Security Act 1991*, and demonstrate compatibility with agencies' high level business and accountability frameworks.

6. Since the establishment of Centrelink in 1998, there have been several BPAs relating to the delivery of working age employment services.³ Though

³ BPAs were in place between FaCSIA and Centrelink and the previous DEWR and Centrelink (see Chapter 2).

the BPAs differed in complexity, content and format, each was important in providing a foundation for inter-agency management of employment services delivered by Centrelink on behalf of the respective policy department.

The 2004 machinery of government changes and Welfare to Work initiatives

7. In late 2004, machinery of government changes transferred working age payments from (the then) Department of Family and Community Services (FaCS) to (the then) DEWR.⁴ Subsequently, the Government introduced substantial employment reforms through *Welfare to Work* initiatives.⁵ These changes in employment policy led to significant reshaping of service requirements and Centrelink's delivery of employment services. An interim 2005–06 BPA was negotiated, with a major focus on implementing *Welfare to Work* and achieving cultural change in Centrelink. Extensive review was also undertaken in developing the 2006–09 BPA, to incorporate key aspects of the *Welfare to Work* program and new DEWR–Centrelink working arrangements.

8. The 2004 machinery of government changes and introduction of the *Welfare to Work* initiatives substantially increased DEEWR's funding for employment programs, making it the largest purchaser of Centrelink services (a position previously held by FaCS). Of DEEWR's 2007–08 total budgeted departmental appropriation of \$1 522.5 million, an estimated \$946 million (62.1 per cent) was for Centrelink to deliver services under the BPA. Of DEEWR's 2007–08 estimated total administered appropriation of \$24 650.6 million, \$21 784 million (88.4 per cent) represented income support payments for working age beneficiaries paid through Centrelink.⁶

The 2006–09 Business Partnership Agreement

9. The most recent BPA for the delivery of working age employment services was signed on 30 August 2006, and covers the period 2006–2009.⁷ The

⁴ In October 2004, the Government announced machinery of government changes to the Ministerial and administrative responsibilities. These changes included the creation of a Department of Human Services, incorporating, inter alia, Centrelink, and the transfer of income support payments, programs and services for working aged job seekers from the then Department of Family and Community Services (FaCS—now FaHCSIA) to DEWR (now DEEWR).

⁵ The *Welfare to Work* measures were announced as part of the 2005 Federal Budget. They were intended to increase workforce participation and reduce the number of working age Australians on welfare. Groups targeted by the measures were mature age people, parents, people with disabilities and the very long term unemployed.

⁶ DEWR Portfolio Budget Statement 2007–08, pp. 38–39.

⁷ In its response to the audit, DEEWR advised the ANAO that an interim BPA, for 2008–2009, had been agreed between the Chief Executive Officer (CEO) of Centrelink and DEEWR's Secretary. A three-year BPA was expected to be in place by 1 July 2009.

agreement is of the type described in section 7 of the *Commonwealth Services Delivery Agency Act 1997*, negotiated and signed by two parties: the Secretary of (then) DEWR and the Chief Executive Officer (CEO) of Centrelink.

10. The 2006–09 BPA defines the ‘relationship, objectives, principles, mechanisms and respective roles and responsibilities, which form the basis for an ongoing business relationship between DEEWR and Centrelink.’

11. The primary objective of the 2006–09 BPA is to support the achievement of DEEWR’s outcomes:

- (a) efficient and effective labour market assistance (Outcome 7); and
 - (b) increased workforce participation (Outcome 8);
- through the successful delivery of services provided by Centrelink on behalf of the Department.⁸

12. Table 1 shows DEEWR’s and Centrelink’s primary roles under the BPA.

Table 1

DEEWR and Centrelink roles under the 2006–09 BPA

DEEWR’s role	Centrelink’s role
<p>Providing in a professional manner:</p> <ul style="list-style-type: none">• interpretation and clarification of policy to Centrelink; and• clear and on occasion specific service delivery requirements. <p>The Department will assist Centrelink to deliver its current business efficiently and will provide such information as necessary to enable it to achieve such outcomes.</p>	<p>Providing services within a professional manner:</p> <ul style="list-style-type: none">• the delivery of assessment, referral, compliance and related activities with a focus on the Work First agenda; and• the delivery of the full range of income support to eligible customers.

Source: Extract of agency roles from the DEEWR–Centrelink BPA 2006–09, section 4.

⁸ DEWR–Centrelink 2006–09 BPA, section 4, p. 4 specifies DEWR Outcomes 1 and 3. However, with the December 2007 machinery of government changes, these became DEEWR Outcomes 7 and 8, and were current at the time of audit fieldwork. The wording of DEEWR Outcomes 7 and 8 changed slightly in the 2008–09 Portfolio Budget Statements.

13. The 2006–09 BPA itself is a complex and extensive set of documents, which specify the agreed approach to service delivery, including policy and service requirements, governance arrangements, agreed performance standards, and accountability mechanisms. It incorporates: a Core Agreement that outlines general terms and conditions; a series of 17 Protocols describing administrative processes; and 29 Policy Guides setting out requirements for the delivery of specific program components.

14. In addition to these documents, cross-agency collaboration relies on several other frameworks and joint agency arrangements being in place. The basis of these are conveyed in attachments or specific protocols to the BPA, for instance:

- Assurance Expectation Matrices (AEMs), which provide a basis for Centrelink to provide DEEWR with assurance against three agreed key risks;
- the Centrelink Funding Model (CFM) which defines the model for Centrelink’s service costs;
- various Service Level Agreements (SLAs); and
- a performance framework including Key Performance Indicators.

The audit scope and objective

15. The audit objective was to form an opinion on the administrative effectiveness of the arrangements between DEEWR (previously DEWR) and Centrelink for the delivery of working age employment services under the Business Partnership Agreement (BPA).

16. The ANAO examined agencies’ development, implementation and maintenance of the BPA, and whether current governance and coordination arrangements were conducive to management of risks, measurement of performance and ongoing program improvement.

Audit conclusion

17. The Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink have established a cross-agency business partnership, to assist in implementing a significant and broad range of working age employment services. In 2007–08, DEEWR's appropriation provided Centrelink with \$946 million to deliver working age employment services, including \$21 784 million in income support payments, to eligible job seekers.⁹

18. The foundation of the DEEWR–Centrelink arrangement is established through a Business Partnership Agreement (BPA). Since the establishment of Centrelink in 1998, there have been five BPA's. The most recent, the 2006–09 BPA, is an extensive and complex agreement that defines the relationship, objectives, principles, mechanisms and respective roles and responsibilities of DEEWR and Centrelink under the partnership.

19. The 2006–09 BPA provides a workable model under which DEEWR and Centrelink operate to implement working age programs and services. In particular, joint committees under the BPA have facilitated interagency coordination, necessary to DEEWR and Centrelink in implementing major Government initiatives such as *Welfare to Work*. However, in practical terms, the effectiveness of the BPA is lessened as a result of several gaps and limitations in essential frameworks, documentation, and administrative practices in DEEWR and Centrelink.

20. Although the 2006–09 BPA is extensive, it nonetheless is incomplete. When the BPA was signed in August 2006, several key frameworks and supporting documents were at various stages of development. DEEWR and Centrelink were aware of this situation, and incorporated an ongoing work agenda to improve key frameworks and business processes into the 2006–09 BPA. They also included provisions for ongoing revision and updating of the BPA during its three-year term. After the signing of the BPA, however, significant slippage occurred in progressing agreed areas of work, including the development of a business assurance framework and the development or review of several Key Performance Indicators (KPIs).

21. Strengthening of DEEWR's and Centrelink's administration under the BPA is required to provide greater assurance that business is carried out

⁹ These figures are based on estimates in the 2007–08 Portfolio Budget Statements.

according to the BPA's requirements, and to improve measurement of DEEWR's and Centrelink's performance in delivering the full range of employment services to the Australian community. Particular areas requiring development are:

- *Governance*: strengthening governance arrangements and information supporting the Business Partnership—in particular, the Business Partnership Review Group (BPRG) adopting a more rigorous approach to establishing, managing and monitoring the progress of its sub-committees, and setting priorities for the completion of key work;
- *Financial management*: improving accountability for financial management under the Business Partnership Agreement—particularly by strengthening monitoring of the implementation of New Policy Proposals, to provide assurance that monies paid throughout the year reflect progress towards the timely and complete delivery of each New Policy Proposal;
- *Business assurance*: developing more transparent and cohesive business assurance practices under the BPA—for the most part by reviewing the present high-level risk areas (payment integrity, service delivery and business continuity) to ensure currency, specifying and prioritising actual business risks in the Assurance Expectations Matrices (AEMs), and making sure that the AEMs are kept up-to-date;
- *Performance monitoring*: completing the suite of KPIs—to enable both agencies to measure and report progress in all key areas of program delivery, appropriately aligned to outputs and outcomes.

22. The ANAO has made four recommendations to assist in building a stronger Business Partnership between the DEEWR and Centrelink. The recommendations are intended to: clarify responsibilities and processes under the BPA; establish essential frameworks for business assurance and the management of risk; and strengthen performance monitoring and management information to better inform government of progress against outcomes for the delivery of employment services to working age Australians.

Key findings by chapter

Governance of the Business Partnership (Chapter 2)

23. Since 1998, the relationship between DEEWR and Centrelink has been guided by the principles and guidelines set out in five successive Business Partnership Agreements (BPAs). These BPAs have generally evolved in a positive direction, improving clarity around agencies' roles and responsibilities and presenting a more comprehensively documented agreement.

24. It was evident that the existence of a BPA assisted DEEWR and Centrelink in establishing a predominantly workable cross-agency partnership for the delivery of working age employment services. However, there were aspects of the 2006–09 BPA where greater clarity would enhance the DEEWR–Centrelink relationship, improve progress in key areas of administration, and provide more acceptable levels of transparency and accountability of processes.

25. In particular, there is cause to carefully define the extent of Centrelink's involvement in strategic planning, and areas where the respective agencies have lead roles or particular autonomy. Currently, the strategic role of Centrelink under the BPA is uncertain. Clearer articulation of the expected scope or limitations of Centrelink's strategic involvement would strengthen its position in planning for the future, to ensure continuous improvement in service delivery and adequacy of resources under the BPA.

26. The 2006–09 BPA defines the Business Partnership Review Group (BPRG) as the key governance committee for overseeing the implementation of the BPA. Among other things, the BPRG is responsible for managing the DEEWR–Centrelink relationship, establishing sub-committees, and monitoring progress of key work under the BPA. While the BPRG met monthly, it was not fully meeting its obligations as outlined in the BPA and its Protocols. In particular, to strengthen governance arrangements under the BPA, the BPRG requires explicit terms of reference, and clearer guidance on establishing and monitoring the progress of its sub-committees. These steps will help to ensure progress of significant work specified through the BPA. Also, as a significant proportion of work pertaining to the BPA was done outside of BPRG meetings, recording of out-of-session decisions would improve the transparency and accountability of the BPRG and the partnership.

27. Enhancing procedures for interagency dispute resolution would also improve the timeliness and transparency of DEEWR and Centrelink in reaching agreement on key issues. The 2006–09 BPA included only a cursory description of dispute resolution processes, and yet there was firm indication that this was an area of risk for both agencies. Lengthy delays and difficulty in resolving issues had, on several occasions, led to protracted inter-agency debate, putting strain on the partnership. Most commonly these instances concerned funding, changes to information technology, and performance issues. Enhanced dispute resolution procedures, including clearer designation of responsibilities and documentation of processes and decisions, will assist DEEWR and Centrelink to reduce undue strain on agencies' resources and the cross-agency relationship, and improve business continuity.

Configuration of the 2006–2009 BPA (Chapter 3)

28. The 2006–09 BPA document itself is complex and extensive, incorporating numerous attachments and supporting documents. It consists of: a Core Agreement setting the general terms and conditions, roles and responsibilities of the Agreement; 17 protocols outlining key administrative functions; and 29 policy guides which provide information on various aspects of DEEWR policy and service delivery requirements. It also refers to several key attachments including five Service Level Agreements (SLAs); three assurance expectation matrices (AEMs), and the Centrelink Funding Model (CFM).

29. Despite its voluminous nature, the BPA was not a complete agreement when it was signed in August 2006. Notwithstanding a 2005–06 interim BPA, eight months of negotiations to reach sign-off of the 2006–09 BPA, and almost eighteen months into the 2006–09 BPA's term, several essential supporting documents (including SLAs) were not in place. In addition, protocols, policy guides and other key documents were not up-to-date.

30. Given the aforementioned situation, it is apparent that DEEWR has not fully implemented Recommendation 2 of ANAO Audit Report No.51 2004–05 *DEEWR's oversight of Job Network services to job seekers*, which recommended that DEEWR ensure that the BPA was 'complete and kept up-to-date'.

31. These circumstances pose significant risk for both agencies, especially in terms of setting and meeting expectations, clearly defining roles, and planning to meet specified outputs and outcomes. Where significant processes are not clearly articulated and agreed under the BPA, DEEWR will have less

assurance that Centrelink's service delivery complies with DEEWR's requirement. The BPA can only be a reliable basis for DEEWR–Centrelink business if it is updated in a timely and accurate manner. Improvements in this area are necessary in order for the agencies to guard against inconsistency in service delivery and inefficiency or error in administrative processes.

Financial Management (Chapter 4)

32. DEEWR and Centrelink have established a framework for financial management under the BPA which incorporates requirements set out in the *Financial Management and Accountability Act 1997* (FMA Act), the Centrelink Funding Model (CFM) and the BPA's Financial Management Protocol. Processes are in place to enable forecasting of service demand, the delivery of working age employment services by Centrelink, and monthly payment for services by DEEWR.

33. Payments to Centrelink fall under two main categories; the CFM, and New Policy Proposals. Notwithstanding that the CFM was under review, some of its underpinning principles were not clear. This affected the ability of DEEWR and Centrelink to reach agreement on aspects of financial management under the BPA. Areas associated with CFM funded services that require greater clarity or improvement include reaching agreement on the rationale of process maps and a process for ensuring they are complete and up-to-date, and re-basing and updating the customer activity ratio.

34. Approximately 31 per cent of the total service payment made to Centrelink by DEEWR is for New Policy Proposals—budget measures funded outside the CFM. Monitoring of New Policy Proposal service deliverables during the course of the year did not follow a well-defined process. DEEWR's monitoring of New Policy deliverables was not centrally coordinated; responsibility for monitoring sat with individual program areas. Centrelink only provided an overall status summary for New Policy deliverables to DEEWR close to financial year-end. As a result, DEEWR had insufficient information to assure itself that the monies DEEWR paid throughout the year for New Policy Proposals reflected the status of agreed deliverables. By strengthening monitoring and reporting of the status of New Policy Proposal deliverables, DEEWR and Centrelink could provide greater transparency of their financial processes. This would help circumvent cross-agency tension and delays in resolving funding and service delivery issues.

35. Overall, documented guidance on financial management for each of the funding categories (CFM and New Policy Proposals) needs strengthening under the BPA. Protocol 9—Financial Management provides limited explanation of the BPA’s financial framework, serving more as an index to other documents and processes, rather than a complete statement of agreed financial matters. The protocol would be more useful if it outlined key financial processes relevant to the BPA, inclusive of respective agencies responsibilities under the BPA, expectations and processes regarding unearned revenue situations¹⁰ and roll-over of funds for incomplete work at year-end, and appropriate process charts and contact lists.

36. Strengthening financial administration in the above areas will help to ensure that DEEWR and Centrelink continue to meet their responsibilities under the FMA Act, and operate within the agreed parameters of the BPA.

Business Assurance and Managing Risks (Chapter 5)

37. Business assurance arrangements are intended to give confidence in all areas of operation under the BPA. The BPA identifies that managing key risks is an essential element of business assurance, ensuring that high-level risks to successful delivery of payments and services are managed adequately.

38. Changes to working age employment programs since 2004 gave cause for substantial re-development of business assurance arrangements across DEEWR and Centrelink, to address new priorities and risks in the delivery of working age employment programs. However, gaps in common understanding of the business assurance strategy between DEEWR and Centrelink have contributed to slow progress towards a united and focused business assurance agenda.

39. The 2006–09 BPA and its protocols went some way to describing the governance arrangements and specific processes for business assurance, but these did not provide a cohesive or complete picture of business assurance, risk management or management information across DEEWR and Centrelink. While numerous business assurance and risk management activities were occurring, there was no overarching framework or strategy to prioritise, focus and consolidate these activities either within DEEWR or across DEEWR and

¹⁰ Monies are appropriated to DEEWR for Centrelink services. Where Centrelink does not deliver the required services by the end of the financial year, DEEWR may hold back money from Centrelink. This sum then becomes DEEWR’s unearned revenue, unless there is a roll-over of funds and Centrelink service deliverables into the following financial year.

Centrelink. DEEWR had made little progress in a review of business assurance activities and there was no comprehensive listing of required management reports or a distinct process for monitoring management information. The absence of a cross-agency framework or strategy greatly reduces transparency and accountability of key business activities.

40. Business assurance principles under the 2006–09 BPA are depicted through several Protocols and the 2005–06 Assurance Expectation Matrices (AEMs). The AEMs provide requirements for business assurance activities and reporting, and are potentially a useful tool for business assurance. However, their value is diminished due to several weaknesses in key processes and documentation. In particular, the BPA’s Business Assurance protocol and the AEMs were out-of-date and incomplete, and there was also a lack of coordination and monitoring of reporting against the AEMs. The AEMs were put in place at the end of the 2005–06 reporting year (they were therefore used retrospectively, rather than forward-looking as intended) and were subsequently not updated. Taking all of these factors into consideration, the AEMs did not give the expected level of support to Centrelink’s Annual Assurance Statement (AAS) to DEEWR.

41. Overall, shortcomings in these areas left both agencies unable to provide sufficient assurance that major risks to business were being addressed or that appropriate controls and monitoring were in place. Greater assurance and accountability in the administration of working age programs would be achieved through DEEWR and Centrelink jointly focusing efforts on establishing a more strategic and consolidated business assurance framework, with clear designation of responsibilities for risk and management information reporting. Particular areas to address include:

- implementing a cross-agency business assurance framework and a risk-based work plan for business assurance that is prioritised and sufficiently resourced, to demonstrate comprehensive assurance that Centrelink and DEEWR are meeting their obligations under the BPA;
- improving governance arrangements for business assurance, by making sure that the BASC (or its equivalent committee) is properly established, with a clear and appropriate agenda, and a sufficient level of monitoring or oversight to ensure progression of key business assurance strategies;

- regularly reviewing and updating the AEMs based on sound risk assessment exercise, and allocate priorities to risks in the AEMs; and
 - developing a consolidated list of agreed standard management information reports, and designate responsibility for coordinating and disseminating management information.
42. Relevant protocols also need to be sharpened, particularly in their description of roles, individual agency responsibilities and reporting requirements.

Measuring Performance (Chapter 6)

43. Key Performance Indicators (KPIs) are an important aspect of business assurance. DEEWR and Centrelink recognise the importance of appropriate monitoring of performance under the BPA. To this end, the two agencies have negotiated the development and implementation of a range of Key Performance Indicators (KPIs) to measure Centrelink's performance in delivering service on behalf of DEEWR. The 2006–09 BPA contains a KPI protocol, and there is monthly reporting against current agreed KPIs to the Business Partnership Review Group (BPRG) and each agency's Executive.

44. The KPIs that are in place are reasonable in terms of monitoring Centrelink's performance in service delivery. Monthly KPI reports are essentially a good concept for providing regular feedback. However, the suite of KPIs is not complete, many being under review or under development. Also, the KPIs do not align well with DEEWR's Output and Outcomes framework. While the 2006–09 BPA clearly states that the BPA relates to DEEWR Outcomes 1 and 3¹¹, all but one KPI aligned to Outcome 1. A review of the higher level reporting framework and alignment of KPIs to this would help to ensure adequate reporting against each of the Outputs and Outcomes relevant to the BPA and working age payments.

45. The existing performance framework focuses only on measuring Centrelink's performance under the BPA. It provides no scope for measuring DEEWR's performance against key responsibilities under the BPA, or for setting reciprocal (DEEWR-specific) accountability measures or KPIs. DEEWR's performance was reported in its Annual Report only in terms of Centrelink meeting (or not meeting) the KPIs. This was somewhat narrow in its concept, given the considerable reliance of Centrelink on DEEWR's actions under the

¹¹ Since the audit, these have changed to DEEWR Outcomes 7 and 8.

BPA (such as DEEWR's provision of high quality policy advice, planning for essential new work, or maintaining up-to-date BPA documentation). To ensure reciprocal assurance and accountability in the BPA, agencies should consider appropriate measures of DEEWR's performance in meeting its agreed responsibilities under the BPA.

46. Delays in establishing a complete suite of KPIs appear to stem from several factors, including: insufficient documentation on KPI specifications, in particular those inherited from previous BPAs and/or other agencies; a lack of rigour and consistency in methodology for identifying and developing appropriate KPIs; differences in agencies' views on the appropriateness of KPIs; delays in resolving difficulties in reporting against some KPIs; and a lack of strategic focus on KPIs by DEEWR–Centrelink committees responsible for their development and oversight. In some instances, the impact of policy change on the effectiveness of KPI measures had not been assessed in a timely manner, resulting in protracted negotiations for reviewing and agreeing new measures and data requirements.

47. DEEWR and Centrelink acknowledged difficulties and on-going work on KPIs at the time the 2006–09 BPA was signed, and established a major project to review and develop KPIs. Progress of the project was initially slow, with original milestones largely unmet. However, during the audit, DEEWR and Centrelink reinstated the KPI Working Group under the BPRG, with a revised project plan to reinvigorate work on KPIs. This resulted in progress in the review and development of some KPIs from November 2007.

48. Overall, considerable work remains to strengthen the performance framework and performance reporting under the 2006–09 BPA. For sound performance management it is important that KPIs are developed, enhanced, and implemented according to a more systematic, risk focused method, and with an agreed schedule and sufficient allocation of resources.

Managing Change Under the BPA (Chapter 7)

49. The BPA included two particular avenues for managing change within the scope of the BPA: the Change Request process; and Major Projects.

50. A change management protocol was introduced into the 2005–06 BPA as means of providing a framework for DEEWR and Centrelink to work together in managing business and enhancements resulting from policy change. Change requests were submitted on an approved template to Program

managers and the Business Partnership Review Group (BPRG) for approval. The requests were monitored by DEEWR and Centrelink through change management registers. Though involving duplication of effort, both agencies had established appropriate registers for monitoring the status of change requests.

51. The change request process is sound in principle, and works largely according to the BPA's agreed Protocol. However, several minor weaknesses in the administration of change requests require clarification in order to bring greater transparency and accountability to the change management process. Required action includes: clarify responsibility for designating changes as 'urgent'; make clear DEEWR's role in preparing impact assessments; agree a process for timely consideration of unfunded change proposals; and develop a clear procedure for checking the incorporation, accuracy and consistency of *e-reference* information with DEEWR policy documents.

52. Each change request should also state the relationship of the request to the original New Policy Proposal or other related initiative. The absence of this information on some requests made it difficult to ascertain how particular change requests were to be funded, the full cost of some initiatives, and whether they were completed on time or within budget.

53. Several Major Projects were included in the BPA, as a means of jointly developing more complex or longer term implementation strategies. However, the agencies' administration of Major Projects did not consistently demonstrate strong project planning, particularly with regard to assessment of risks, resource allocation and setting priorities. It was not clear how projects were chosen or on what basis they were prioritised. Delays in commencing Major Projects under the 2006–09 BPA had impacted on the agencies' efficiency and timeliness of progressing key developmental work.

54. Development and use of risk-based criteria for prioritising changes and major projects would help to ensure completion of essential work. In addition, DEEWR should monitor compliance with the *Archives Act*, to improve transparency of process and decisions, and retrieval of records for key business elements under the BPA.

Summary of agencies' responses

55. The full text of each agency's response is in Appendix 1.

Centrelink

Centrelink agrees with the overall recommendations outlined in the Section 19 Report. The main areas where Centrelink is particularly pleased with the findings of the Audit are in relation to strengthening the performance framework and reporting, including the addition of reciprocal performance measures for DEEWR; and also the strengthening of the governance arrangements, including business assurance.

Centrelink will continue to work with DEEWR on progressing the broader issues highlighted in the Issues Paper and the Section 19 Report; and to incorporate many of the recommendations when negotiating the new BPA that will take effect from 1 July 2009.

Department of Human Services

I note the findings in the report concerning the areas that DEEWR and Centrelink need to address to improve their administration under the Business Partnership Agreement (BPA), and agree with the recommendations of the report.

Department of Education, Employment and Workplace Relations

DEEWR welcomes the performance audit of the administration of the Business Partnership Agreement (BPA) between Centrelink and the former Department of Employment and Workplace Relations. This audit is particularly timely as its recommendations will inform the development of a new BPA between DEEWR and Centrelink scheduled to be in place on 1 July 2009.

DEEWR has appreciated the opportunity to participate in this audit which has been helpful to our co-operative relationship with Centrelink. However, the Department does not agree with all of the ANAO's conclusions. In particular DEEWR is not, at this stage, convinced there would be any advantage in including Key Performance Indicators (KPIs) relating to the Department's activities in the BPA.¹² Nonetheless, we are prepared to consider the potential for reciprocal KPIs if it can be demonstrated they would deliver genuine benefits for the effective delivery of Government programs and services.

For the most part, DEEWR agrees with the ANAO and in collaboration with Centrelink has already made progress in implementing its recommendations. DEEWR notes that while service delivery under the BPA was occurring effectively before this performance audit, the Department is always ready to address potential improvements to business practices to ensure that services continue to be delivered to the highest possible standards.

¹² See pp. 130–131 of the audit report for DEEWR's response to Recommendation No.4 and the ANAO's comments. Appendix 1 also contains DEEWR's full response to the audit.

Audit Findings and Conclusions

Recommendations

To build a stronger cross-agency partnership, and assist DEEWR and Centrelink achieve timelier improvements to key administrative areas under the Business Partnership Agreement (BPA), the ANAO makes four recommendations.

Recommendation No.1

Para. 3.20

To strengthen governance arrangements and information supporting the Business Partnership, the ANAO recommends that DEEWR and Centrelink:

- clearly define agencies' roles and responsibilities under the Business Partnership Agreement (BPA), including strategic roles, and the role of the Business Partnership Review Group (BPRG) particularly in establishing and monitoring its sub-committees;
- enhance dispute resolution arrangements under the BPA; and
- complete the BPA's supporting documents, and implement a systematic process to make sure that the BPA is kept up-to-date and accurate.

Centrelink response: *Agreed*

DEEWR response: *Agreed*

**Recommendation
No.2**

Para. 4.47

To improve DEEWR and Centrelink's accountability of financial management under the Business Partnership Agreement (BPA), the ANAO recommends that:

- DEEWR strengthen its monitoring of the status of deliverables outside the scope of the Centrelink Funding Model, particularly New Policy Proposals;
- both agencies amend the financial management protocol to reflect all key aspects of the financial arrangements between DEEWR and Centrelink;
- Centrelink, in collaboration with appropriate purchasing agencies, the Department of Human Services and the Department of Finance and Deregulation, revise the Customer Activity Ratio (CAR) more frequently, to reflect significant changes in policy and procedure for employment services; and
- both agencies evaluate the purpose, need, and procedures for developing process maps, taking DEEWR's and Centrelink's perspective into consideration.

Centrelink response: *Agreed.*

DEEWR response: *Agreed.*

**Recommendation
No.3****Para. 5.63**

DEEWR and Centrelink should work jointly to achieve more transparent and cohesive business assurance and risk management practices under the Business Partnership Agreement. In particular by:

- establishing governance arrangements for business assurance which include suitable monitoring and oversight to ensure timely progression of key business assurance strategies;
- updating the Assurance Expectation Matrices (AEMs) to reflect current risks and priorities, and jointly assigning responsibility for risks; and
- agreeing a consolidated program of standard management information reports, and designating responsibility for coordinating and disseminating management information.

Centrelink response: *Agreed*

DEEWR response: *Agreed*

**Recommendation
No.4**

Para 6.34

To strengthen the performance framework and performance reporting under the 2006–09 Business Partnership Agreement (BPA), DEEWR and Centrelink should work collaboratively to complete and enhance its suite of Key Performance Indicators (KPIs). This process should include:

- alignment of KPIs to cover all outputs and outcomes relevant to the BPA;
- incorporating reciprocal accountability measures or KPIs to measure DEEWR's performance in meeting its agreed responsibilities under the BPA; and
- establishing a more strategic, timely and coordinated approach to KPI development, reporting and review. This should include suitable criteria for determining appropriate, measurable KPIs.

Centrelink response: *Agreed*

DEEWR response: *Agreed with qualification*

1. Introduction

This chapter provides a brief background to the DEEWR–Centrelink Business Partnership Agreement (BPA) and outlines the context, objectives and structure of the audit.

Employment services for working age Australians

1.1 Since the mid-1940s the Australian Government has provided a range of services, including allowances and benefits, to assist unemployed Australians seeking work within Australia. In 1946, the Government commenced direct provision of employment services through the Commonwealth Employment Service (CES).¹³ This arrangement continued until May 1998, when the Government replaced the CES with the ‘Job Network’. The Job Network consists of private and community providers engaged by the Government to find jobs for unemployed people.¹⁴

1.2 By this time, Centrelink was also established under the *Commonwealth Services Delivery Agency Act 1997*, as a public sector service provider. Centrelink became responsible for administering working aged payments and a range of employment services¹⁵ on behalf of policy/purchasing departments.

1.3 A particular challenge for Government over the last ten years has been in establishing appropriate purchaser–provider models to facilitate implementation of reforms in service delivery. Implementation of the purchaser–provider dichotomy, often as part of a policy–administration split, along with a greater emphasis on client focus and public service responsiveness, have changed the way in which government programs are delivered. These changes have been particularly apparent in the delivery of employment services through bilateral agreements between individual policy/purchasing departments and Centrelink.

¹³ Organisation for Economic Cooperation and Development (OECD), *Innovations in Labour Market Policies: The Australian Way*, OECD Publications, p. 13, 2001.

¹⁴ The Job Network is currently managed by the Department of Education, Employment and Workplace Relations (DEEWR) through Employment Service Contracts with Job Network Members.

¹⁵ Services not covered by the Job Network arrangement.

Current arrangements for working age employment services

1.4 Under current Administrative Arrangements, the Department of Education, Employment and Workplace Relations (DEEWR)¹⁶ is responsible for income support payments such as Newstart Allowance, Parenting Payments, Youth Allowance and Sickness Allowance,¹⁷ and a range of other employment services, including job search facilities, counselling and training opportunities for job seekers.

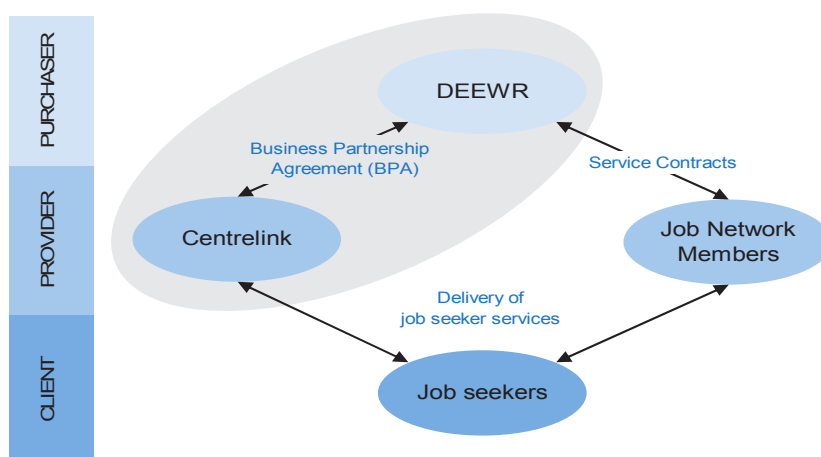
1.5 DEEWR (and previously the Department of Employment and Workplace Relations—DEWR) is not a direct service provider, but administers employment services in accordance with the *Social Security Act 1991* and government policy through two purchaser–provider arrangements:

- a Business Partnership Agreement (BPA) with Centrelink; and
- the Job Network Service Contract with Job Network service providers.

1.6 The interaction between clients (job seekers), service providers (the Job Network and Centrelink) and the service purchasing agency (DEEWR) under these arrangements is shown in Figure 1.1. The grey-shaded area of the figure shows the scope of the audit, which largely focussed on evaluating the effectiveness of the BPA.

¹⁶ During the fieldwork for this audit (July to November 2007), the former Department of Employment and Workplace Relations (DEWR) was responsible for managing working age employment services. On 3 December 2007, the Department of Education, Employment and Workplace Relations (DEEWR) was established. This change did not affect the conclusions in the audit report.

¹⁷ See Appendix 2 for a list of programs.

Figure 1.1**Purchaser–provider arrangements for working age employment services**

Source: Adapted from ANAO Audit Report No.51, 2004–05, *DEEWR's oversight of Job Network services to job seekers*, p. 32.

1.7 The BPA is a signed agreement between the DEEWR and Centrelink for the delivery of working age employment services. The formality of the BPA is intended to provide Government with a suitable level of assurance that working age employment programs, including benefits and allowances are delivered efficiently and effectively within the broader accord of a whole of government approach.

Individual agency responsibilities

1.8 Current administrative arrangements stipulate that DEEWR has primary carriage of employment policy and programs, including ensuring that claims for benefit payments are made in accordance with the *Social Security Act 1991*. This Act defines eligibility requirements, and the services, payments and allowances available to eligible job seekers.

1.9 Centrelink, as the Australian Government statutory agency responsible for delivering social security entitlements, is a principal service delivery agency for DEEWR employment assistance programs. DEEWR 'purchases' services from Centrelink on behalf of the Government and Centrelink delivers these services. In doing this, each agency is expected to act within the terms agreed through the DEEWR–Centrelink BPA and in accordance with other relevant policy and legislation.

1.10 Centrelink has in excess of 300 Customer Service Centres (CSCs) across Australia, providing the first point of contact or ‘gateway’ for job seekers to access Job Network and other employment services. Centrelink’s remit includes determining job seekers’ eligibility for payments or allowances, referring them to a Job Network Member, and providing payments and other prescribed services in accordance with the *Social Security Act 1991*, government policy as defined in the *Guide to Social Security Law*,¹⁸ and other administrative arrangements agreed under the BPA.

The Business Partnership Agreement

1.11 Since the establishment of Centrelink in 1998, there have been several BPAs relating to the delivery of working age employment services.¹⁹ Though the BPAs have differed in complexity, content and format, each was important in providing a foundation for inter-agency management of employment services delivered by Centrelink on behalf of the respective policy department. The BPAs often assimilate other agreements, for example Service Level Agreements or Protocols.

1.12 The most recent BPA for delivery of employment services, was signed on 30 August 2006, and covers the period 2006–2009. The agreement is of the type described in section 7 of the *Commonwealth Services Delivery Agency Act 1997*, negotiated and signed by two parties: the Secretary of (then) DEWR and the Chief Executive Officer (CEO) of Centrelink. It defines the ‘relationship, objectives, principles, mechanisms and respective roles and responsibilities, which form the basis for an ongoing business relationship between (now) DEEWR and Centrelink.’

¹⁸ *Guide to Social Security Law*, <http://www.facsia.gov.au/guides_acts/ssg/ssguide-8.html>.

¹⁹ BPAs were in place between the previous Departments of Family and Community Services (FaCS) and Families, Community Services and Indigenous Affairs (FaCSIA) and Centrelink, and the previous DEWR and Centrelink (see Chapter 2).

1.13 The primary objective of the 2006–2009 BPA is to support the achievement of DEEWR’s outcomes:

(a) efficient and effective labour market assistance (Outcome 7); and

(b) increased workforce participation (Outcome 8);

through the successful delivery of services provided by Centrelink on behalf of the Department.²⁰

1.14 The BPA describes the agencies’ respective roles (see Table 1.1) and incorporates extensive documentation in the form of Protocols, Policy Guides, and Service Level Agreements. These documents expound the agreed approach to service delivery, including policy and service requirements, governance arrangements, agreed performance standards, and accountability mechanisms.

Table 1.1

DEEWR’s and Centrelink’s roles under the 2006–09 BPA

DEEWR’s role	Centrelink’s role
<p>Providing in a professional manner:</p> <ul style="list-style-type: none"> • interpretation and clarification of policy to Centrelink; and • clear and on occasion specific service delivery requirements. <p>The Department will assist Centrelink to deliver its current business efficiently and will provide such information as necessary to enable it to achieve such outcomes.</p>	<p>Providing services within a professional manner:</p> <ul style="list-style-type: none"> • the delivery of assessment, referral, compliance and related activities with a focus on the Work First agenda; and • the delivery of the full range of income support to eligible customers.

Source: Extract of agency roles from the DEEWR–Centrelink BPA 2006–09, section 4.

²⁰ DEWR–Centrelink BPA 2006–09, section 4, p. 4 specified DEWR Outcomes 1 and 3. With the December 2007 machinery of government changes, these became DEEWR Outcomes 7 and 8, and were current at the time of audit fieldwork. It is to this version of the Outcomes that the audit refers. It should be noted, however, that wording of DEEWR Outcomes 7 and 8 has changed slightly in the 2008–09 Portfolio Budget Statements.

Impact of the 2004 machinery of government changes

1.15 In late 2004, machinery of government changes transferred working age payments from (the then) FaCS to (the then) DEWR.²¹ Following this, the Government introduced substantial employment reforms through *Welfare to Work* initiatives²². These changes to employment policy led to significant reshaping of service requirements and Centrelink's delivery of employment services.

1.16 An interim 2005–06 BPA was negotiated, with a major focus on implementing *Welfare to Work* and achieving cultural change in Centrelink. Extensive review was also undertaken in developing the 2000–09 BPA, to incorporate key aspects of the *Welfare to Work* program and the then new DEWR–Centrelink working arrangements.

Funding for Centrelink services

1.17 DEEWR provides annual funding to Centrelink for services associated mainly with DEEWR's Outcome 1 (see paragraph 1.13). Centrelink is required to deliver these services on DEEWR's behalf as agreed through the BPA.

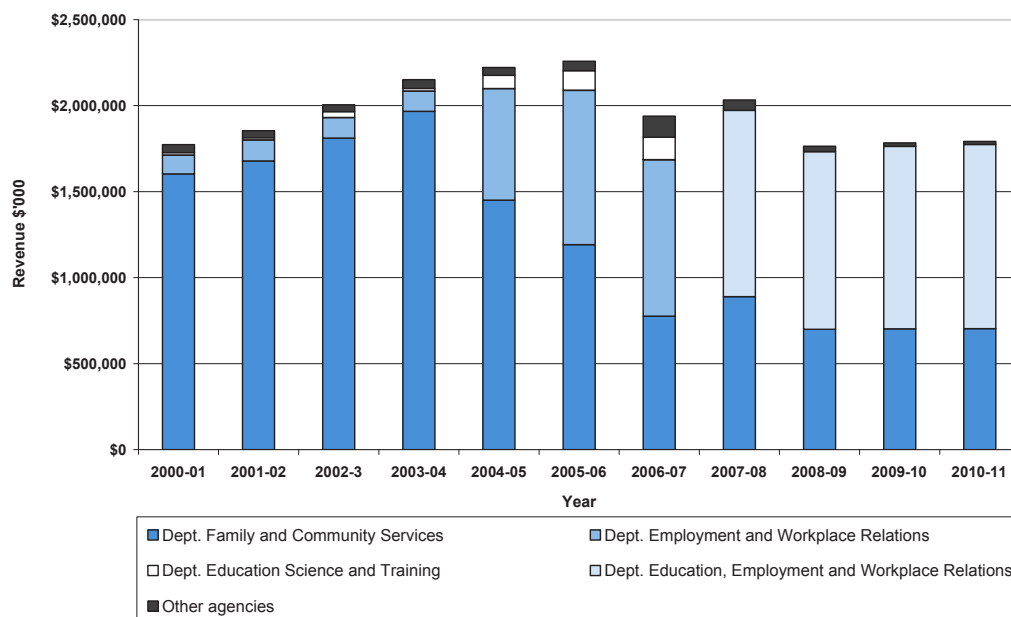
1.18 The 2004 machinery of government changes and introduction of *Welfare to Work* substantially increased DEEWR's funding for employment programs, making it the largest purchaser of Centrelink services (a position previously held by the Department of Family and Community Services—FaCS). Figure 1.2 shows Centrelink revenue from each policy/purchaser agency for the period 2001–01 to 2006–07 and illustrates the increasing proportion of Centrelink's funding (and associated business) attributed to DEEWR programs.

²¹ In October 2004, the Government announced machinery of government changes to the Ministerial and administrative responsibilities. These changes included the creation of a Department of Human Services, incorporating, inter alia, Centrelink, and the transfer of income support payments, programs and services for working aged job seekers from the then Department of Family and Community Services (FaCS—now FaHCSIA) to the then DEWR.

²² The *Welfare to Work* measures were announced as part of the 2005 Federal Budget. They were intended to increase workforce participation and reduce the number of working age Australians on welfare. Groups targeted by the measures were mature age people, parents, people with disabilities and the very long term unemployed (also see Appendix 3).

Figure 1.2

Centrelink revenue from service purchasers 2000–01 to 2006–07 and forward estimates (\$'000)



Source: Compiled by the ANAO from data in Centrelink's Annual Reports and Portfolio Budget Statements.

1.19 Of DEEWR's \$1 522.5 million total budgeted departmental appropriation for 2007–08, an estimated \$946 million (62.1 per cent) was to pay Centrelink to deliver services under the BPA. Of DEEWR's \$24 650.6 million 2007–08 estimated total administered appropriation, \$21 784 million (88.4 per cent) represents income support payments for working age beneficiaries paid through Centrelink.²³ Both agencies are required to comply with the *Financial Management and Accountability Act 1997* (FMA Act) in administering these funds.

Previous ANAO performance audits

1.20 ANAO performance audits have included aspects of the BPA as part of DEEWR's administration of specific programs (two relevant audits are shown in Table 1.2). However, this audit is the first to focus on management of the BPA by DEEWR and Centrelink.

²³ DEWR Portfolio Budget Statement 2007–08, pp. 38–39.

Table 1.2

Previous ANAO performance audits that included the BPA

Audit report No.51 2004–05, DEWR’s Oversight of Job Network Services to Job Seekers.

Recommendation 2

To assist JNMs and Centrelink to understand and comply with service requirements, and provide a sound basis for DEWR to assess the adequacy of service provision, the ANAO recommends that DEWR ensure that the Employment Services Contract and Business Partnership Arrangement are complete and kept up-to-date.

Recommendation 5 (in part)

The ANAO recommends that, in order to provide DEWR with assurance over the services delivered by Centrelink on behalf of DEWR:

- DEWR and Centrelink establish a planned process for developing agreed management information for both the current and the next Business Partnership Arrangement, including: interim measures of service performance, where necessary, and agreed timeframes and responsibilities for producing final measures; and
- Centrelink introduce mechanisms to directly monitor the key services delivered by Centrelink on DEWR’s behalf.

Audit report No.33 2004–05, Centrelink’s Customer Satisfaction Surveys.

Recommendation 10

The ANAO recommends that Centrelink ensure that performance measures under the purchaser/provider arrangements with the various portfolio departments now responsible for income support payments are appropriate for the purpose, and that targets are set at a sufficient level to assess performance achievement.

Source: ANAO audit reports. Only recommendations (or part thereof) relevant to this audit are included in Table 1.2).

The audit

Audit objective and criteria

1.21 The audit objective was to form an opinion on the administrative effectiveness of the arrangements between DEEWR (previously DEWR) and Centrelink for the delivery of working age employment services under the Business Partnership Agreement (BPA). To achieve this, The ANAO assessed DEEWR’s and Centrelink’s performance against four main criteria:

- governance arrangements under the BPA result in an effective cross-agency relationship for managing employment services for working aged Australians (Chapters 2 and 3);
- business practices follow sound principles and agreed policies and guidelines, to provide support for service delivery (Chapters 4 and 5);

- monitoring arrangements, including Key Performance Indicators (KPIs) provide accurate and useful information to assess performance under the BPA (Chapter 6); and
- agencies follow agreed processes to facilitate appropriate change management and cross-agency program implementation (Chapter 7).

Audit scope

1.22 The ANAO examined the agencies' development, implementation and maintenance of the BPA, and whether current governance and coordination arrangements were conducive to management of risks, measurement of performance and ongoing program improvement.

1.23 More specifically, the audit scope included assessment of: the BPAs key documentation, particularly its protocols and policy guides; cross-agency and intra-agency coordination and communication, including the functioning of joint committees; financial management procedures; development of the business assurance framework and application of appropriate risk management; management information; the development, review and measurement of KPIs; and agencies' implementation of effective change management processes.

1.24 Outside the scope of the audit were: the Job Network; other Department–Centrelink BPAs; detailed analysis of data and IT systems in DEEWR and Centrelink; and evaluation of the Centrelink Funding Model (CFM). However, elements of the CFM are included and commented upon in the audit, as they apply to the BPA's financial arrangements.

Audit method

1.25 The audit was conducted in accordance with the ANAO Auditing Standards, at a cost of \$530 000.

1.26 The ANAO conducted fieldwork between July and November 2007, primarily at DEEWR and Centrelink national offices in Canberra. This included interviews with DEEWR and Centrelink staff; examination and analysis of files and records; and assessment of administrative practices against legislative and policy requirements, and relevant better practice guides. The ANAO also considered past audit reports, published articles, government publications and other cross-agency agreements during the audit.

1.27 The ANAO visited three Centrelink Customer Service Offices (in South Australia, New South Wales and the Australian Capital Territory) to verify processes defined in the BPA protocols and policy guides, and to assess inter-agency communication. The Department of Human Services (DHS) was also consulted as a stakeholder.

Structure of the report

<i>Chapter 1</i>	<i>Introduction</i>
<i>Chapter 2</i>	<i>Governance of the Business Partnership</i>
<i>Chapter 3</i>	<i>Configuration of the 2006–09 BPA</i>
<i>Chapter 4</i>	<i>Financial Management</i>
<i>Chapter 5</i>	<i>Business Assurance and Managing Risks</i>
<i>Chapter 6</i>	<i>Measuring Performance</i>
<i>Chapter 7</i>	<i>Managing Change Under the BPA</i>

2. Governance of the Business Partnership

This chapter examines the appropriateness of governance arrangements for the Business Partnership between DEEWR and Centrelink.

The purpose of formal cross-agency agreements

2.1 Government agencies use a variety of tools to help formalise cross-agency or interdepartmental arrangements for service delivery and provision of information. Business Partnership Agreements, Service Level Agreements (SLAs), Memoranda of Understanding (MOU), agreed protocols, and Joint Boards or committees are examples of the methods used.²⁴

2.2 In particular, where complex programs, multi-agency involvement or large amounts of public money are involved, formalised agreements provide agencies with a clear understanding of their respective roles and responsibilities. They also provide the Government with additional assurance of efficient and effective delivery of services to meet specified agency outputs and outcomes.

The BPA conveys a broad cross-agency agenda

2.3 The Business Partnership Agreement (BPA) between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink is a complex arrangement reflecting a broad cross-agency agenda. The BPA itself comprises many protocols, guidelines, and SLAs, which provide the context and detail to business arrangements between the two agencies.

2.4 The primary objective of the 2006–09 BPA is to support the achievement of DEEWR's Outcomes 7 and 8²⁵ through the successful delivery of services provided by Centrelink on behalf of DEEWR (see paragraph 1.13 of Chapter 1). To this end, it is important that the BPA provides the foundation for building a collaborative and productive relationship between DEEWR and Centrelink. An important factor in achieving this is sound governance, including well defined roles and responsibilities and a workable governance

²⁴ ANAO, *Better Practice Guide: Public Sector Governance, Guidance Paper No.7–Cross-Agency Governance*, July 2003.

²⁵ Previous DEWR Outcomes 1 and 3 became DEEWR Outcomes 7 and 8 following machinery of government changes announced in December 2007.

structure.

2.5 The ANAO examined DEEWR–Centrelink governance and coordination arrangements, and whether the BPA set out essential information to enable DEEWR and Centrelink to achieve their stated objectives in the most effective and efficient way. In particular the ANAO assessed:

- roles and responsibilities, and whether the BPA clearly defined each agency’s obligations and responsibilities to effect a workable cross-agency relationship; and
- the Business Partnership Review Group (BPRG), and its effectiveness in overseeing the operation of the BPA; and

Roles and responsibilities

Establishing cross-agency relations through the BPA

2.6 Since 1999, there have been five BPAs between the Department²⁶ and Centrelink (Table 2.1). Each of these, to varying extent, has set out principles and guidance to foster a collaborative relationship between DEEWR and Centrelink.

Table 2.1

Duration and intent of DEEWR–Centrelink BPAs

BPA No.	Duration of the BPA	Specification of intent in the BPA
1	1999–02	No specification of intent stated
2	2002–03	No specification of intent stated
3	2003–06	This <u>Arrangement</u> defines the relationship, objectives, principles, mechanisms and respective roles and responsibilities, which will <u>form the basis for an enduring strategic partnership</u> between the Department of Employment and Workplace Relations (DEWR) and Centrelink.
4	2005–06	This <u>Agreement</u> defines the relationship, objectives, principles, mechanisms and respective roles and responsibilities, which <u>form the basis for an ongoing business relationship</u> between the Department of Employment and Workplace Relations (DEWR) and Centrelink.
5	2006–09	

Source: ANAO, compiled from DEEWR-sourced documents–final BPAs.

2.7 The Department and Centrelink signed an interim BPA for 2005–06. This focussed on implementation of *Welfare to Work* initiatives. Development of the 2006–09 BPA began in early 2006 and continued for eight months. The

²⁶ The Department refers to DEEWR and to the previous DEWR for the purpose of the audit.

ANAO examined planning, consultation, and project management related to the BPA over this period, and found that DEEWR and Centrelink had followed many sound administrative practices in developing the 2006–09 BPA.

2.8 A particular strength was the BPA Working Group, established to facilitate cross-agency negotiations and monitor of progress against the 2006–09 BPA development project plan. The working group reported on a regular and frequent basis to the BPRG, often weekly or fortnightly. Centralised coordination/liaison areas in DEEWR and Centrelink were also pivotal in maintaining collaboration and exchange of information between the agencies and within their respective agencies during interagency negotiations.

2.9 The evolution of the BPA has generally moved towards improving the clarity of agencies' administrative roles and responsibilities. In part, this was achieved by an increased range of protocols and policy guides and joint management committees.²⁷ These steps clearly supported DEEWR and Centrelink in setting the foundation for a generally workable relationship under the current 2006–09 BPA.

2.10 Notwithstanding this, negotiations towards the 2006–09 BPA were lengthy, and at times quite intense. When the BPA was signed in August 2006, it was not a complete document. As a result, there were areas of the BPA that lacked clarity. This impacted on the effectiveness of specific business practices under the BPA and in the efficiency of some aspects of the DEEWR–Centrelink relationship (Chapters 3 to 7 provide examples).

Cross-agency collaboration

2.11 The ANAO's *Public Sector Governance Guidance Paper 7* states:

Because the Commonwealth legislative framework for the governance of its organisations stresses the ultimate accountability of chief executives, joint activities need to clearly identify how such accountability requirements are to be met in collaborative arrangements.... All cross-agency arrangements should have clear lines of accountability and the responsibilities of the parties should be clearly identified and understood.²⁸

2.12 Appropriate accountability arrangements for joint or cross-agency arrangement also include factors such as mutual trust, good communication,

²⁷ Protocols and Policy guides are examined in more detail later in Chapter 3.

²⁸ ANAO, *Public Sector Guidance—Better Practice Guide*, paper 7, 2004.

and transparency of process. These features are important in establishing a productive collaborative arrangement.

2.13 With these criteria in mind, the ANAO examined whether the arrangements defined through the DEEWR–Centrelink 2006–09 BPA reflected a sound collaborative cross-agency relationship (see analysis in Table 2.2).

Table 2.2

Key elements for defining cross-agency relationships

Criteria/requirement	Met	ANAO comment/finding
An approved cross-agency Agreement is in place	Met	The BPA (a formal Agreement) was signed and in place.
The nature of the Agreement is clearly articulated and understood (for example a 'lead agency' or 'partnership' arrangement)	Partially met	The arrangement was described as a Partnership, although in many respects it operated as a lead agency or contract arrangement (DEEWR as the lead agency). This lack of clarity had, on occasion, contributed to ambiguity, disagreement or delay in areas of financial management, business assurance, and performance measurement/reporting (examined in Chapters 4 to 6).
Governance structures are in place	Largely met	The Business Partnership Review Group (BPRG) was established as the key governance committee for managing the BPA. The BPA specified Agreement Managers for day-to-day management and decisions, with the Agreement Managers co-chairing the BPRG. Coordination arrangements between Agreement Managers, the BPRG, DEEWR's and Centrelink's senior management groups and departmental committees was not detailed in the BPA, and were difficult to determine from records. Greater transparency of governance arrangements could be achieved if the BPA showed more explicitly the delineation of responsibilities and interactions between the agencies' executive management committees (and other key committees) and the BPRG.
Authority for key decisions is aligned with agency responsibilities	Largely met	There was general high-level alignment of authority for key decisions and agency responsibilities. However, additional guidance was required regarding: Centrelink's strategic role under the BPA; responsibility for developing KPIs and specifications; the extent of the BPRG's role in decisions; and inter-agency dispute resolution.
Each agency's roles and responsibilities are documented	Largely met	In most cases protocols and policy guides specified the responsibilities of DEEWR and Centrelink. However, the BPA was not clear on Centrelink's role in strategic matters, for example, policy planning and implementation, or business assurance planning (see Chapter 5).
Individual agency and/or joint outcomes are identified	Partially met	The BPA only identifies DEEWR outcomes. There were no Centrelink outcomes or joint outcomes identified in the BPA. The partnership could be strengthened by identifying links to Centrelink's outcomes.
Agencies had agreed a workable balance between DEEWR oversight and	Partially met	The degree of oversight DEEWR exerted varied amongst programs and payments. As expected, programs that were new, or with a history of sensitivity or contention tended to receive

Criteria/requirement	Met	ANAO comment/finding
Centrelink's operational flexibility	Met	greater oversight. Some key areas of DEEWR–Centrelink business involved senior level oversight or detailed checking (for instance, the review of financial case management cases by the then DEWR Secretary, and checking of data for KPI reporting). However, while the BPA stated that Centrelink was responsible for ensuring that <i>e-reference</i> was up-to-date and accurate, ensuring consistency between information in DEEWR's policy guides and Centrelink's <i>e-reference</i> requires closer monitoring by both agencies. This would be aided by a more clearly defined process. Monitoring of change management requests and issues arising (see Chapter 7) also resulted in duplication of effort.
There is acknowledgement of joint responsibility for performance	Partially met	Performance under the BPA was primarily centered on measurement of Centrelink's performance. DEEWR measures its own performance under the BPA only in terms of Centrelink's performance. There were few formal measures specific to DEEWR's performance (see Chapter 6).
The scope and cost of activities and services are defined and agreed	Partially met	The programs and payments Centrelink was expected to deliver were not sufficiently defined in the BPA. Estimated and actual costs of services were contained in the relevant Portfolio Budget Statements and Annual Reports, but not provided as part of the BPA. There were elements of the BPA (for example, major projects) where funding allocations were unclear. Inclusion of references to budget amounts or a schedule of costs would make the BPA more self-contained.
There is an effective risk management framework with identification of key shared risks, priorities and business assurance requirements	Not met	There was no over-arching risk management framework or identified priority business goals supporting the 2006–09 BPA. DEEWR had not prepared a consolidated, risk-based business assurance framework (see Chapter 5).
Mechanisms for dispute resolution are effective	Partially met	The Core Agreement of the BPA provided a brief description of the dispute resolution process. However, this process should be better structured and explained, particularly by defining procedures for timely escalation and resolution of difficult issues (see paragraph 2.23).

Source: ANAO, using criteria based on Management Advisory Committee (MAC) 4, *Connecting Government: Whole of Government Responses to Australia's Priority Challenges*, 2004; and ANAO, *Better Practice Guide: Cross-Agency Governance, Guidance Paper No. 7*, 2003.

Understanding between the parties

2.14 It is important that agreements (such as the BPA) clearly articulate the nature and scope of the work to be done by each signatory agency, and recognise the contributions (as well as the limitations) of each contributor to the business partnership.

2.15 In broad terms, under the 2006–09 BPA, DEEWR's responsibility is for policy pertaining to working age programs. Centrelink is responsible for service delivery and payment of working age allowances. This is in line with *Commonwealth Services Delivery Agency Act 199*, which refers to Centrelink's

CEO entering into 'service arrangements' with the 'principal officer of a Commonwealth authority for provision of Commonwealth services specified in the arrangement.'²⁹ DEEWR and Centrelink are also accountable as individual agencies, with responsibilities to their respective Secretary and Chief Executive Officer, and separate Ministers.³⁰ Both agencies are accountable under the *Financial and Management Accountability Act 1997* (FMA Act) and other government legislation³¹ for the proper use of funds and efficient administration of programs and payments.³²

2.16 These high level roles and responsibilities were recognised through the BPA, and generally accepted by agencies. However, several other aspects of the DEEWR–Centrelink relationship were more uncertain. These are discussed below (also see previous Table 2.2).

2.17 An examination of previous BPAs showed that, over time, the balance of the partnership had shifted, the current agreement containing some elements more analogous to a service contract than a business partnership. DEEWR advised the ANAO that this was by intention.³³ However, whether by intention or not, the BPA was not specific enough in itemising services and costs, or in detailing deliverables to serve as a service contract. This position has led to differing expectations of DEEWR and Centrelink in some aspects of business under the BPA, and inconsistencies in managing those aspects requiring a joint agency approach.

2.18 In many respects the business partnership operated jointly, with DEEWR and Centrelink equally represented in key governance committees such as the BPRG and its sub-committees. On the other hand, the BPA only specified DEEWR outcomes. There was no mention of meeting Centrelink's outcomes, or of any shared outcomes. There was also an absence of direct measures of DEEWR's performance under the BPA.³⁴ While DEEWR and

²⁹ *Commonwealth Services Delivery Agency Act 1997*, sections 7 to 8A.

³⁰ Centrelink is part of the Department of Human Services (DHS) and is responsible to the Minister for Human Services. The ANAO notes that under the 25 January 2008 Administrative Arrangements Order, DHS is responsible for 'monitoring and management of service delivery and purchaser/provider relationships involving Centrelink...'

³¹ Appendix 4 provides an indication of the legislation relevant to the BPA.

³² DEEWR and Centrelink are both agencies subject to the *FMA Act*, and are therefore the same entity—the Commonwealth of Australia.

³³ In DEEWR's response to the audit's Issues Papers, DEEWR advised the ANAO that its move towards a contract-like arrangement with Centrelink was intentional.

³⁴ This issue is examined in Chapter 6.

Centrelink worked together in areas such as developing KPIs, there had been little joint activity towards a cross-agency business assurance framework or strategy, or in establishing specifications and coordination for management information (these issues are considered more extensively in Chapters 4 to 6).

2.19 In consideration of the factors outlined in paragraphs 2.16–2.18 (also see previous Table 2.2), there is scope for both agencies to clarify their respective roles and responsibilities under the BPA. This should include identifying, agreeing and documenting where Centrelink has a joint role in the BPA and where it does not. Similarly, the BPA should clearly define areas or functions for which DEEWR is the lead agency, and where the lead role falls on Centrelink. Key frameworks also need to be finalised to provide clearer goals and context to the cross-agency relationship. These steps will assist agencies in setting appropriate expectations under the BPA (see Recommendation No.1).

Clarifying strategic requirements of the BPA

2.20 Centrelink's strategic role under the BPA was another area of that lacked clarity. Earlier BPAs (see Table 2.1) described the DEEWR–Centrelink arrangement as an 'enduring strategic partnership'. However, the more recent BPAs have moved away from this, emphasising that the arrangement was an 'ongoing business relationship' rather than strategic. Reflecting this, overall, there was little indication about the level or limits of Centrelink's strategic role in the administration of the BPA and, for example, the level of autonomy Centrelink should or should not have in the delivery of DEEWR services, or in planning and prioritising future improvements. The BPA's Core Agreement made no reference to a strategic role for either DEEWR or Centrelink, although this was inconsistent the role of the Business Partnership Review Group (BPRG), which included 'promote early engagement and development of strategic issues'.³⁵

2.21 Several aspects of DEEWR–Centrelink business indicated that strategic requirements were not formalised, and in practice not well established. For example, there was no cross-agency business assurance framework, or cross-agency risk management plan or strategy.³⁶ These would be useful elements of any inter-agency arrangement, preferably prepared jointly to ensure that both sides of the business (policy and delivery) are adequately represented (also see Chapter 5).

³⁵ The BPRG is co-chaired by DEWR and Centrelink.

³⁶ The DEWR–Centrelink business framework is examined in more detail in Chapter 5.

2.22 Clearer articulation of the expected scope or limitations of Centrelink’s strategic involvement would strengthen Centrelink’s position in planning for the future, to ensure continuous improvement in service delivery and the adequacy and efficient use of resources.

Management of inter-agency issues and disputes

2.23 Under Agreements or contract situations, disagreements or disputes may arise if parties cannot agree on issues, for instance, particular provisions of the Agreement, the definition of deliverables, meeting performance standards or the effect of unexpected events. It is normally the Agreement Manager’s role to protect the Australian Government’s interests by recognising any possible dispute or an actual dispute early, and addressing these as quickly as possible.³⁷ Inclusion in the Agreement of clear processes and delegation for dispute resolution should assist timely and effective resolution of issues.

2.24 While the BPA was generally a workable arrangement, at times, interagency tension was apparent in areas of DEEWR–Centrelink business, particularly when issues were difficult or taking a long time to resolve. Most commonly these instances related to funding, IT changes, and monitoring and performance issues. Table 2.3 shows some examples. Further assessment of these areas is contained in Chapters 4 to 7.

Table 2.3

Examples of outstanding issues

- clarifying and documenting an agreed process for managing unearned revenue situations (Chapter 4);
- addressing slow progress in the development and review of KPIs and the lack of defined parameters and agreed specifications for a full set of KPIs (Chapter 6);
- finalisation of change requests lacking identified or agreed funding source (Chapter 7); and
- recognising resource implications for Centrelink where DEEWR requests a costing for system changes before a funding source is confirmed, or the priority of the change is not firm (Chapter 7).

Source: ANAO assessment of DEEWR and Centrelink records.

2.25 The BPA briefly described a process for cross-agency dispute resolution in its Core Document, but contained no specific protocol for management of disputes. The processes relied heavily on early identification of problems by

³⁷ Australian National Audit Office, *Better Practice Guide: Developing and Managing Contracts—getting the right outcome, paying the right price*, February 2007.

program areas, and their initiating action through the DEEWR and Centrelink coordination/liaison areas. Unsolvable issues were then referred to the BPA Managers (often outside of formal BPRG meetings), through the BPRG, or escalated to more senior executives (for example the deputy secretaries in DEEWR or national managers in Centrelink). This process had limitations, as its lines of delegation and processes for escalating problems were not clearly defined. Overall, existing mechanisms lacked a visible and risk-based process for prioritising or resolving disputes.

2.26 The need for a stronger dispute resolution process was evident through several examples where prolonged disagreements had led to agency dissatisfaction. These instances tended to be a drain on staff resources and cause tension between the agencies. Table 2.4 contains an example of a disputed issue between DEEWR and Centrelink concerning change requests for Parenting Payments. The issue began in April 2007 and was partially resolved by February 2008.

Table 2.4

Example of prolonged interagency dispute

Example 1: Parenting change request	
A DEEWR change request (dated 3 April 2007) was initiated by DEEWR to allow people on income support who are fully meeting their participation requirements the option to report fortnightly to Centrelink using Integrated Voice Response (IVR) or the internet. The change was intended to: reduce queuing times and staffing pressures in Centrelink; allow Centrelink to concentrate on customers who require more intensive job search services; encourage workforce participation (by rewarding those who were working, rather than disempowering them by queuing); and by lessening the number of face-to-face contacts with customers already meeting their participation requirements, reduce DEEWR's cost burden and allow any savings to be reinvested into customers' quarterly face-to-face reviews.	
Timeline of events	
13 April 2007	Centrelink receives a change request from DEEWR.
18 May 2007	Centrelink costs IT and network services at \$1.9 million, for implementation in September 2007.
20 July 2007	Centrelink proposes an interim solution, with partial implementation in September 2007, and the remainder scheduled for March 2008.
2 August 2007	Centrelink seeks urgent advice on whether DEEWR will fund the changes. Correspondence indicates that: Centrelink and DEEWR have a different understanding of whether funding for the transaction side of the change request falls under the CFM and how it will be reconciled. Agencies also have differing views on whether the system changes fall outside of <i>Welfare to Work</i> costings. DEEWR states it does not have the funds to pay. DEEWR writes 'Given this is a Ministerial directive the money needs to be found'.
2 August 2007	DEEWR accepts an interim solution and offers to pay \$400 000 for IT costs only.
10 August 2007	DEEWR and Centrelink meet to discuss options.
14 August 2007	Centrelink sends DEEWR a re-costing (for IT costs only) of \$1.14 million, advising DEEWR of an 18 August deadline to accept costs, in order for the change schedule to be met.
30 August 2007	No acceptance received from DEEWR. Centrelink writes to DEEWR.
This dispute remained unresolved at December 2007, eight months after the initial change request.	
DEEWR and Centrelink subsequently reported that aspects of the issue had been resolved by February 2008.	

Source: Information from agency records and registers.

2.27 The ANAO has made a recommendation that DEEWR and Centrelink enhance dispute resolution under the BPA (see Recommendation No.1), to improve their timeliness and transparency in resolving disputed issues. This would help to avoid undue strain on agencies' resources and the cross-agency relationship. It is also important for business continuity to have efficient processes in place to resolve or escalate (when required) issues of concern.³⁸

The Business Partnership Review Group (BPRG)

2.28 The BPA's Core Agreement designates the Business Partnership Review Group (BPRG) as the key governance committee to oversee the effective functioning of this Agreement for the BPA. However, the BPA

³⁸ The ANAO notes that in November 2007, DEEWR introduced a revised internal process for 'Executive consideration of potential requests for Centrelink systems changes'. This was intended to minimise the number of disputes and ensure rapid resolution of matters requiring negotiation with Centrelink.

contained no protocol on the organisation or functioning of the BPRG. There were also no current, specific Terms of Reference for the BPRG, although the Core Agreement provided the group's purpose and a general context of operation (Table 2.5).

Table 2.5

Purpose of the BPRG

The purpose of the BPRG is to facilitate an effective partnership between DEEWR and Centrelink by:

- a) ensuring the coordination of key activities;
- b) monitoring the overall direction of the relationship;
- c) monitoring performance in the delivery of services;
- d) resolving local issues that have national significance;
- e) promoting early engagement and development of strategic issues;
- f) providing a forum for discussion between senior managers on significant issues of mutual interest;
- g) endorsing any changes to this Agreement (in accordance with the provisions of the Change Management protocol); and
- h) making decisions based on recommendations from the supporting committees and working groups.

Source: DEEWR–Centrelink BPA 2006–09, section 8.2.

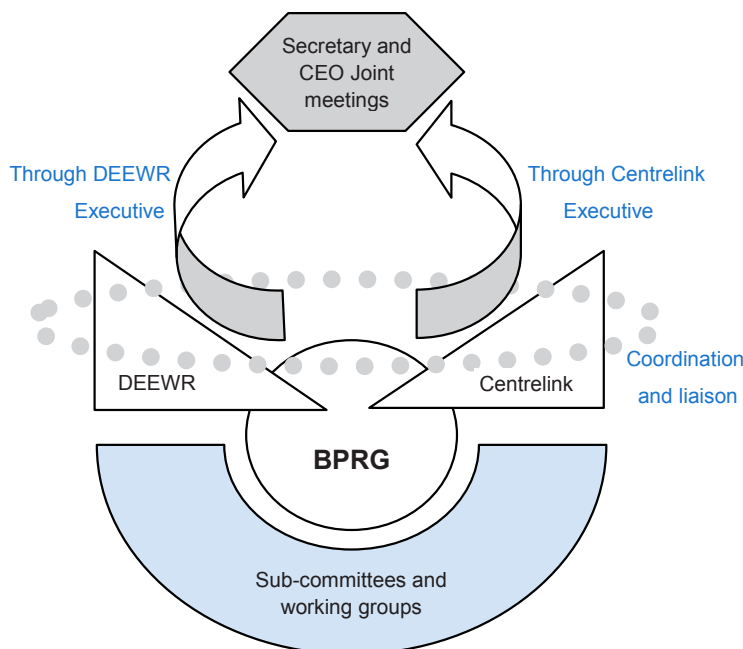
2.29 The BPRG was functioning as a DEEWR–Centrelink joint committee. It was co-chaired by the DEEWR and Centrelink Agreement Managers³⁹ on an alternate basis. Membership varied from meeting to meeting depending on the issues for discussion.

2.30 Figure 2.1 shows the interaction of the BPRG with its sub-committees, DEEWR and Centrelink coordination areas, and executive levels.

³⁹ BPA Managers are SES Band 1 officers.

Figure 2.1

Governance arrangements through the BPRG



Source: ANAO

Notes: DEEWR Executive refers to First Assistant Secretaries and Deputy Secretaries. Centrelink Executive refers to Program Managers and the National Managers.

The dotted line indicates the interagency coordination and liaison which is facilitated through the DEEWR and Centrelink liaison teams. These teams coordinate information from their respective operational and policy areas to inform the BPRG, and through this the agencies' senior managers.

Clarifying the responsibilities of the BPRG

2.31 Table 2.6 assesses the structure and functioning of the BPRG. The BPRG has a significant role in managing the BPA and the DEEWR–Centrelink relationship. However, while it was apparent that the committee was meeting regularly, there was not sufficient indication that it was fully meeting its obligations as outlined in the BPA and its Protocols (refer to Table 2.5 and 2.6).

Table 2.6**The Business Partnership Review Group (BPRG)**

Criteria	Criteria met	ANAO findings/comments
Agreed Terms of Reference	Largely Met	The BPRG's purpose and context are included in the BPA Core Document, but the BPRG had no current terms of reference or operational protocol.
Agreed core membership	Partially met	The BPRG is a joint DEEWR–Centrelink committee. There is no core membership described other than the DEEWR and Centrelink BPA managers. It was not clear how decisions were made given the fluctuating membership (both in areas represented and numbers).
Meetings are held regularly	Largely met	Monthly meetings, according to a planned schedule.
Meetings are minuted and records are kept	Largely met	Minutes were kept of BPRG meetings, and included action lists. However, BPRG business was frequently discussed outside of normal meetings, and meeting minutes did not always record out-of-session decisions or progress of activities.
Agenda papers are circulated prior to the meeting to allow consideration and review	Partially met	Papers were not always distributed prior to meetings. This can have an impact on the readiness of those in attendance to engage in useful discussion, and to ensure that all information is discussed. ANAO attended one BPRG meeting (its duration 45 minutes). Papers were not all circulated prior to the meeting, and little or no discussion of reports occurred.
Establishes and monitors sub-committees and working groups	Partially met	The BPA states that 'The BPRG will establish the sub-committees it requires to assist in the overseeing of this Agreement. The role, membership, reporting requirements and duration of such sub-committees will be agreed by the BPRG.' Terms of Reference and work plans were not always in place and monitoring by BPRG was inconsistent. The purpose and functions of working groups and sub-committees needed to be defined earlier, with clear reporting lines and timeframes for key work.
BPRG monitors progress of significant issues	Partially met	<p>There was monitoring of issues through:</p> <ul style="list-style-type: none"> • DEEWR and Centrelink liaison areas and their change and issues registers; • action item lists incorporated into the BPRG minutes; • monitoring and follow-up of action items by DEEWR and Centrelink secretariat areas between BPRG meetings. <p>However, as out-of-session actions or decisions were not always recorded in BPRG minutes, the audit trail for decisions was not consistently visible. For purposes of consistency and future reference, it is preferable to report out-of-session decisions and actions.</p> <p>The BPRG's practice of requesting sub-committees and working groups to report 'by exception' can be an efficient option when committees are running smoothly and consistently achieving their goals. However, it also carries a risk of allowing lack of progress to go unnoticed. For new or re-established committees that do not have a proven track record, there would be benefit in BPRG setting monthly reporting requirements. This is more likely to alert the BPA Managers to areas of slippage against time lines earlier.</p>
The committee has a defined duration, a review date and review methodology.	Partially met	The BPRG functions are revised as part of the BPA negotiations, but no formal review or evaluation to determine the effectiveness of the BPRG was evident in the last five years.

Source: ANAO analysis.

2.32 To ensure the progression of important issues and work priorities, there would be benefit in DEEWR and Centrelink developing more defined terms of reference for the BPRG, and strengthening guidance on the establishing and monitoring its sub-committees (see Recommendation No.1). There would also be benefit in the BPRG clarifying and documenting its own reporting requirements and specifying its information and reporting needs of other committees. These steps will help to maintain business continuity.

2.33 The BPRG's Terms of Reference and other procedures supporting the BPRG should include clearer guidance on:

- core membership and balance of membership (for example, key people required, and the number of members from DEEWR and Centrelink for debate of key issues);
- the BPRG's decision-making and consultation processes;
- the establishment of working groups including development of their terms of reference, appointment of relevant members and monitoring requirements; and
- inter-agency dispute resolution arrangements.

2.34 The ANAO also suggests that, to improve the transparency of the BPRG, DEEWR and Centrelink BPA Managers (BPRG co-chairs) also consider:

- including out-of-session decisions and key activities in BPRG minutes; and
- identifying and documenting outstanding or impending strategic activities, and a framework for progressing these that includes timeframes, regular monitoring, and a risk-based approach to priority setting.

3. Configuration of the 2006–09 BPA

This chapter examines the structure and content of the Business Partnership Agreement and how well it supports the DEEWR–Centrelink partnership.

3.1 The BPA and its supporting documents set out the parameters, rules, and standards that DEEWR and Centrelink agree to uphold in their pursuit of meeting Government outcomes for provision of employment services. Agreed protocols and guidelines are intended to provide sufficient information on which to base key business interactions and standards of operation between DEEWR and Centrelink.

3.2 It is often difficult to strike the correct balance between detail and succinctness when constructing inter-agency agreements. Too much information can make the Agreement unwieldy, while insufficient information can lead to ambiguity or oversight in program administration. It is essential that information is appropriate, accurate, up-to-date, clear, and structured in a logical, unambiguous way, to circumvent misinterpretation or uncertainty.

3.3 There are three main components of the 2006–09 BPA:

The Core Agreement

The Core Agreement describes the purpose and principles underpinning DEEWR’s relationship with Centrelink. It outlines DEEWR and Centrelink roles, including the governance, consultative and dispute arrangements, and explains variations to the agreement and termination conditions.

The protocols

The Core Agreement also makes reference to the 17 protocols that form the agreement, including three interagency protocols on audit, debt and data sharing; and

The BPA policy guides⁴⁰

There are 29 policy guides for the services Centrelink delivers for working age payments, labour market programs and increased workforce participation (DEEWR Outcomes 7 and 8).

3.4 In addition to these three main components, several other key documents were appended to, or worked in conjunction with, the BPA. The effective functioning of the business partnership depended on all of these

⁴⁰ Also see Appendix 5.

sources of information being in place. The ANAO examined the Core Agreement, protocols, policy guides and other key documents which support the implementation of the business partnership, to determine whether they provided adequate support to the DEEWR–Centrelink partnership.

The Core Agreement

3.5 The ANAO assessed the DEEWR–Centrelink BPA against criteria useful in constructing Agreements. Table 3.1 presents the ANAO’s findings.

Table 3.1

ANAO analysis of the 2006–09 BPA

Criteria The BPA defines/contains:	Criteria met	ANAO comments/findings
The parties to the Agreement	Met	Stated under section 1 of the Core Agreement.
The objective of the Agreement	Met	Stated under section 3 of the Core Agreement.
The legislative and/or policy basis of the Agreement	Partially met	Section 11 of the Core Agreement briefly refers to the legal/policy basis for service delivery under the BPA. A more comprehensive list would help to make links with key supporting legislation. Policy guides contained broad but inconsistent reference to legislation.
Roles and responsibilities of each party to the Agreement	Largely Met	Core Agreement sections 4 and 5 state broadly the agencies’ roles. The protocols and policy guides provide further details.
Details of the services to be provided	Partially met	It was not possible to gauge from the BPA the extent of services provided by Centrelink. A list of services at section 12.1 of the Core Agreement was not inclusive and written in very broad terms. The BPA lacked a comprehensive list of the payments (or programs) to be delivered, and did not explain clearly the other employment services Centrelink provided for DEEWR. Information was included in specific policy guides, but these documents did not directly correlate to the list at section 12.1.
Funding arrangements and the value of the services to be provided	Partially met	The level of Centrelink funding for provision of services to DEEWR is not specified in the Core Agreement or the protocols. This information is provided in the Portfolio Budget Statements. The financial management protocol provides some guidance on financial processes but it was not comprehensive. The protocol referred to the Centrelink Funding Model (CFM) (see Chapter 4).
Principles applying to the Agreement	Met	Stated under section 2 of the Core Agreement.
The duration of the	Met	The Agreement commenced on 1 July 2006 and expires on 30

Criteria The BPA defines/contains:	Criteria met	ANAO comments/findings
Agreement and process for reviewing or renegotiating the Agreement		June 2009. Negotiations for a new three-year Agreement were expected to commence by October 2008. ⁴¹
Governance arrangements	Largely met	Section 8 of the Core Agreement defines the scope of the BPRG, the key governing committee. Previous BPAs have also included a list of sub-committees (and their terms of reference). This was not the case with the 2006–09 BPA, but would have been a useful inclusion.
Processes for resolving disputes by either agency	Partially met	As mentioned earlier (Chapter 2), there was no protocol for managing disputes between DEEWR and Centrelink. Section 10 of the Core Agreement provides only minimal information for dispute resolution.
Related key documents and where these are located	Partially met	Several documents, integral to the understanding, context and implementation of the BPA and its associated functions were either not attached, readily accessible or complete. It would be useful if there was a comprehensive list of all attachments to the BPA, including where these are located.
Terminology and acronyms	Largely met	A list of acronyms was included following the protocols. This contained most terms but should be updated. Some terms not included were: Community Development Employment Program (CDEP), Business Partnership Review Group (BPRG), Vocational Rehabilitation Service (VRS) and Providers of Australian Government Employment Services (PAGES).
Key performance indicators (KPIs)	Partially met	KPIs are explained in a KPI protocol. Several KPIs were under development or review. This meant that performance was not measured for some program elements (see Chapter 6).
Performance reporting and requirements for management information	Partially met	There was no list of key management reports required under the BPA. Section 15.5 of the Core Agreement refers to an annual review of management information, but there was no evidence that this was occurring (see Chapter 5).
Agreement Managers and contact officers in each agency	Partially met	Agreement Managers were defined. However, references to contact officers in specific protocols and policy guides were not kept up-to-date. This made it difficult to determine who was responsible for specific functions or policy areas.
Protocols, which are kept up-to-date	Partially met	Protocols were attached. They were not consistently updated on an ongoing basis (as required).
Policy guides, which are kept up-to-date	Partially met	While the full compliment of policy guides was attached to the Core Agreement, several were not up-to-date.
Other supporting documents or frameworks are listed, up-to-date and accessible to all parties under the BPA	Partially met	There are many other documents that support the BPA. These were not all readily accessible, and some were under development or out of date.

Source: ANAO analysis. Criteria were derived from a variety of sources, including the Management Advisory Committee 4, *Connecting Government: Whole of Government Responses to Australian Priority Challenges*, 2004; and ANAO, *Better Practice Guide—Contract Management*, 2001.

⁴¹ Centrelink advised the ANAO in June 2008 that, in light of the December 2007 machinery of government changes, Centrelink and DEEWR were negotiating an interim 2008–09 BPA which they expected to sign in August 2008. DEEWR and Centrelink would be negotiating a new 2009–11 BPA during that term.

3.6 Overall, the structure of the Core Agreement was suitable, providing a reasonable summary of the necessary information on which to base a business partnership. However greater clarity and specificity would strengthen governance, and improve efficiency and benefits under the partnership. It is therefore suggested that agencies include in the BPA:

- a complete list of the programs and payments (that is, allowances and benefits) covered under the BPA;
- a list of key services Centrelink is to deliver under the BPA with better linkage to the policy guides;
- a schedule of all relevant attachments and essential supporting documents to the BPA;
- a timetable for reviews and specific document development (for example SLAs) required under the BPA; for tracking purposes; and
- a current list of business owners and/or contact officers for protocols and policy guides.

The protocols

3.7 A comparison of the 2003–06 and 2006–09 BPAs shows that the number of protocols increased from seven to 17 (Table 3.2).

Table 3.2

Protocols included in the 2003–06 and 2006–09 BPAs

2003–06 BPA	2006–09 BPA
<ul style="list-style-type: none"> • Communication, Consultation and Cooperation • Data Reconciliation • Policy Development and Implementation • Forms, Publications and Mail house Letters • Handling of Customer Complaints and Suggestions • Privacy and Records Keeping • Information Technology Infrastructure Services 	<ul style="list-style-type: none"> • Information Technology Services • Protocol for the Release of Social Security Information • Management Information • Key Performance Indicators • Business Assurance • Change Management • Ministerial and Parliamentary • Exchange of Information • Financial Management • Legal Services • Audit • Fraud Control and Investigation Services • Debt Management • Major Projects • Products and Publications • Complaints Handling • Recovery of NEIS Debts Using Centrepay

Source: DEEWR–Centrelink BPAs for 2003–06 and 2006–09.

Note: In addition to the protocols listed above, the 2003–06 BPA included as separate schedules: an Outcome Outputs Framework; and a Business Intelligence Framework. Equivalent documents were not included in the 2006–09 BPA.

3.8 The 17 protocols were attached to the Core Agreement, and accessible to both Centrelink and DEEWR staff through their respective intranet sites. The general concept of the protocols was sound and there had obviously been considerable effort put into their development. They generally follow an agreed structure using a template, although some variation from this, at times, resulted in useful information being omitted. Detail varied across the different protocols, as did the effectiveness of the individual documents to convey processes, regulations and policy. However, overall, the protocols were a useful addition to the BPA, and constituted a more comprehensive description of the administrative framework for the 2006–09 BPA.

The process for developing protocols

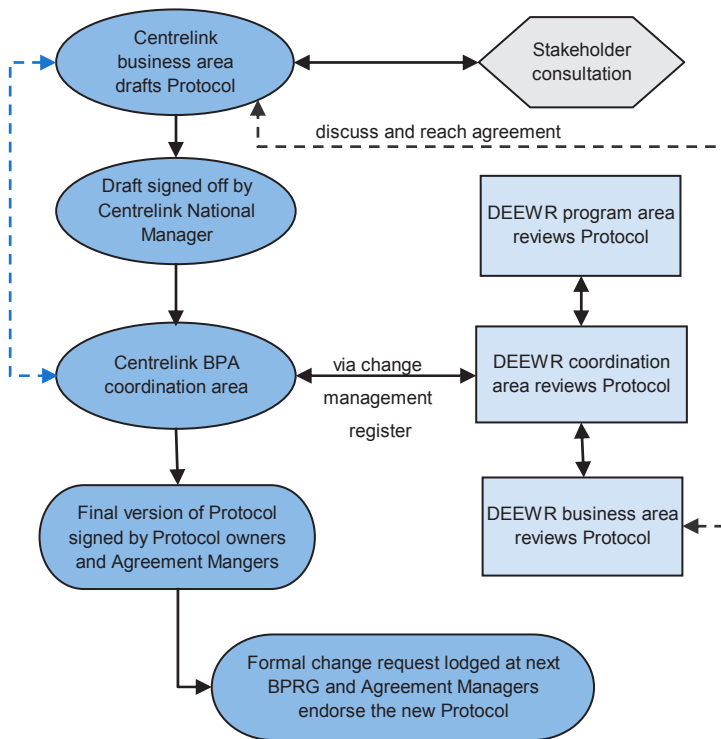
3.9 DEEWR and Centrelink had agreed a process for developing and reviewing the protocols (Figure 3.1) which included consultation within and between the two agencies.⁴²

3.10 The development or review of protocols could be quite a lengthy process. For example, an annual review of the protocols commenced in July 2007 was still progressing in November 2007, with only two protocols completed and signed off by both agencies as at 16 November.

3.11 DEEWR described the 2006–09 BPA to the ANAO as a living document, constantly under review. However, just one year into the BPA, the ANAO found that several of the protocols were out of date or incorrect.

3.12 DEEWR and Centrelink officers across several functional areas use the protocols to define boundaries and functions relevant to their cross-agency relationship, and to outline processes that both agencies expect to be followed. If protocols are intended to provide an effective administrative framework for both agencies and encourage consistency of processes, it is important that they be kept as accurate and up-to-date as possible (see Recommendation No.1).

⁴² This process was not documented as part of the BPA protocols. Centrelink produced a flow chart of the process, at ANAO's request. This was used to produce Figure 3.1.

Figure 3.1**Process for developing BPA protocols**

Source: ANAO, from information provided by Centrelink and DEEWR.

Note: Centrelink had responsibility for coordinating the review of protocols while DEEWR had responsibility for reviewing the BPA's policy guides.

3.13 Table 3.3 illustrates useful criteria for establishing protocols. The ANAO assessed the BPA's process against these criteria.

Table 3.3**Criteria for developing administrative protocols**

Criteria Each protocol:	Criteria met	ANAO comments on the BPA protocols
Has a defined purpose	Met	
States relevant legislation	Largely met	Particular Acts are stated where relevant but little if any detail beyond this is given.
Makes reference to other related documents, protocols or Agreements	Partially met	Most related protocols are cross-referenced. Related documents were not always cited, available and/or finalised.
Is focused on an essential function/process	Partially met	Most protocols addressed key administrative functions. Risk management and dispute resolution were amongst issues not covered sufficiently by protocols.
Identifies agencies' roles and responsibilities clearly	Largely met	There were some instances where roles should have been more clearly defined.
Identifies parties to the protocol	Largely met	Main parties were usually identified but associated parties need to be included. This might be particular committees, other departments (for example the Department of Human Services—DHS).
Specifies business owners or contact officers in each agency responsible for each protocol	Largely met	Each protocol specified a business owner; however, in several protocols these were not up-to-date.
Is regularly reviewed	Largely met	There is an annual review of protocols, but ongoing updates were less obvious. More regular updating of protocols would assist in keeping them more up-to-date.
Is developed and reviewed according to a defined process	Largely met	There was an agreed, though largely undocumented, process for developing and reviewing protocols. Both agencies' coordination areas were aware of a common process. Better understanding and business continuity would be assured if the general process for developing and updating protocols was included in the BPA protocols.
Is agreed by both agencies and appropriately endorsed	Met	Protocols are co-signed by the BPA Managers in DEEWR and Centrelink, and endorsed by the BPRG.
Are accessible to both agencies	Met	Copies of protocols were located on DEEWR and Centrelink internal websites.

Source: ANAO analysis of the 2006–09 BPA Protocols 1 to 17.

The policy guides

3.14 The 2006–09 BPA contains 29 policy guides, which are intended to outline DEEWR's specifications for Centrelink's delivery of working age payment related services. The ANAO examined the policy guides in August 2007 (one year into the term of the 2006–09 BPA) to determine if they were being kept up-to-date and contained accurate and useful information. Concurrent with this analysis, several staff from DEEWR and Centrelink were asked what they saw as the purpose of the policy guides, whether they were familiar with the process for preparing them, and what checking mechanisms were in place to ensure that the policy guides were consistent with Centrelink's *e-reference*, the *Guide to Social Security Law*, and the *Social Security Act 1991*. Table 3.4 provides a summary of the ANAO's findings.

Table 3.4

ANAO analysis of the 2006–09 BPA policy guides

Audit question/criterion	Criteria met	ANAO's finding/comment
Policy guides were all completed by signing of the BPA	Not met	Five policy guides (PGs) were approved after the BPA had been signed: PG 6 (August 2007); PG 7 (October 2006); PG 11 (September 2006); PG 14 (October 2006); and PG 23 (June 2007).
There is a structured and agreed process for developing policy guides	Partially met	DEEWR's process was similar to the process for developing protocols, but tended to involve greater consultation and coordination with policy and program areas across DEEWR and Centrelink. It was not clear how cross-checking of information between groups was ensured, or whether there was a consistent approach established across DEEWR program areas.
The target audience and purpose of the policy guide are clear	Not met	There is a need for DEEWR and Centrelink to ensure that the purpose of the policy guides is clear to both agencies, and that they are written to target those individuals who need to use them. Considerable effort went into developing policy guides, but it was not clear what use or benefit each had.
Policy guides are updated on an ongoing basis according to an agreed process	Partially met	There was an inconsistent approach to updating policy guides. Several were not updated in light of changes to Government policy for working aged payments. In particular, amendments were not made to reflect Government changes to legislation and policy in June 2007, affecting at least three policy guides. This led to inconsistency between the policy guides, <i>e-reference</i> and the <i>Guide to Social Security Law</i> .
There is a process to check for consistency of documentation with Centrelink processes	Partially met	There was not a uniform approach to agencies' confirmation of information in <i>e-reference</i> against the policy guides or other DEEWR policy.
An agreed template or formula for content is followed	Partially met	The policy guides generally had a similar structure, although the detail of functional specifications was variable. Not all policy guides included a clear description of the roles and responsibilities of both agencies.

Audit question/criterion	Criteria met	ANAO's finding/comment
Business owners are identified for each policy guide	Partially met	Each policy guide identifies the responsible business area. However, a large number of these were not current.
Each policy guide follows the agreed clearance and sign-off process	Met	Each policy guide follows a sequence for DEEWR and Centrelink approval, with final sign-off given by the Business Partnership Review Group (BPRG).
The legislative or policy basis of each policy guide is specified	Partially met	Most policy guides make general reference to the <i>Social Security Act 1991</i> , but do not provide more specific reference to relevant sections of the Act. Often it was not apparent whether policy guides were legislatively based, or based solely on DEEWR policy.

Source: ANAO analysis and interviews with DEEWR and Centrelink.

3.15 Overall, the ANAO found the policy guides a useful concept. They had the potential to provide clarity around the roles and responsibilities of DEEWR and Centrelink and specific detail about essential aspects of DEEWR policy and service requirements. However, there were several limitations and weaknesses in the current set of policy guides (summarised in Table 3.5).

Table 3.5

Limitations and weaknesses in the Policy Guides

- There was not a consistent understanding of the purpose of the policy guides across DEEWR and Centrelink. The most common view was that policy guides should set out the agencies' roles and responsibilities and the scope of the work to be done.
- The BPA Core Agreement gave no overarching definition of policy guides. DEEWR's website simply stated 'there are 29 policy guides for the services Centrelink delivers for working age payments, labour market programs and increased workforce participation....'
- There was not a shared understanding within DEEWR of the process for reviewing policy guides or for cross-checking content against other documentation. A documented process would assist in ensuring that policy guides are accurate and updated regularly.
- DEEWR advised the ANAO that it was responsible for developing and updating the policy guides, and for notifying Centrelink of any changes so that *e-reference* can be updated. It was Centrelink's responsibility to update *e-reference*. The ANAO's analysis showed that the policy guides were not kept up-to-date, and that discrepancies sometimes occurred between policy guides and *e-reference*.
- Not all policy guides described the roles of both agencies.
- Policy guides contained few (and non-specific) references to the legislative basis of the policies therein.
- Policy guides bore little correlation to the 'Range of Services' list at section 12 of the Core Agreement. This made it very difficult to determine what services were actually supposed to be delivered under the BPA.
- Policy guides did not always specify requirements for performance information.

Source: ANAO analysis of the 2006–09 BPA Policy Guides.

3.16 Policy guides are intended to provide Centrelink with important information about agency roles and responsibilities, and should contain sufficient and accurate information to assist Centrelink. Consistency between

information in policy guides and equivalent topics in *e-reference* is necessary to prevent confusion in policy and procedural advice available to Centrelink staff. The ANAO's analysis showed that policy guides were not up-to-date and at times contained inaccurate or incomplete information. The ANAO has recommended that the BPA's essential supporting documentation is kept up-to-date (see Recommendation No. 1). This is particularly relevant to the BPA's suite of policy guides.

Other documents supporting the BPA

3.17 The BPA is not a stand-alone document, and contains many references to other documents, some of which are referred to as attachments to the BPA. The ANAO tested the completeness, availability and relevance of related documents and specified attachments to the BPA. Table 3.6 relates the ANAO's findings.

3.18 Of particular concern was that of the five supporting Service Level Agreements (SLAs), four of which were listed therein, only two were finalised—the SLAs for *Debt Management* and *IT Services*. DEEWR advised the ANAO that the SLAs for *Fraud Control and Investigation Services*, *Legal Services*, and *Random Sample Surveys* were still under development.⁴³ In effect, this indicated that agreement on significant interagency processes had not been reached. Therefore, there was no certainty that: both agencies had the same understanding of service level requirements; DEEWR or Centrelink were consistently applying DEEWR policy; or measurement of performance was appropriate.

⁴³ Information confirmed with DEWR November 2007.

Table 3.6**Documents supporting the 2006–09 BPA**

Document	ANAO comments
DEEWR and Centrelink Service Charters	Available on DEEWR and Centrelink web sites respectively
Social Security Act 1991	Available through the websites: < www.comlaw.gov.au and www.fahcsia.gov.au >
Guide to Social Security Law	Available through the website: < www.fahcsia.gov.au >
Other legislation	Other legislation was mentioned throughout the BPA but there was no comprehensive reference list or instructions about where to find the relevant legislation.
Assurance Expectation Matrices (AEMs)	The AEMs are meant to be attachments to the BPA business assurance protocol, but are not attached or up-to-date. Chapter 5 discusses the AEMs in more detail.
Business Assurance Framework	None was included in the 2006–09 BPA. See Chapter 5.
Service Level Agreements	The BPA is meant to be supported by five SLAs. One year into the 2006–09 BPA, only two SLAs had been finalised. The other three were still under development (see paragraph 3.18).
Process Maps	There were process maps for many of the Centrelink processes. DEEWR had engaged in a substantial process with Centrelink staff to produce over 180 process maps. However, agencies did not agree on the usefulness or intended purpose of process maps.
Centrelink Funding Model (CFM)	The Centrelink Funding Model is the basis for determining funding for Centrelink services on behalf of DEEWR (and other policy agencies). There were unresolved issues surrounding the funding model and implementation of recommendations from the most recent CFM review (an in-confidence report of May 2007). An interagency working group had been established to examine these matters. Chapter 4 discusses this further.

Source: ANAO analysis of DEEWR and Centrelink documentation

3.19 Given the incomplete and, in many instances, out of date suite of documents comprising and supporting the BPA, the ANAO considers that DEEWR has not fully implemented Recommendation 2 of ANAO Audit Report No.51 2004–05 *DEEWR's oversight of Job Network services to job seekers*, that it ensure the BPA is complete and kept up-to-date. This situation needs to be rectified in order for Centrelink to deliver services accurately and for DEEWR to fairly assess Centrelink performance (Recommendation No.1).

Recommendation No.1

3.20 To strengthen governance arrangements and information supporting the Business Partnership, the ANAO recommends that DEEWR and Centrelink:

- clearly define agencies' roles and responsibilities under the Business Partnership Agreement (BPA), including strategic roles, and the role of the Business Partnership Review Group (BPRG) particularly in establishing and monitoring its sub-committees;
- enhance dispute resolution arrangements under the BPA; and
- complete the BPAs' supporting documents, and implement a systematic process to make sure that the BPA is kept up-to-date and accurate.

Centrelink response: *Agreed.*

DEEWR response: *Agreed.*

DEEWR has recognised the need for clarification of the role of the Business Partnership Review Group (BPRG) and for closer oversight of sub-committees and working groups by BPRG. Improved arrangements have been implemented in co-operation with Centrelink. New arrangements have also been put in place to more rapidly escalate and resolve any issue that may otherwise be subject to potentially prolonged negotiation.

DEEWR considers that in all essential respects, accuracy and completeness of the BPA has been consistently maintained. In addition, DEEWR and Centrelink work in close co-operation to ensure that regardless of any requirement for the update of BPA materials or the ongoing negotiation of related matters, all Government programs, services and policies are successfully delivered. The delivery of services and programs is managed through interagency governance arrangements broader than those set out in the BPA. These broader arrangements are demonstrably effective in assuring the delivery of Government policies and programs.

ANAO comment:

The recommendation is directed to maintaining the currency of the BPA and its supporting documents in recognition of their importance in articulating the nature and scope of the roles and responsibilities of each signatory agency.

4. Financial Management

This chapter examines financial management under the Business Partnership Agreement.

The financial setting

4.1 The Department of Education, Employment and Workplace Relations (DEEWR) ‘purchases’ working age employment services from Centrelink on behalf of the Government⁴⁴. Money for service delivery and payment of allowances is appropriated to DEEWR, and then paid by DEEWR to Centrelink⁴⁵ according to agreed schedules and processes. The Business Partnership Agreement (BPA), as the purchaser-provider basis for this task, should reflect the current legislation and government procedures for appropriate management of funds.

4.2 Financial management under the 2006–09 Business Partnership Agreement (BPA) occurs within the context of the *Financial Management and Accountability Act 1997* (FMA Act).⁴⁶ The FMA Act provides a framework for the proper use and management of public money. It covers a number of corporate governance and accountability requirements of the Commonwealth, including the responsibility of chief executives for promoting the efficient, effective and ethical use of Commonwealth resources.⁴⁷ The Government’s procurement guidelines also set out requirements for managing purchaser-provider arrangements.⁴⁸ These principles are applicable to agency–agency agreements.⁴⁹

4.3 The ANAO examined DEEWR’s and Centrelink’s financial administration under the 2006–09 BPA, and how particular strengths and weaknesses affected the DEEWR–Centrelink relationship and assurance processes under the BPA.

⁴⁴ DEEWR and Centrelink are part of the same legal entity—the Commonwealth of Australia.

⁴⁵ In addition to money Centrelink receives from service purchaser-policy agencies, the Government also directly funds Centrelink for infrastructure.

⁴⁶ *Financial Management and Accountability Act 1997*.

⁴⁷ *Financial Management and Accountability Act 1997*, Part 7, Section 44, p. 30.

⁴⁸ Department of Finance and Deregulation, *Financial Management Guidance No.1, Commonwealth Procurement Guidelines*, Canberra, January 2005.

⁴⁹ DEEWR and Centrelink are entities of the Commonwealth of Australia.

Financial administration under the 2006–09 BPA

Funding for Centrelink services

4.4 DEEWR's Portfolio Budget Statements report the budgeted and actual funding for services provided by Centrelink. DEEWR's total estimated appropriation for 2007–08 was \$1 522.5 million. Of this, an estimated \$946 million was for DEEWR to pay Centrelink service delivery, which included operating expenses (68.5 per cent), new policy proposals (31.1 per cent) and third party costs (0.4 per cent).⁵⁰ DEEWR also provides Centrelink with the funds (as administered appropriations) to cover actual income support and allowances made to working age beneficiaries (approximately \$21.8 billion for 2007–08).⁵¹

4.5 As mentioned in Chapter 3, the clarity of the BPA could be improved by providing a complete list of the services to be delivered by Centrelink. More clearly conveying the magnitude of the cross-agency commitment and providing a definitive record of the services agreed at the time the BPA was signed, may assist DEEWR and Centrelink in negotiating funding changes to the BPA, when, for example, DEEWR requires additional or a reduction in services, or when savings need to be identified.

Defining financial processes under the BPA

4.6 Under the 2006–09 BPA, management of financial matters is defined through:

- section 21 of the Core Agreement, which states that DEEWR provides funding to Centrelink for the provision of services, new policies and programs;
- Protocol 9—Financial Management, which outlines price setting and payment arrangements between Centrelink and DEEWR; and
- the Centrelink Funding Model (CFM)⁵², which is identified under the Core Agreement as the mechanism for costing Centrelink services.

⁵⁰ Breakdown of budget based on DEEWR's 2007–08 Monthly Forecast/Payments Schedule.

⁵¹ DEWR Portfolio Budget Statements 2007–08, pp. 38–39.

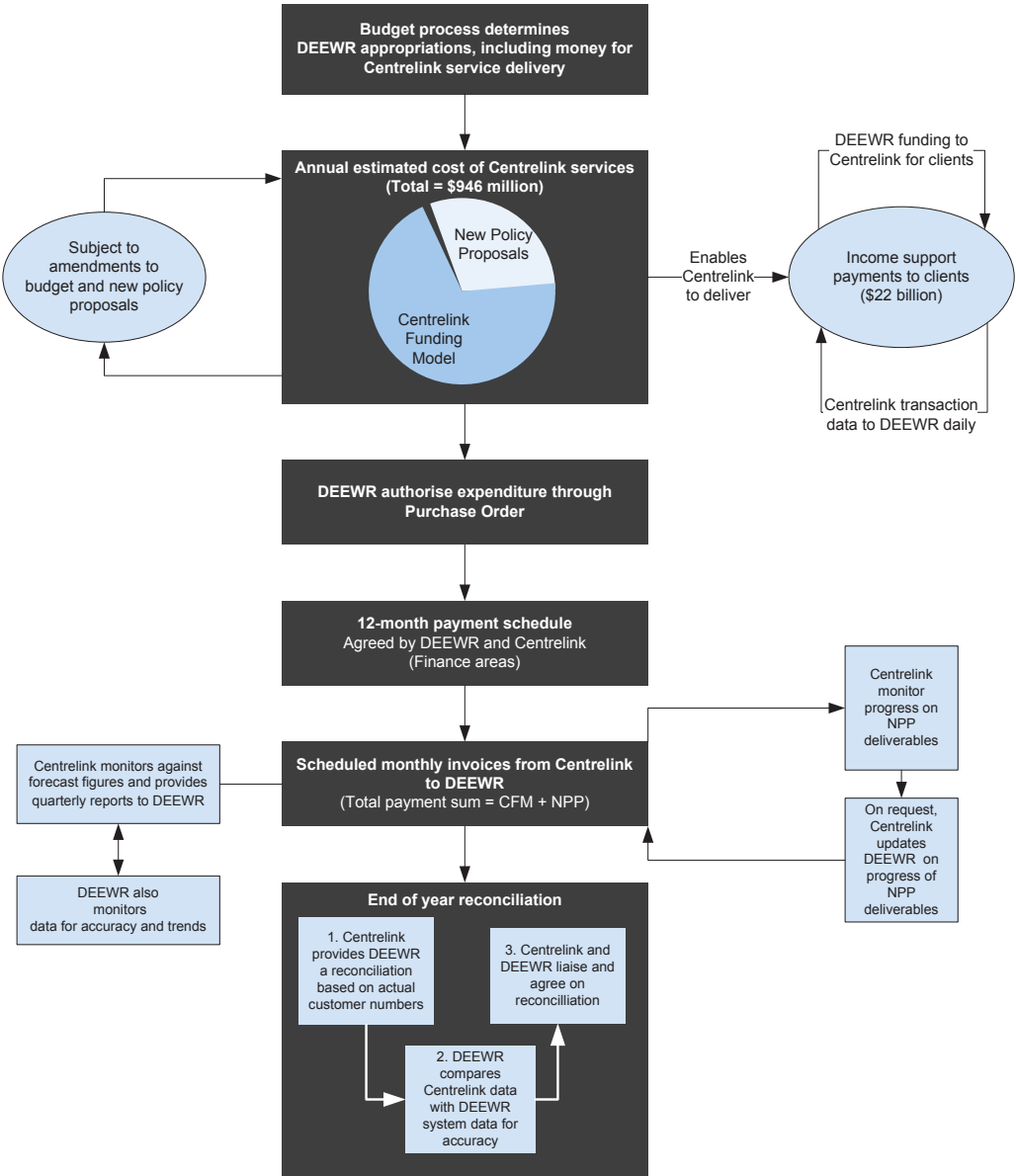
⁵² The Centrelink Funding Model is a Cabinet-endorsed, cost-based method for funding Centrelink services.

4.7 Protocol 9 also states that the Business Partnership Review Group (BPRG) governs the financial management of the BPA. Day-to-day management is the responsibility of DEEWR's *Centrelink Funding Team* and Centrelink's *Budgeting and Management Accounting Branch*. DEEWR's *Additional Estimates and Costing Branch* and Centrelink's *Budgeting and Management Accounting Branch* are responsible for the costing of policy proposals.

4.8 The protocol is limited in its explanation of the BPA's financial framework, serving more as an index to other documents and processes, rather than a comprehensive overview of cross-agency financial matters. The protocol would be more useful if it provided a more thorough and transparent overview of financial management, including responsibilities under the BPA.

4.9 Key steps in DEEWR's and Centrelink's financial management of working age payments are depicted in Figure 4.1. This figure shows two main categories of funding (the Centrelink Funding Model and New Policy Proposals) and the sequence of events in administering these funds. The ANAO examined each component of the process, including their underlying principles. Findings are presented in the remainder of this chapter.

Figure 4.1
Key steps in financial management under the BPA



Source: Figure compiled by ANAO using DEEWR Portfolio Budget Statements 2007–08 and information provided by DEEWR and Centrelink.

Note: Funding shown is for the 2006–07 financial year. Centrelink Funding Model funding = \$647.5 million; New Policy Proposals = \$294.5 million; third portion of pie chart = \$4 million third party costs.

The Centrelink Funding Model

Purpose of the funding model

4.10 The Centrelink Funding Model (CFM) is the mechanism used to provide Centrelink with sufficient revenue to cover its total operating expenses. The CFM was designed to provide a uniform approach for service-purchasing departments to fund Centrelink.⁵³ It became operational on 1 July 2004. Since then it has been the subject of continuous multi-agency reviews to improve its operability and ensure that it meets its objectives of providing:

- transparency of costs;
- increased accountability;
- certainty and stability of funding arrangements for Centrelink; and
- simplicity of funding arrangements.

4.11 The BPA refers to the CFM as a source of information for financial arrangements under the BPA. In 2007, a review of the CFM made a number of significant recommendations. During the audit, work was underway across the agencies to address these.⁵⁴ The ANAO also noted that a CFM Principles Paper had been prepared as part of the CFM Working Group's continuing work program. Principles therein were intended to form the 'primary reference point for funding the services specified in the business agreements between Centrelink and purchasing agencies'.⁵⁵ The CFM Principles Paper also stated, 'If there is inconsistency between these principles and the business agreements, these principles will prevail'. However, as at August 2008 the Principles Paper had not been endorsed, and both DEEWR and Centrelink reported that it did not take precedent over the BPA.⁵⁶

4.12 Unresolved aspects of the CFM, and inconsistency between the Principles Paper and the CFM review report, impacted on DEEWR and Centrelink's common understanding of financial arrangements under the BPA. Particular areas of uncertainty included: Centrelink's infrastructure funding;

⁵³ Previous purchasing departments included DEWR, FaCSIA and DEST. The largest proportion of Centrelink's service funding now comes from DEEWR and FaHCSIA.

⁵⁴ A further report on the operation of the CFM is due by July 2009.

⁵⁵ Centrelink Principles Paper, v3.0 September 2007, p. 4.

⁵⁶ Confirmed by Centrelink, DEEWR and DHS, at a meeting with the ANAO on 4 August 2008.

out-of-date customer activity ratios (CARs); the use and value of process maps; and DEEWR's handling of unearned revenue situations.

4.13 These issues are explained in the remainder of the chapter. While individually these issues are not significant, collectively (and certainly if persistent over time) they have the potential to affect the effectiveness, reliability and endurance of the cross-agency relationship.

Infrastructure funding for Centrelink

4.14 Payments to Centrelink are calculated according to the CFM's two components:

- infrastructure; and
- transaction variable funding.

4.15 Infrastructure costs are usually fixed costs that cover the resources supporting service delivery and have no direct relationship with changes in work volumes or customer numbers. They include such elements as information technology infrastructure, property, depreciation and Centrelink National Support Office costs.

4.16 Prior to the 2006–09 BPA, Centrelink received its infrastructure funding from the then FaCSIA and its variable costs from individual purchasing departments. On 27 April 2006, the Government changed this arrangement, with funding for fixed costs directly appropriated to Centrelink and variable costs continuing to be appropriated to policy departments. In the 2006–07 Budget, Centrelink received direct appropriations of \$657.5 million for infrastructure.⁵⁷

4.17 Early in the audit, DEEWR and Centrelink expressed differences in their understanding of infrastructure costs. In part, this stemmed from a lack of clarity on what constituted infrastructure. During the audit, the ANAO was advised that to provide greater transparency for Centrelink and its purchasing agencies, the Department of Finance and Deregulation (Finance) had undertaken a review to develop a set of agreed principles to underpin fixed and variable costs, and provided clarification to agencies in late 2007.⁵⁸

⁵⁷ *Portfolio Budget Statements, Department of Human Services, 2007–08*, p. 78.

⁵⁸ Information from the Department of Human Services, April 2008.

Transaction variable funding

4.18 Transaction variable funding covers activity in relation to Centrelink’s service deliverables for major customer groups and is, therefore, aligned to each purchasing department’s outputs, such as the number of claims processed, rather than particular inputs, such as staff salaries. Transaction variable funding therefore has a direct relationship with service demand.

4.19 A forward estimate of transaction variable funds is calculated using population forecasts and historical statistical data. The estimates are updated annually by Centrelink for changes in forecast populations using the formula detailed in Table 4.1.

Table 4.1

Updating the CFM transaction variable forward estimates

The formula used to update the transaction variable forward estimates is:

Changes in forecast annual customer population X CAR for 2002–03 X indexed unit cost

Where:

- customer populations used are provided by DEEWR. The forecast annual customer population for each service is compared to the previous year’s customer population base. The gross movement between years is calculated, and adjusted to remove the impact of policy-driven customer changes, to leave the primary demand-driven customer movements;
- the Customer Activity Ratio (CAR) for each client group represents the average workload per customer calculated from the year of the last CFM rebase. This is calculated by the volume of CFM process points per client group in that year divided by the average number of customers for that client group. A process point reflects five minutes of effort. The amount of effort expended by Centrelink is calculated by multiplying the total number of transactions for a cost driver by their Relative Effort Weight (REW). The REW represents the average number of five-minute time periods required to complete a process. Centrelink’s Security Monitoring and Logging system (SECMON) is used as an indicator of time taken to capture a wide range of customer transactions; and
- the unit cost is the cost per process point of five minutes of work. The unit cost and the change in customer population for each service is multiplied by the agreed 2002–03 CAR for that service and the annual unit cost to arrive at the funding change required for each of the forward years.

Source: ANAO, from the CFM Principles Paper and Centrelink’s CFM Forecasting Model Description.

4.20 There were three areas of contention identified between DEEWR and Centrelink regarding transaction variable funding. These concerned:

- use of out-of-date Customer Activity Ratio (CARs);
- the intent, use and currency of process maps; and

- the basis and level of general service elements known as the Operational Services Component (OSC).

Customer Activity Ratios

4.21 Calculation of the 2006–07 and 2007–08 CFM forecasts used the 2002–03 CAR. This CAR was out-of-date, as it did not reflect changes in services, changes in demand, or efficiencies in delivery in the five years since its development. For example, the 2002–03 CAR did not take account of: increased time Centrelink staff spent processing long-term unemployed clients; or changes in the complexity of processes introduced under *Welfare to Work* reforms (as these were post-2004).

4.22 Using outdated CARs increased the risk that funding forecasts would not be accurate estimates of services to be delivered by Centrelink in the coming year (see Table 4.2). To overcome this, the 2002–03 CARs need to be recalculated based on more current data. The ANAO noted that, as part of the CFM review, a rebasing exercise had been undertaken using 2005–06 data. However, the rebased CARs were not agreed in time to be used for the 2006–07 reconciliation.⁵⁹ DEEWR commented that:

Purchasing Departments had expressed concern over their lack of involvement in the rebasing process and the increase in the unit cost. They proposed a further review in which they were fully involved in the rebasing exercise.⁶⁰

Table 4.2

Forward year Centrelink CFM funding changes for services to DEEWR per the 2007–08 Budget (2002–03 parameters)

This table shows the estimated change for each forward year in transaction variable funding for Centrelink as at 2007–08. Estimated falls in populations for services, when compared to the previous year’s forecast, and a consequent fall in demand, has led to an annual estimated decrease in Centrelink’s transaction variable revenue from DEEWR in each of the forward years.

Revenue change	2007–08	2008–09	2009–10	2010–11
DEEWR	-\$105 151 905	-\$114 751 725	-\$119 355 443	-\$117 153 846

Source: DEEWR: 2007–08 CFM Forecast.

⁵⁹ Given that the new CARs were not agreed by the interagency CFM Working Group, the Department of Finance and Deregulation agreed to the use of the 2002–03 CAR for 2006–07 reconciliation.

⁶⁰ Comment from DEEWR on the s19 report received by the ANAO 31 July 2008.

4.23 The ANAO made a recommendation that Centrelink, in collaboration with appropriate purchasing agencies the Department of Human Services (DHS) and Finance, undertake rebasing and recalculation of the CAR and revise it more regularly to reflect significant changes in policy and procedure for employment services. This will assist in achieving more accurate forecasts and reconciliations.⁶¹

Process maps

4.24 Process maps depict the broad actions and decisions taken by Centrelink staff in providing services funded by DEEWR. They can also be a useful reference for staff needing to understand specific processes (for example, for process changes or efficiency purposes).

4.25 Centrelink and DEEWR were reviewing the process maps, but at the time of the audit this was not complete.⁶² Revision of process maps was not required under the 2006–09 BPA, but had been an exercise undertaken during the review of the CFM. Notwithstanding this, DEEWR and Centrelink did not share the same view on the intent or usefulness of process maps. In particular, Centrelink reported that it used SECMON (refer to previous Table 4.1), an automated system, to provide data on the time taken to complete different transactions. DEEWR was firmer in its belief that the process maps were necessary for costing purposes.

4.26 The formulation of process maps is a detailed and resource intensive matter.⁶³ It is therefore important that the intent and value of process maps be resolved and an agreed process for their use and review be put in place.

4.27 The ANAO considers that DEEWR and Centrelink should properly evaluate the need for process maps, giving due consideration to: the benefits of process maps; whether they assist purchasing agencies and/or Centrelink in service delivery and service efficiency; and whether SECMON or another system can provide equivalent (or complimentary) data for costing purposes. If the agencies decide that process maps are useful then they should ensure that

⁶¹ Agencies advised that the CARs were being rebased as part of the latest CFM Review, and that this included updating the CARs to reflect changes in Centrelink's operations.

⁶² Agencies advised the ANAO in July 2008 that a review of process maps was completed for 2007–08.

⁶³ The CFM Review report also noted that the previous mapping exercise 'proved resource intensive for both Centrelink and purchasing departments, with the benefits yet to be fully determined.'

the maps are kept up-to-date, to accurately reflect current processes (see Recommendation No.2).⁶⁴

Operational Services Component

4.28 The CFM includes an Operational Services Component (OSC), which comprises those elements of Centrelink's work that are not included within other specified cost drivers. This is usually because they are not readily captured through normal mainframe transactions.

4.29 The OSC is incorporated into the CFM as a set proportion based upon each service's relative share of process points, excluding general enquiries. As a general principle, the level of the OSC is kept to a minimum, to ensure transparency of costs. The CFM review reported that the CFM was 15.9 per cent of the CFM.

4.30 Uncertainty concerning the OSC is to be addressed as part of the forward work plan of the CFM Interagency working group.⁶⁵

Invoicing—calculation and payment of the service fee to Centrelink

4.31 A monthly payment schedule is agreed at the beginning of the financial year between DEEWR and Centrelink. The schedule is based on the total budgeted amounts for CFM funding, New Policy Proposals and third party costs, apportioned monthly and amended as necessary to reflect Additional Estimates or adjustments made as a result of the reconciliation process (see previous Figure 4.1).

4.32 Budget measures and other changes are apportioned on the same basis as CFM funding (that is, over time) rather than according to delivery schedules. This arbitrary apportionment of New Policy Proposals over time renders it necessary to introduce a system of monthly monitoring of deliverables for New Policy Proposals, and tracking outstanding deliverables, to overcome the difficulties in reconciling funding with undelivered non-CFM services at year-end (discussed later).

⁶⁴ ANAO noted that the CFM Review Recommendation 13 indicates that process maps should undergo a cost-benefit analysis and/or possibly review as part of normal BPA negotiations.

⁶⁵ Advice from Centrelink, DEEWR and DHS, at ANAO meeting of 4 August 2008.

Year-end reconciliation

4.33 Centrelink carries out an annual reconciliation of its budgeted forecast transaction variable funding against the actual services delivered, to enable final determination of funding. Protocol 9 of the BPA stated:

Transaction-based items will be reconciled under the Centrelink Funding Model in June of each financial year, using agreed data sources and the model’s principles. If necessary, funding will be adjusted during the reconciliation process. Reconciliation will be based upon actual process points for the period 1 July to 30 April each year and an estimate of process points for the period 1 May to 30 June each year.

4.34 Reconciliation for 2006–07 did not conform to this requirement, and Centrelink and DEEWR advised the ANAO that this was because the BPA’s information was out-of-date.⁶⁶ The 2006–07 reconciliation was carried out on the basis of customer populations and outdated levels of demand (the 2002–03 CARs mentioned previously). The ANAO noted a significant variation in the reconciliation amount in 2006–07 compared with that of 2005–06 (Table 4.3), which was done according to the BPA methodology.

Table 4.3

CFM funding reconciliation for 2005–06 and 2006–07

Year	Method	Variance against budget
2005–06	Reconciliation based on transactional data for 10 months, and extrapolated for the remaining 2 months (excluding process points relating to budget measures).	-\$3 176 252
2006–07	Reconciliation based on average 12 months customer populations and 2002–03 CARs	-\$78 690 032

Source: DEEWR

4.35 The CFM Review proposed that a rebased CAR be used to calculate the average workload per customer. However, as the rebased CAR had not been formally agreed prior to the 2006–07 reconciliation, the outdated 2002–03 CAR were used. It was unclear whether the use of outdated CARs had contributed to the resulting return to DEEWR of \$78.7 million (or approximately 11 per cent of the budgeted CFM funding for that year), compared with \$3.2 million in the previous year. Centrelink commented that:

⁶⁶ In July 2008 Centrelink confirmed that ‘The description of the reconciliation process in the BPA is out of date. This paragraph has been removed from the [2008–09] Interim BPA. Centrelink carries out an annual reconciliation of its budgeted forecast transaction variable funding against the actual services delivered, to enable final determination of funding.’

using rebased CARs may have actually increased the reconciliation amount. The main factor in the large CFM reconciliation amount for 2006–07 was the overestimation of *Newstart* and *Youth Allowance Other* customer population forecasts by [then] DEWR. The outdated CAR was not responsible for the large variation in the reconciliation result between 2005–06 and 2006–07.⁶⁷

4.36 DEEWR advised the ANAO that:

transaction data are provided by Centrelink to DEEWR in quarterly and annual CFM Transaction Variable Reports. Actual customer numbers are available from systems records. Centrelink reports these annually to DEEWR for the final reconciliation. DEEWR and Centrelink also monitor customer numbers during the year and therefore are aware of potential variances. The actual payment schedule is not amended until after formal process such as Additional Estimates or the Budget and following the royal assent to the Appropriation Bill. Payment adjustments are based on updated customer number forecasts provided by Treasury pre-ERC and any new policy proposals at Additional Estimates or the Budget. Earlier revision of the payment schedule is therefore not necessarily desirable, as customer numbers can change for a variety of reasons including seasonal variation and changed policy priorities.

4.37 The ANAO acknowledges the constraints and difficulties around estimates and reconciliation. However, to ensure that staff across agencies have a common understanding of key processes, the BPA and other supporting documentation should be kept up to date, and processes and methodologies clearly defined and documented.

Assurance process for New Policy Proposals

4.38 As detailed at paragraph 4.4 and Figure 4.1, approximately 31 per cent of the service fee paid by DEEWR to Centrelink is for New Policy Proposals—budget measures which are funded outside the CFM. These New Policy Proposal costings are agreed to by the Cabinet and are currently subject to review and recommendation by the CFM Review Working Group.

⁶⁷ Centrelink's written comments to the s19 report and discussions with the ANAO at 4 August meeting.

Assurance over service fees paid to Centrelink for New Policy Proposals

4.39 The service fee paid by DEEWR to Centrelink for New Policy Proposals is not reconciled using transaction data (as it falls outside the CFM). In its audit of DEEWR's financial statements for 2006–07, the ANAO found that:

- monitoring service delivery for New Policy Proposals did not follow a well-defined process. There was 'scope to further develop the identification of the risks and key controls, to enhance existing monitoring processes'.

4.40 While DEEWR monitored implementation of New Policy at a high level through management committees and working groups, there was limited consolidation of information on outstanding deliverables until close to the end of the financial year. Individual Centrelink project managers provided their DEEWR counterparts with updates on the progress of projects as they saw fit; Centrelink provided no overall status summary to DEEWR during the course of the year; and DEEWR's Centrelink Funding Team did not monitor the projects.⁶⁸ DEEWR had not routinely requested status reports from Centrelink, although it did seek advice on the status of non-delivered items close to financial year-end.

4.41 As a result, DEEWR had insufficient information to assure itself that the monies DEEWR paid throughout the year for New Policy implementation reflected the status of agreed deliverables. In 2005–06 and 2006–07, non-delivery of New Policy related work by Centrelink had contributed to an 'unearned revenue' situation, with DEEWR holding back final payments from Centrelink (see example in Table 4.4). Prolonged negotiations ensued to resolve completion of undelivered work by Centrelink, and to determine whether roll-over of funds should occur.

Management of unearned revenue situations

4.42 The BPA does not contain penalties, for instance, where Centrelink is late or can not deliver services on behalf of DEEWR. However, the BPA does

⁶⁸ Correspondence between DEEWR and ANAO leading up to the 2006–07 financial audit had indicated that while confirmation of progress was the responsibility of the relevant business areas in DEEWR, DEEWR's Centrelink Funding Team was to be responsible for introducing and coordinating procedures to monitor deliverables for New Policy Proposals, and so estimate and track any outstanding deliverables on the part of Centrelink.

make provision for holding back payment until agreed work is completed or renegotiated. In particular, section 21.4 of the BPA's Core Agreement defines:

Funding appropriated to the Department for Budget initiatives impacting on Centrelink service delivery will be paid to Centrelink, with the exception of where some of the activities associated with the initiatives are not delivered in the relevant year. In this case, the Department and Centrelink will, as part of the Agreement, agree whether these activities are to be delivered in future years and Centrelink will be paid for those activities that are required to be delivered in future years in accordance with the calculation of costs during the Budget process.

4.43 The ANAO examined agencies' processes for end-of-year reconciliation of New Policy deliverables against the requirements of the BPA. Overall, the process for unearned revenue situations was not clearly defined, and respective actions taken were not mutually agreeable to DEEWR and Centrelink at the time (see Table 4.4).

Table 4.4

Example: Roll-over of funds for services not delivered by Centrelink in the 2005–06 financial year

<p>Example: In March 2006, Centrelink informed DEEWR that \$12.8 million of <i>Welfare to Work</i> deliverables were at risk of non-delivery by the end of the 2005–06 financial year.</p> <p>On 29 June 2006, DEEWR wrote to Centrelink that it would hold back payment of \$16.2 million, of which \$12.3 million were <i>Welfare to Work</i> measures:</p> <p>...the quantum of the services that have not been delivered are, in our view, not able to be reliably measured (we would need an analysis of the original costing of the measures in question and what components have not been delivered) and we have not yet made a decision as to which services we want delivered next year.</p> <p>After considerable subsequent negotiation, \$12.3 million of the amount withheld from 2005–06 was added to the Budget for 2006–07 in relation to <i>Welfare to Work</i> (almost the full amount) to be delivered in that financial period.</p>
<p>ANAO comments: <i>In analysing the above example, the ANAO observed several weaknesses in agencies' management of the purchaser–provider arrangements, including management of financial and service delivery risks under the BPA. In particular:</i></p> <ul style="list-style-type: none">• <i>DEEWR was not aware of which deliverables Centrelink had not delivered, indicating that monitoring of New Policy Proposals by DEEWR could be strengthened;</i>• <i>meetings between DEEWR and Centrelink had occurred regularly throughout 2006–07 and yet had not alerted DEEWR to earlier action on slippage of Centrelink's delivery of services;</i>• <i>the BPRG, as the committee overseeing financial matters, might have been expected to act sooner in identifying delays or problems;</i>• <i>Centrelink was notified that its funding was to be reduced before agencies had resolved or identified which work was to go ahead; and</i>• <i>the sum of money involved was relatively small compared to the total Welfare to Work commitment. However, both agencies indicated that extensive discussions were held to resolve the issue. This raises questions about efficiency of process.</i>

Source: ANAO analysis of DEEWR and Centrelink correspondence and documentation.

4.44 At the close of the 2006–07 financial year, \$1.2 million of services outside the CFM component had not been delivered by Centrelink to DEEWR. DEEWR wrote to Centrelink:

As previously advised, the Department will not be entering into an Unearned Revenue situation for 2006–07 funding. Should the Department decide that activities originally scheduled in 2006–07 need to be performed in the next financial year, funding will need to be met from 2007–08 activities. This means that savings will need to be identified to fund the activities that Centrelink were unable to deliver in 2006–07.⁶⁹

4.45 The ANAO noted that DEEWR's action for 2006–07 was inconsistent with the process undertaken in 2005–06 (see Table 4.4). There was also some inconsistency with the BPA process in terms of timing and agreeing on future

⁶⁹ Letter from DEEWR to Centrelink 28 June 2007.

deliverables during the budget process (see paragraph 4.41). This variation had contributed to different expectations in DEEWR and Centrelink, and disagreement about the process because there had not been agreement reached on revised deliverables prior to DEEWR holding back funds. Internal Centrelink documents indicated that the 2005–06 incident had impacted on Centrelink’s efficiency in delivering services.

4.46 The ANAO recommends that DEEWR and Centrelink examine the sequence of events regarding incidents of unearned revenue and put in place processes for earlier warning of delays, including better monitoring of deliverable (see Recommendation No.2). Careful rewording of the BPA to reflect agreed financial management procedures and expectations would also help to avoid difficulties or inter-agency misunderstandings at year-end. While ANAO acknowledges that DEEWR has a range of formal structures for monitoring Centrelink’s implementation of new policy initiatives, through more regular, centralised monitoring of the progress of New Policy deliverables, DEEWR would improve its accountability and be alerted to difficulties earlier.

Recommendation No.2

4.47 To improve DEEWR and Centrelink’s accountability of financial management under the Business Partnership Agreement (BPA), the ANAO recommends that:

- DEEWR strengthen its monitoring of the status of deliverables outside the scope of the Centrelink Funding Model, particularly New Policy Proposals;
- both agencies amend the financial management protocol to reflect all key aspects of the financial arrangements between DEEWR and Centrelink;
- Centrelink, in collaboration with appropriate purchasing agencies, the Department of Human Services and the Department of Finance and Deregulation, revise the Customer Activity Ratio (CAR) more frequently, to reflect significant changes in policy and procedure for employment services; and
- both agencies evaluate the purpose, need, and procedures for developing process maps, taking DEEWR’s and Centrelink’s perspective into consideration.

Centrelink response: *Agreed*

In relation to the 4th dot point Centrelink believes that the purpose and need for the process maps needs to be clearly established and only then if appropriate should procedures for their further development be put in place.

DEEWR response: *Agreed*

DEEWR agrees with the recommendation to improve financial management under the BPA. DEEWR closely monitors the implementation of services by Centrelink through interagency governance arrangements that fall outside the more narrow administrative focus of the BPA. However, we believe there is potential to improve the way in which expenditure on the services delivered by Centrelink for DEEWR is monitored, particularly in the context of new policy measures. We are also keen to ensure the earliest possible identification of any instance in which Centrelink may be unable to implement required changes to customer service or participation arrangements within the expected timeframes.

The implementation of improved financial management arrangements would depend upon Centrelink's capacity to provide earlier and more detailed information to DEEWR. DEEWR will continue to work with Centrelink and the other relevant agencies to enhance the Centrelink funding arrangements and assure the effective delivery of services purchased by the Department.

5. Business Assurance and Managing Risks

This chapter examines whether DEEWR and Centrelink have implemented appropriate business assurance under the 2006–09 Business Partnership Agreement.

The role of business assurance

5.1 Business assurance is a necessary component of all agencies' accountability functions. For cross-agency agreements, well defined, structured business assurance helps agencies' to ensure that service delivery and program elements can be monitored, and their performance assessed and improved. Business assurance practices typically entail: conducting comprehensive risk assessments; evaluation of control framework effectiveness; adhering to agreed procedures; and providing management information.

5.2 Risk management is central to business assurance: it ensures that high-level risks to successful delivery of payments and services are adequately identified and controlled. Management information that confirms whether controls are working, or that progress is achieved against planned objectives and outcomes, also provides assurance.

5.3 The ANAO examined the extent and coordination of business assurance activities in DEEWR and Centrelink and how well these contributed to overall confidence that DEEWR objectives and outcomes (as specified in the BPA) were being met. In particular, the audit considered:

- development of a business assurance framework for working age payments;
- governance arrangements for business assurance under the BPA;
- the value of Assurance Expectation Matrices (AEMs);
- risk management under the BPA;.
- other key business assurance functions; and
- management information.

Developing an effective business assurance framework

5.4 Machinery of government changes in 2004 and the introduction of *Welfare to Work* initiatives, marked major changes in the management of employment programs, presenting DEEWR and Centrelink with a sizeable challenge in reviewing existing business assurance and establishing new inter-agency arrangements.

5.5 While there had been a Business Assurance Framework (the BAF) between Centrelink and FaCSIA (formerly responsible for many aspects of working age programs), this was not adopted in whole by DEEWR. Indeed, with the extent of changes occurring throughout 2005 and 2006, there was cause to review business assurance practices and develop a new framework, more attuned to current risks and liabilities.

5.6 With this in mind, the ANAO assessed DEEWR's progress in developing business assurance under the DEEWR–Centrelink BPA. Table 5.1 sets out the ANAO's findings against specific criteria.

Table 5.1

Analysis of business assurance arrangements

Criteria	Criteria met	ANAO comment/finding
The purchaser department and service provider agency have a shared understanding of business assurance	Partially met	DEEWR and Centrelink had a common understanding of business assurance in so far as it involved a requirement for reasonable (but not absolute) assurance, and that it was a risk management process where the level of risk determined the level of assurance needed. There were differing views on the need for DEEWR-specific performance measures (see paragraph 5.9).
There is a business assurance framework to ensure coordinated and targeted business assurance activity	Partially met	Internally, DEEWR did not have a formalised strategy or comprehensive framework for business assurance under the BPA. There was also no cross-agency business assurance framework as such for working age payments, or a strategy to consolidate and coordinate existing activities. DEEWR and Centrelink had agreed Assurance Expectation Matrices (AEMs), but these were an incomplete framework for assurance activities.
Joint governance mechanisms are established and work effectively	Partially met	The 2006–BPA establishes the Business Partnership Review Group (BPRG) as the steering committee for business assurance, and its Business Assurance Sub-Committee (BASC) as the main avenue for planning and managing business assurance under the BPA. Both committees had joint DEEWR–Centrelink membership. However, neither had a strong focus on developing business assurance under the 2006–09 BPA.

Criteria	Criteria met	ANAO comment/finding
Agencies' roles and responsibilities for business assurance are defined	Partially met	The BPA and its protocols specified agency responsibilities for particular areas of business assurance (for example, audit, debt management, and key performance indicators). However, there was not clear delineation of responsibility for overall coordination of business assurance in DEEWR including the business assurance review and development of the cross-agency framework.
There is effective coordination of assurance activities and reports	Partially met	Individual program areas in DEEWR and Centrelink communicated on activities and reports. However, there was no centralised coordination point for tracking or collating information or consolidated record of activities and reports required. Business assurance process therefore lacked transparency. Ineffective coordination and monitoring of reporting against the Assurance Expectation Matrices (AEMs) affected: ready access to reports; follow-up on overdue reports; and the transparency and accountability of processes underpinning Centrelink's Annual Assurance Statement to DEEWR.
Assurance activities are broader than audit	Met	The 2005–06 AEMs guiding most of the business assurance activity include audit as one of nineteen components.
Audit assurance is independent and relevant	Partially met	Both DEEWR and Centrelink conduct independent internal audits relevant to administration under the BPA. Historically there was little formal basis for sharing of audit information and exchange of information had been piecemeal with no central exchange point. However, advances were made during the audit, with both agencies collaborating to provide better exchange of audit information and review the BPA's Audit Protocol.
Both formal and informal controls are in place	Partially met	Overall, the ANAO observed formal identification of risks and controls, but inconsistent formal risk monitoring, reviewing and reporting. Where risk controls are reported, they are not monitored by a central area within DEEWR or consistently referred to a joint forum such as BASC. There was limited presence of 'inherent controls'* within BASC, with management of business assurance tending to be reactive and narrow in focus. However, more broadly, inherent controls for working age payments were evident within Centrelink. This was as expected given Centrelink's long association with administering employment-type services, and given that it was Centrelink's role to provide assurance to DEEWR under the BPA.
Business assurance includes processes to identify, assess, document and review risk	Partially met	The AEMs identify three high level risks and includes a list of risk areas and management information for related risk controls. Although useful AEMs were not complete or up-to-date. Agencies need to develop up-to-date AEMs to support business assurance, and in doing this should consider: <ul style="list-style-type: none"> • undertaking an assessment of risk, taking into account specific circumstances, for each new BPA as negotiated; • stating actual risks, rather than the existing broad reference to areas in which risks exist; and • developing a more strategic approach to determining high-level risks (including emerging risks) for inclusion in AEMs, attach priority to risks, and review them more regularly.

Criteria	Criteria met	ANAO comment/finding
Risks and controls are monitored	Partially met	<p><i>DEEWR program risks</i></p> <p>Centrelink conducts risk assessments for DEEWR program areas at specified intervals, although follow-up of risk monitoring and reporting was not explicit or systematic. The ANAO is aware that Centrelink is now well advanced in tightening its risk monitoring and reporting.</p> <p><i>Risks to effective BPA operation</i></p> <p>DEEWR was not systematically coordinating and reviewing management information reports on risk controls required under the BPA (see paragraph 5.38). DEEWR was therefore unable to demonstrate that it was sufficiently informed to determine the extent to which Centrelink was meeting the BPA requirements.</p>
Assurance and management information are shown to be reliable and accurate	Not met	<p>The AEMs do not consistently include appropriate validation tests to give confidence in Centrelink assurances and management information.</p> <p>The 2006–07 Annual Assurance Statements failed to acknowledge at least two issues affecting its assurances: the BASC's recess for six months; and gaps in Centrelink's business continuity management identified by a Centrelink internal audit in late 2006.</p>
Management information is able to show whether or not controls are working	Partially met	<p>The full suite of AEM management information reports was not available, so the ANAO was unable to fully assess the utility of the reports. Some reports that DEEWR provided did not relate to the control expectation.</p>

Source: ANAO analysis. Criteria were developed using Standards Australia/Standards New Zealand, *Risk Management Guidelines: companion to AS/NZS 4360: 2004*, HB 436: 2004; and Standards Australia, *Governance, Risk Management and Control Assurance*, HB 254: 2005.

Note * 'Inherent control' is defined on page 18 of the Standards Australia HB 254-2005 (*Governance, Risk Management and Control Assurance*) as:

Control activities that promote purpose, capability, commitment, monitoring and learning, and information throughout the organisation, including the Board, and are reliant on sound HR, ethics and communication. They occur continuously and consistently throughout the organisation, are embedded as normal management practices, and are to a large extent self-sustaining.

5.7 While the ANAO acknowledges that DEEWR and Centrelink had accomplished a large work agenda since 2004, the above findings were indicative of an incomplete, diffuse system of business assurance, lacking an agreed framework or clear plan. This reduces the level of confidence that either agency could achieve through current arrangements.

5.8 The remainder of the chapter explores areas that should be strengthened, and makes suggestions for improving business assurance arrangements under the BPA.

DEEWR and Centrelink understand assurance differently

5.9 An early observation by the ANAO was that, to a certain extent, DEEWR and Centrelink had different views on business assurance (see the example in Table 5.2). This affected progression of many aspects of business assurance under the 2005–06 and 2006–09 BPAs.⁷⁰

Table 5.2

DEEWR and Centrelink views on business assurance

There was a common understanding of business assurance, with both agencies acknowledging that it involved a:

- requirement for reasonable, not absolute, assurance; and
- risk management process—the level of risk determining the level of assurance needed.

However, Centrelink also expressed additional expectations that business assurance should be:

- related to confidence issues, not underlying performance issues; and
- mutual, with DEEWR also providing assurance on issues, such as:
 - steps taken to reduce policy complexity and ensure policy is sensitive to service delivery and payment integrity risks; and
 - DEEWR responsiveness to Centrelink requests for policy corrections and clarifications.

The BPA's Core Agreement stated that the purpose of business assurance included 'give confidence in all areas of operation under the BPA'.

Source: Audit interviews and DEEWR records.

5.10 Table 5.2 (above) reflects concerns in Centrelink about the scope of business assurance and the risks and implications of complex policy. At times, Centrelink may be vulnerable to complexities in agency policy, particularly if it has not had sufficient input or prior consultation on the policy. Employment policy was often complex and extensive, increasing the risk of misinterpretation or oversight by Centrelink.

5.11 While agencies worked collaboratively in implementing new policy directives, and resolving issues as they became apparent, there would be additional benefits in reducing policy or procedural complexity earlier in the policy development process. The ANAO suggests that in constructing its future business assurance agenda, DEEWR consider more closely policy-

⁷⁰ This refers to the transfer of working age payments from (then) FaCSIA to the (then) DEWR. Prior to these changes, the 2003–06 BPA (agreed between then FaCSIA and DEWR), had incorporated a business assurance framework (the BAF). The BAF was not continued under the 2005–06 or 2006–09 BPA between DEWR (now DEEWR) and Centrelink.

oriented risks, and with Centrelink, develop ways of managing policy and procedural complexity more collaboratively.⁷¹

Governance of business assurance under the BPA

5.12 Centrelink's responsibilities under the BPA include:

- implementing DEEWR policy to provide employment services (including payments) to job seekers; and
- providing DEEWR with assurance that services are delivered in line with DEEWR requirements.

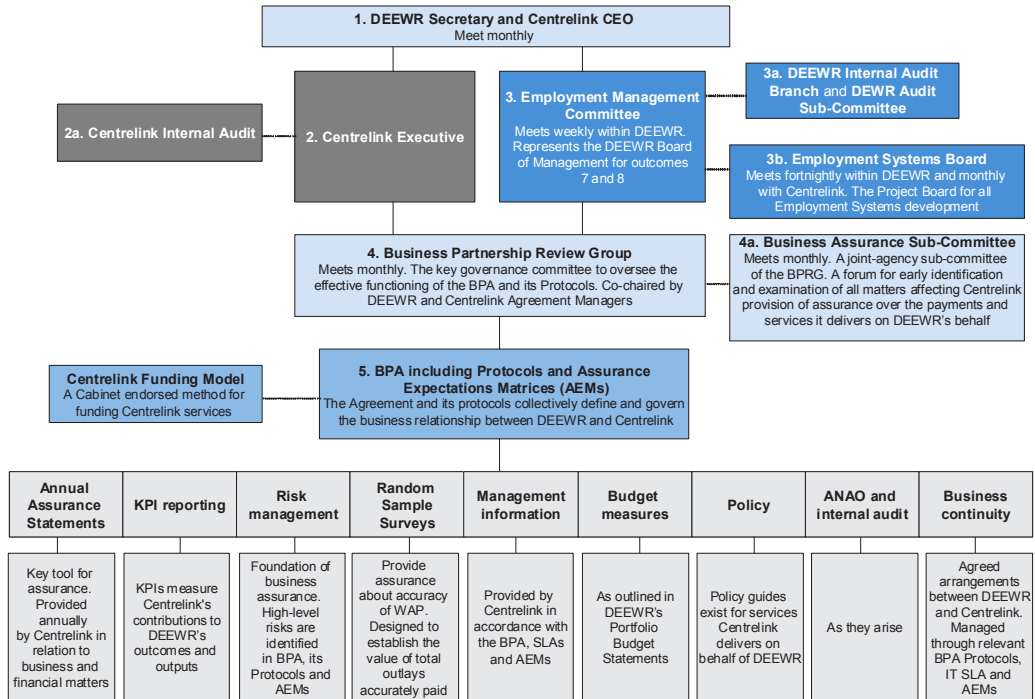
5.13 Governance arrangements for business assurance therefore needed to ensure there was a framework for targeted assurance activities, and institute processes to deal with existing and emerging risks that might undermine effective service delivery. The BPA, including its protocols and committees, provides a framework by which to expound and coordinate cross-agency business assurance. However, it was limited in explaining cross-agency governance arrangements for the full coverage of business assurance necessary to give DEEWR confidence in its own or Centrelink's performance. This is discussed below.

The existing framework

5.14 DEEWR was unable to provide the ANAO with a complete description of business assurance components under the BPA. While it was apparent that numerous business assurance activities were in train, progress had been limited in the analysis or consolidation of these into a comprehensive, planned approach. As a result, the overall transparency of assurance activities and management reporting was variable and the links between various areas of assurance were difficult to ascertain.

5.15 During the audit, DEEWR constructed the following diagram to demonstrate governance arrangements for the various components of business assurance for DEEWR programs (Figure 5.1). The figure shows the broad association of the different components of business assurance: the BPA as the umbrella for business assurance activity; the BPRG as a central conduit between these and the Executives and higher committees; and the high level interaction of agencies' internal audit.

⁷¹ Australian National Audit Office, *Implementation of Programme and Policy Initiatives: Making implementation matter*, Better Practice Guide, October 2006.

Figure 5.1**Governance structure for business assurance of working age payments**

Source: DEEWR, modified by the ANAO.

Note: While some of the complexity of the business assurance for working age programs are illustrated, the full extent of activities are not included. For example, the figure does not incorporate elements of profiling and payment compliance reviews, post-implementation reviews, or reflect the relative importance of each business assurance component.

Supporting documentation and guidance

5.16 The BPA would be enhanced by the use of flow charts and figures to help communicate the more complex administrative structures and processes associated with business assurance.

5.17 Although there was no cross-agency business assurance framework, as such, the BPA incorporated protocols covering a range of key business assurance functions.⁷² Protocol 5—Business Assurance provided a cursory overview of some key components of business assurance and listed other related protocols: Protocol 3—Management Information; Protocol 4—Key Performance Indicators (KPIs); and Protocol 11—Audit. Attachments to the BPA also included Protocol 12—Fraud Control and Investigation Services and

⁷² Note that the protocols do not correspond to specific elements in Figure 5.1.

Protocol 13—Debt Management. These gave broad overviews of their respective aspects of DEEWR–Centrelink business assurance practices. A Service Level Agreement for Fraud Control and Investigation also formed part of Protocol 12.

5.18 The Business Assurance protocol listed two governing committees for business assurance, the Business Partnership Review Group (BPRG) and its Business Assurance Sub-Committee (BASC), although it gave no details of the operation or responsibilities of these committees in regard to business assurance. This protocol also stated:

The Business Assurance Protocol is supported by an agreed approach to satisfying the Department’s needs in regard to assurance. The Assurance Expectation Matrices, which are attachments to this Protocol, detail the issues and processes which the Department requires Centrelink to address in order to provide assurance that it is managing each of the agreed high level risks.⁷³

The three agreed risks

5.19 The agencies had agreed three high level risk areas for working age payments (Table 5.3). These risk areas formed the basis of Assurance Expectations Matrices (AEMs) between DEEWR and Centrelink.

Table 5.3

High Level Risk Areas

Risk Area	Expectation against the risk area	DEEWR Outcome
Payment Integrity	Income support payments are paid accurately	7
Service Delivery	Customers receive appropriate referrals to assistance, there is active promotion of workforce participation, and job seeker activity test compliance is administered in a timely and accurate way	7 and 8
Business Continuity	Centrelink has systems in place to ensure continuity of service to Centrelink customers	7 and 8

Source: 2006–09 BPA, p71, section 10 of the Protocol 5— Business Assurance.

Note: Outcome 7 and 8 are equivalent to the previous DEWR’s Outcomes 1 and 3.

⁷³ 2006–09 BPA, section 11, p. 71.

Centrelink's business assurance framework

5.20 At an individual agency level, Centrelink had developed a Business Assurance Framework (BAF), endorsed by Centrelink management early in 2007. This was a brief, high-level document which identified assurance objectives, outlined values Centrelink intended to bring to its business, and gave a commitment to focus on key areas such as quality. Although it lacked detail, the BAF was intended as an evolving document and provided a useful foundation for Centrelink's assurance process.

Cross-agency business assurance strategy

5.21 DEEWR did not have an overarching strategy for its business assurance arrangements with Centrelink, other than the BPA and its protocols (examined previously) and the AEMs. While the BPA's Protocol 5—Business Assurance and the 2005–06 AEMs conveyed business assurance processes, both of these demonstrated weaknesses. In particular, Protocol 5 was not clear in setting out agencies' and individuals' roles and responsibilities, or timeframes, and it provided little overall perspective of cross-agency priorities for developing business assurance. The BASC, while the intended committee for key business assurance issues, had been hampered by the lack of a shared strategy, work plan and agreed terms of reference (examined later).

Review of business assurance

5.22 In November 2006, DEEWR commenced a review of its approach to business assurance with Centrelink, to cover DEEWR's new responsibilities for *Welfare to Work* initiatives. The review was intended to:

- broaden the assurance focus to wider service delivery risks, as well as payment integrity risks;
- consolidate and coordinate reporting of the range of assurance activities;
- ensure risk treatments were articulated more consistently across DEEWR; and
- strengthen governance arrangements through more strategic use of BASC.⁷⁴

⁷⁴ Department of Employment and Workplace Relations, Employment Management Committee paper, *Review of DEWR's approach to Business Assurance under the 2006–2009 DEWR–Centrelink Business Partnership Agreement*, November 2006.

5.23 The ANAO noted minimal progress of the aforementioned review at the time of the audit. DEEWR advised the ANAO that it was developing an overarching project management plan for the internal review of its approach to business assurance, however, this was still a work in progress by the close of the audit in early 2008.

The Business Assurance Sub-Committee

5.24 The Business Assurance Sub-Committee (BASC) is a sub-committee of the Business Partnership Review Group (BPRG). It is comprised of DEEWR and Centrelink staff drawn mainly from their liaison, payment and business integrity areas. Prior to July 2006, the BASC had a designated role to play in developing the 2005–06 AEMs and the 2006–09 Business Assurance protocol. However, more recently the BASC had not met requirements under the BPA (Table 5.4).

Table 5.4

The BASC was not meeting BPA requirements

According to section 4 of Protocol 5, business assurance is a standing item on the agenda of the BPRG and there is regular reporting against the three Assurance Expectations Matrices (AEMs).⁷⁵ However, ANAO's examination of BPRG minutes showed that the BPRG received only two of the approximately thirty ongoing reports relating to the AEMs—the KPI and major project status reports—and otherwise gave no explicit consideration to the AEMs.

Furthermore, according to Protocol 4—KPIs, the BASC was required to discuss monthly KPI reports. DEEWR records did not substantiate whether this had occurred.

Source: ANAO analysis.

5.25 Since July 2006, the BASC had experienced difficulty in several areas:

- defining its role in determining the effectiveness of existing risk management strategies and KPIs, and in identifying emerging risks;
- engaging with Centrelink on the identification of key risks; and
- setting a schedule and priorities for key pieces of work required for a robust and consolidated assurance framework—either internally or cross-agency.

⁷⁵ Three Assurance Expectations Matrices (AEMs) were agreed between DEWR and Centrelink in June 2006—these set out control expectations and reporting requirements relating to three identified high-level risk areas under the BPA: payment integrity, service delivery and business continuity.

5.26 After its September 2006 meeting, the BASC was suspended for six months, as DEEWR wanted to focus on an internal review of its business assurance requirements (see paragraph 5.25). At this time, DEEWR noted weaknesses in the BASC (Table 5.5).

Table 5.5

DEEWR comments on the BASC

A draft DEEWR paper prepared in November 2006 proposed an alternative business assurance structure (that has not been adopted) and noted some shortcomings with 'the current governance arrangements regarding the BASC':

- '...the BASC meetings are limited in their time and number of attendees meaning that most issues cannot be discussed in detail;
- 'Assurances and Management Information is usually received outside of this meeting and often not discussed...in reality, the majority of assurance is garnered at line manager level and does not use the BASC for its intended purpose; and
- 'The BASC is often rescheduled due to the unavailability of one of the many attendees.'

Source: DEEWR documents.

5.27 Under the 2006–09 BPA, the BASC reports to the BPRG by exception. Reporting in 2007 largely focused on the ongoing development of the BASC Terms of Reference and DEEWR's decision to conduct an internal review of business assurance. While there was a large body of work to be done in several areas of business assurance (see Table 5.6), progress was often slow on key work. This placed additional risks on Centrelink, which did not have sufficient or up-to-date information about DEEWR's needs, expectations, or priorities in relation to risk management or business assurance for working age payments. Consequently, this also raised risks for DEEWR's accountability through Centrelink.

Table 5.6

Work required of the BASC

The BASC has a number of outstanding core tasks that it needs to complete, including:

- developing a cross-agency business assurance framework;
- reviewing and updating the AEMs;
- ensuring finalisation of the current assessment of payment integrity risks for DEEWR programs;
- developing and agreeing a consolidated list of business assurance activities; and
- developing and agreeing a list of standard management information reports.

Source: ANAO analysis.

5.28 As the Steering Group for business assurance, the BPRG is responsible for establishing sub-committees to help it oversee the BPA.⁷⁶ Given this, there would be benefit in the BPRG taking a more strategic approach in defining the BASC's role, focus and scope, endorsing the terms of reference and in monitoring progress of work it required of the BASC. Better definition of responsibilities and work priorities for governing committees and their sub-committees would improve progress in business assurance matters between the two agencies (also see paragraph 2.31 and Recommendation No.1).

Assurance Expectation Matrices

5.29 The Assurance Expectations Matrices (AEMs) are important attachments to the BPA's Protocol 5—Business Assurance. They constitute an agreed mechanism for Centrelink to provide assurance and management information to DEEWR under the BPA, and underpin Centrelink's Annual Assurance Statement to DEEWR. The AEMs are intended to address the three major risks agreed by DEEWR and Centrelink (see previous Table 5.3).

5.30 Table 5.7 shows key business assurance steps under the BPA and how the AEMs and Annual Assurance Statements fit within these.

5.31 The AEMs were a new inclusion in the 2005–06 BPA. While the concept was sound, the usefulness of the AEMs was diminished because they were out of date, and not well monitored. The ANAO also queried the appropriateness of retrospective application of AEMs. For instance, agencies agreed the AEMs for the 2005–06 financial year in June 2006 (just one month before the financial year-end). The AEMs should be forward-looking, set and agreed at the commencement of the financial year so that Centrelink can plan and implement the required assurance action. Retrospective setting of the AEMs undermines the principle of identifying risks and steering of business assurance activities to target and control those risks during the year.

⁷⁶ Under section 8 of the 2006–09 BPA Core Agreement.

Table 5.7

Key business assurance steps under the 2006–09 BPA

Assurance step	Assurance basis/ANAO comment
1 Major risks are identified	DEEWR and Centrelink have accepted, with modification, the major risks from the 2005–06 BPA: payment integrity, service delivery and business continuity. <i>The ANAO observed that the major risks were not identified from a formal risk assessment but through discussion at the BASC.</i>
2 Risks and controls are defined in Assurance Expectations Matrices (AEMs)	Assurance Expectation Matrices (AEMs) contain details of various control activities undertaken for three identified high risk areas. Signing of the AEMs by both agencies represents agreement on appropriate risk controls and reports. <i>The AEMs would be strengthened by defining the actual risks within each area and the connections between the specified control activities.</i>
3 Centrelink reports against the AEMs	Centrelink reports against KPIs and other reporting requirements set in the AEMs. Report frequency varies from weekly to annual, as agreed by the agencies. <i>The AEM reports listed were not current, and not all required reports were provided to DEEWR. Report recipients were not specified in AEMs or the Business Assurance Protocol.</i>
4 Reports are reviewed	<i>The ANAO expected organised coordination of the various reports specified under the AEMs, to ensure that BPRG, BASC and DEEWR program managers were regularly informed of whether Centrelink was meeting set requirements. However, there were significant gaps in DEEWR's coordination and monitoring of these reports. A planned and more systematic approach to coordination and consideration of AEM related reports from Centrelink was needed to make sure that all requirements were monitored and met under the AEMs.</i>
5 Centrelink prepares its Annual Assurance Statement	Centrelink prepared a statement and supporting report for DEEWR as assurance that AEM requirements were met for the previous financial year. In preparing the supporting report, Centrelink gathers assurances and details of risk assessments from its managers for DEEWR programs as well as data from other Centrelink areas. <i>Given the gaps in coordination and reporting indicated above, the AAS report would provide greater transparency and assurance by fully itemising the assurance work undertaken during the year, including when it occurred and its results.</i>
6 DEEWR receives assurance from Centrelink	DEEWR receives an Annual Assurance Statement (AAS) and supporting report from Centrelink in June. <i>The AAS does not reflect results of DEEWR validation activity during the year and in itself, or provide definitive assurance to DEEWR. There was little evidence of DEEWR feedback to Centrelink on the AAS or detailed discussion of it at BASC or BPRG.</i>

Source: ANAO analysis of the 2006–09 BPA Core Agreement and Protocol 5—Business Assurance. ANAO comments are in blue text.

5.32 The 2006–09 Business Assurance protocol clearly showed an intention to continue to use AEMs as a tool for managing high-level risks. As at April 2008, no new AEMs were in place, those from 2005–06 still used by default. DEEWR informed the ANAO that the AEMs were under review.

Setting clear expectations under the AEMs

5.33 The BPA states that the AEMs ‘list expectations about quality, effectiveness, financial viability, compliance with legislation, performance in relation to program outcomes, and sustainability’. ⁷⁷ In general terms, the suite of AEMs taken together reflect expectations about these various aspects, but they do not systematically either ‘list’ these expectations or explicitly describe them (see Table 5.8). The strategic intent of the AEMs would be enhanced if DEEWR and Centrelink defined the expectations, such as ‘quality’, ‘effectiveness’ and ‘sustainability’, and utilise these in prioritising risks included in the AEMs.

Table 5.8

Inclusion of defined expectations in the AEMs

'Expectations' from Protocol 5, section 12.1	Are 'expectations' included in the majority of control requirements of the AEMs?		
	Payment Integrity	Service Delivery	Business Continuity
Quality	Yes <i>Description frequently replaced by broad reference to SLA</i>	Yes	Yes <i>Cursory description</i>
Effectiveness	No	No	Yes
Financial viability	No <i>This AEM though, by definition, is broadly focused on financial viability</i>	No	No
Legislative compliance	No	No	No
Performance for program outcomes	No	No	No
Sustainability	No	No	No

Source: ANAO analysis based on the 2005–06 AEMs and section 12.1 of Protocol 5 (Business Assurance).

⁷⁷ BPA 2006–09, Section 12.1 of the Protocol 5—Business Assurance.

Reporting against the AEMs

5.34 Figure 5.2 shows the range of assurance activities reviewed by BASC and those reported to various other areas within DEEWR.

5.35 While the AEMs identified relevant management information, they did not specify who should receive particular reports on the control of risks (this could be DEEWR divisions or a joint agency forum such as the BPRG or BASC).

Figure 5.2

Reporting against the Assurance Expectation Matrices

Activities that provide assurance of Centrelink operations under the BPA are grouped below according to the major risk areas they are linked with in the 2005-06 Assurance Expectations Matrices.

Risk area 1: Payment Integrity	Risk area 2: Service Delivery	Risk area 3: Business Continuity
<p>Activities reported to/reviewed by various areas in DEEWR:</p> <ul style="list-style-type: none"> random sample surveys Centrelink internal audits relating to working age payments risk assessments for working age payments Centrelink profiling and payment compliance reviews reports on data integrity issues (by exception) on individual systems and reports provision of detailed system business specifications issues register reports major project status reports annual CFO Assurance Statement administered expenditure report quarterly reports on CFM efforts, counts and analysis 	<p>Activities reported to/reviewed by various areas in DEEWR:</p> <ul style="list-style-type: none"> exception reports on file reviews of job seekers failing to attend two scheduled Job Seeker Assessment appointments help desk service software statistical reports relating to provision of accurate information to job seekers IT reports on updating Centrelink systems for referral to complementary programmes reports on monthly testing of IT methodologies, response times and standards reports on IT targets and benchmarks Issues and Change Management register reports relating to Job Network Member service delivery issues quarterly reports of complaints against Job Network Members reports from IBM and Telstra relating to JobSearch kiosks and telephones 	<p>Activities reported to/reviewed by various areas in DEEWR:</p> <ul style="list-style-type: none"> provision of business continuity and emergency management plans exception reports where any payments are not delivered on time – relating to both customer interaction and systems
<p>Activities reported to/reviewed by Business Assurance Sub-Committee</p> <ul style="list-style-type: none"> debt raising and recovery KPIs 	<p>Activities reported to/reviewed by Business Assurance Sub-Committee</p> <ul style="list-style-type: none"> assessment and referral KPIs participation and compliance KPIs 	<p>Activities reported to/reviewed by Business Assurance Sub-Committee</p>

Source: ANAO, based on the DEEWR–Centrelink 2005–06 Assurance Expectations Matrices.

5.36 When the ANAO examined coordination and dissemination of management reports expected under the AEMs, it observed:

- a lack of overall coordination and transparency in agencies' monitoring and reporting of agreed key risk areas under the AEMs; and
- the joint agency groups governing business assurance (BASC and BPRG) were not consistently or completely informed of Centrelink performance against key area of the AEMs. They in fact sighted very few of the reports.

The Annual Assurance Statement

5.37 The information provided to DEEWR through the AEMs support Centrelink's Annual Assurance Statements (AAS) to DEEWR. The AAS is signed by Centrelink's Chief Executive Officer, and supplemented by an explanatory Annual Assurance Statement Report (AAS Report). The AAS provides assurance to DEEWR for high-level risks in accordance with the arrangements described in the AEMs.⁷⁸ The AAS Report provides written assurance against each of the quarterly assurance expectations listed in the AEMs for each of the three high risk areas.

5.38 As a means of high level assurance, the AAS was a sound concept. However, weaknesses in the coordination and monitoring of AEM reports that underpinned the AAS cast uncertainty over the accuracy of the AAS. Essentially, the AAS process is only as sound as the information that supports it. Table 5.9 shows the results of ANAO sampling of management reports.

⁷⁸ The Annual Assurance Statement by Centrelink to DEEWR is required under section 5.1 of the 2006–09 BPAs Business Assurance Protocol.

Table 5.9**Availability of management information reports**

To assess coordination of reporting and validate the AAS process, the ANAO requested a copy of 25 management information reports that were listed in the AEMs and previously received by DEEWR.⁷⁹

The following table shows the time taken to provide the ANAO with the requested reports:

Working days elapsed since request	5	10	15	20	25	30
Reports, or advice that there was no report, provided as a percentage of requested AEM management information reports	0	20%	36%	44%	72%	80%

The results show that after 30 working days, DEEWR was able to provide the ANAO with examples of 13 of these reports for the requested time period. DEEWR advised the ANAO that seven of the 25 reports were no longer provided to DEEWR (in some cases this was because the management information requirement in the AEMs was out of date).

Some of the reports provided to the ANAO did not clearly relate to the stated AEM control expectation. Several reports specified in the AEMs were not generated in practice, suggesting they were not well targeted.

Source: ANAO analysis.

5.39 Based on these results, the ANAO was unable to fully assess whether the reports were fit for purpose or of use in determining whether the AEM control expectations were met.

5.40 In October 2007, DEEWR established a new working group, reporting to the BASC. The group was to focus on a review of the AEMs and have input to the current review of the protocols and policy guides. Regardless of which body conducts the review, it needs to be done in a timely manner, with ample input from DEEWR and Centrelink. In reviewing these procedures, it is important for DEEWR to be explicit in its requirements for the preparation of AEMs and reporting to support the AAS. DEEWR must also ensure that its expectations are fully conveyed to Centrelink in sufficient time for it to act. Provisions must also be made for regular review of the AEMs and management reporting needs.

5.41 The value of the Annual Assurance Statement Report would be strengthened by:

- specifying how and when the control and reporting expectations have been met, rather than simply affirming the assurance expectations;

⁷⁹ Some additional reports in the AEMs were not requested as the ANAO had sighted them in earlier fieldwork.

- reflecting feedback received from DEEWR during the year on its validation of Centrelink's quarterly assurance, to enhance transparency and lend weight to the AAS; and
- openly reporting known weaknesses in the AEM controls, for example, the BASC disbanding and lapsing business assurance activities for six months, and gaps in Centrelink's business continuity management identified by internal audit in late 2006.

5.42 To provide the necessary assurance it is essential that the annual assurance process is transparent and accountable. The ANAO found this was not consistently the case, and has made a recommendation that DEEWR and Centrelink promptly review the AEMs and strengthen its governance in this area of business assurance (see Recommendation No.3).

Risk management under the BPA

5.43 While the AEMs are intended to address key risks under the BPA, additional risk management activities also occur under the BPA. The ANAO assessed risk management practices against key features (criteria) of an effective risk management framework (Table 5.10).

Table 5.10

Risk management under the 2006–09 BPA

Feature of effective risk management	Met	ANAO analysis/comment
There is clear and designated accountability for integrating risk management with organisational processes, and ensuring there is appropriate culture	Partially met	DEEWR and Centrelink had not established a clear risk management culture for joint agency work. The BPA did not designate accountability for integrating risk management, although individually both agencies would expect committee representatives to follow a risk management approach. Neither the BPRG nor BASC demonstrated a consistent approach to promoting integration of risk management with joint activities.
There are sound interrelationships between each element of good governance and risk management	Partially met	A lack of coordination and transparency of internal DEEWR and cross-agency business assurance affected planning and carry-through of risk management activities such as risk assessments.
Governing bodies consider risk in detail	Partially met	While both the BPRG and BASC consider risk in the context of specific issues, there were no consistent criteria for escalating issues to the BASC and BPRG. Neither committee has sufficiently comprehensive reporting requirements to ensure it was kept abreast of issues that present risks.

Feature of effective risk management	Met	ANAO analysis/comment
Risk management is embedded into planning and change management processes	Met	The Business Assurance protocol requires a risk assessment for all new business and programs. The ANAO observed assessments in documentation at different levels of operation. However, consideration of emerging risk and joint risks are areas for further development.
There is balance between responsibility for risk and ability to control the risk	Partially met	There was not clear, agreed assignment of risks between DEEWR and Centrelink. This meant that some risks may not be managed by the agency or business area most appropriately placed to do so.
Causes of risks are treated, and not just symptoms	Partially met	Centrelink risk assessments for DEEWR programs have an appropriate focus on causation. However, actual BPA risks in the AEMs are not described—the lack of clarity means that potentially some controls may relate more to symptoms than causes.
Treatment of individual risks is part of an overall treatment strategy that ensures critical interdependencies and linkages	Partially met	The use of AEMs to consolidate controls relating to similar risk areas is a useful foundation, but the AEMs do not show links or interdependencies between controls.
Treatment measures are embedded in normal business processes, activities and systems	Largely met	The AEMs have been structured in a way that leverages off existing assurance activities. However, the lack of transparency or consolidation of these activities meant there was no assurance that treatments were appropriately or systematically assessed.
Risk management aligns with overall performance requirements (indicated for example, by risk reports being used in decision-making)	Partially met	Some of the management information required under the AEMs is used to assess performance. However, for the bulk of reports, it was unclear whether they were used in overall decision making or consideration of BPA performance.

Source: ANAO analysis. Criteria were derived from: Standards Australia/Standards New Zealand, *Risk Management Guidelines: Companion to AS/NZS 4360: 2004*, HB 436: 2004; ANAO *Public Sector Governance, Volume 1, Better Practice Guide: Framework Processes and Practices*, July 2003; ANAO, *Better Practice, Business Continuity Management: Keeping the wheels in motion*, 2000.

5.44 Key issues identified in the above analysis are explored further below. The ANAO considers that enhancements in the following areas will sharpen risk management and strengthen the accountability of the DEEWR–Centrelink relationship.

Assigning responsibility for managing key risks.

5.45 The 2006–09 BPA’s Audit protocol states at section 2.1:

Under their respective Business Partnership Agreements (BPA), agencies agree with Centrelink an assignment of responsibility for managing the key risks to programs delivered through Centrelink, based on a joint assessment of whether the agency or Centrelink is in the best position to manage the risk.⁸⁰

5.46 DEEWR advised the ANAO that there was no document containing an assignment of responsibility for risk, as section 2.1 relates to internal audit functions rather than wider BPA risk management. The ANAO has made a recommendation that DEEWR and Centrelink jointly assign responsibility for key risks and document this. Such action will prevent any uncertainty, and make sure that treatment of relevant risks is not overlooked. In keeping with this, the BPA should provide clearer detail about risk management expectations, roles and responsibilities.

5.47 Some risks that fall within DEEWR’s domain may appropriately be the subject of reciprocal assurance under the BPA. Where this is the case, DEEWR must be cognisant of its own role in identifying such risks, and take precautions to mitigate these, in partnership with Centrelink. This is particularly relevant to risks associated with policy complexity, and issues concerning the management of the Job Network where there are flow-on affects for Centrelink’s service delivery.

Defining and documenting high-level risk management practices

5.48 The 2006–09 BPA did not include a dedicated risk management protocol. Protocol 5—Business Assurance describes risk management as the foundation of business assurance, but does not adequately address risk management. It also states that ‘assurance arrangements provide the Department with a level of confidence that Centrelink is controlling risks in delivery of those services purchased by the Department’.

5.49 While DEEWR and Centrelink initially identified key risk areas under the BPA, jointly they have not demonstrated effective ongoing management of these risks. Together, the agencies should aim to strengthen their risk management by:

⁸⁰ DEEWR–Centrelink 2006–09 BPA, Protocol 11—Audit, section 2.1.

- adequately identifying and documenting the key risk areas. In the AEMs the actual risks to business are not specified and the risk areas appear to cover all aspects of Centrelink services under the BPA. There is no prioritisation of risks, which weakens effective risk management;
- reviewing the high-level risk areas that were initially identified (payment integrity, service delivery and business continuity) to ensure currency; and
- initiating and considering reports that detail and analyse the effectiveness of current controls for the risk areas and residual risk levels.

The value of Centrelink's risk assessment of DEEWR program areas

5.50 DEEWR requires Centrelink to complete regular risk assessments for each DEEWR program area, as well as payment integrity (which used to encompass only fraud). Assessments were to be conducted every two years, and in accordance with the AS/NZ 4360: 2004 *Risk Management Standard*.

5.51 The risk assessments potentially offered benefits and opportunities to inform procedural and policy improvements for working age employment services. However, Centrelink was unable to confirm that it had completed all of the required risk assessments, or forwarded them to DEEWR. Conversely, DEEWR had not systematically monitored the risk assessments, or actively pursued them when not forthcoming from Centrelink, so had little evidence of Centrelink's performance in meeting the BPA requirement. Overall, the risk assessments contributed little dynamic information on risks and tended to be routine in nature.

Other key business assurance functions

Audit

5.52 Protocol 11—Audit is a joint protocol between Centrelink and all of its policy departments. The protocol outlines arrangements for Centrelink internal audit to give assurance to policy departments. It provides for the sharing of agency internal audit reports, coordination for external (including ANAO) audits and departmental involvement in Centrelink's annual audit work plan. A quarterly Heads of Audit meeting is established under the protocol as well as a process for resolving disagreement about access to audit reports.

5.53 Discussions with both Centrelink and DEEWR internal audit areas indicate that there is an effective relationship between the two, facilitated by Protocol 11. The two audit areas are working cooperatively to improve the timeliness and availability of Centrelink audit reports to DEEWR and to improve the Audit protocol in relation to governing cross-agency collaboration.

Fraud and Debt Management protocols

5.54 Under the 2006–09 BPA, Protocol 12—Fraud Control and Investigation Services and Protocol 13—Debt Management supplement business assurance arrangements in their focus on payment integrity.

5.55 The ANAO observed weaknesses in these protocols, including:

- neither protocol specified working groups for fraud or debt areas, or any other meeting structure with clear reporting lines to the BASC or BPRG. Centrelink’s Debt Management area had been represented at the BASC, but its Fraud area was not. Although Protocol 12 refers to fraud-related reporting requirements in the AEMs, without specific cross-reference to the particular AEM control/issues, it was not clear what, if any, fraud reporting requirements for business assurance existed;
- both protocols relied heavily on associated Service Level Agreements (SLAs) for detail, rather than clearly stating requirements. This was less of a concern for the Debt Management protocol, which was supported by a comprehensive SLA (although the duplication suggests that one or the other could be deleted). Reliance in Protocol 12 on the Fraud SLA was of more concern, as this was not available (still in the early stages of negotiation); and
- while there was some description of roles and responsibilities in Protocol 12, it lacked detail on processes, reporting and performance information, as well as direction on what fraud was of interest to DEEWR..

5.56 The aforementioned areas required further attention to ensure sufficient controls around payment integrity.

Management Information

5.57 Management information provides the evidence base for assessing Australian Government programs as well as DEEWR's and Centrelink's performance. It also shows how well risk controls and treatments are working and helps to identify emerging risks. Management information therefore plays an important role for under the BPA.

Specifications for management information

5.58 Under section 15.2 of the Core Agreements, DEEWR and Centrelink are expected to agree on management information and review this annually. Protocol 3—Management Information describes high-level governance arrangements for the exchange of information and data services between DEEWR and Centrelink. It also provides agency contact points for information requests, and states seven 'Information Principles', and emphasises the use of standard management information reports. The protocol specifies governance arrangements for management information matters: the BPRG as the relevant Steering Group and a joint agency Management Information Working Group (MIWG). Priorities of the MIWG are stated in broad terms.

5.59 There was a range of agreed management information reports generated, (for example, KPI reports, reports required under the AEMs, and those required under the Debt Management SLA). However, there was no plan or schedule to consolidate information on management reports. In particular, the BPA contained no list of management information across the two agencies.

5.60 The ANAO previously raised issues concerning management information in its audit report *DEEWR's oversight of Job Network services to job seekers*⁸¹ (see Table 1.2 in Chapter 1). Recommendation 5 of the report requested agencies to establish a planned process for developing agreed management information, including KPIs and broader service measures, to provide DEEWR with assurance over Centrelink services.

5.61 While work was continuing on the development of KPIs, the recommendation was not fully implemented. For example, DEEWR had not effected development of the complete suite of KPI measures. Also, rather than building on and finalising the service measures included in the 2003–06 BPA,

⁸¹ Audit Report No.51 2004–05 *DEEWR's oversight of Job Network services to job seekers*, Recommendation 5.

DEEWR and Centrelink had removed these from the 2006–09 BPA and were unable to provide the ANAO with a consolidated list of agreed management information.

5.62 For transparency and accountability purposes, it is important to have an agreed, comprehensive record of required standard management reports, and organised coordination and monitoring of reports. The ANAO recommends that DEEWR and Centrelink jointly review the management information currently generated, including ad hoc reports, and establish an agreed list of standard reports. This exercise would respond to the BPA requirement for an annual review of management information and make a useful adjunct to current work underway in revitalising the BASC and DEEWR’s business assurance strategy.

Recommendation No.3

5.63 DEEWR and Centrelink should work jointly to achieve more transparent and cohesive business assurance and risk management practices under the Business Partnership Agreement. In particular by:

- establishing governance arrangements for business assurance which include suitable monitoring and oversight to ensure timely progression of key business assurance strategies;
- updating the Assurance Expectation Matrices (AEMs) to reflect current risks and priorities, and jointly assigning responsibility for risks; and
- agreeing a consolidated program of standard management information reports, and designating responsibility for coordinating and disseminating management information.

Centrelink response: *Agreed*

DEEWR response: *Agreed*

DEEWR was aware of the requirement to strengthen the management of business assurance activities as specified in the BPA and, in conjunction with Centrelink, has taken action to bring this about. Notwithstanding our recognition of the need to improve the conduct of these particular activities, DEEWR also considers that broader interagency governance arrangements have been both important and effective in providing for the assurance of program and service delivery. In addition, DEEWR and Centrelink manage risks through Key Performance Indicators (KPIs) where it is jointly agreed that this both efficient and effective.

6. Measuring Performance

This chapter examines the BPA's performance reporting framework, including development and reporting of Key Performance Indicators to assess performance under the BPA.

The purpose of performance information

6.1 Performance information is quantitative or qualitative evidence about performance that is collected and used systematically to assist management's decision-making and reporting on an agency's achievements. Performance information assists management and stakeholders to establish whether government outcomes have been achieved and outputs delivered.

6.2 Performance information is most effective where it provides comprehensive and balanced coverage of the outcomes and outputs of an agency, through the specification of a concise set of performance indicators. These indicators should be easy to understand and clearly defined, and enable comparison of performance against targets or activity levels.⁸²

6.3 In cross-agency situations, where partnership or other arrangements are in place, performance indicators play an important role in defining and monitoring performance of the government's strategic directions. In such situations it is necessary to develop a broad framework of performance information to specify the respective contributions of each agency towards achieving the outcome and responsibilities for reporting on performance.⁸³

6.4 The 2006–09 Business Partnership Agreement (BPA) Core Agreement and Protocol 4—Key Performance Indicators, establish the BPA's Key Performance Indicators (KPIs) to outline:

... measures in those areas of Centrelink performance critical to the success of achieving Government objectives. [The KPIs measure] Centrelink's contributions to the Department's outcomes and outputs and by focusing staff attention, in both agencies, on key deliverable aspects of the Government's policy agenda.⁸⁴

⁸² *Performance Information in Portfolio Budget Statements, Better Practice Guide*, ANAO, May 2002, pp. 3–17.

⁸³ Australian National Audit Office, *Annual Performance Reporting, Report No. 11, 2002–03*, pp. 30–31.

⁸⁴ 2006–09 BPA Core Agreement, section 16.1. Key Performance Indicators are outlined in Protocol 4—Key Performance Indicators.

6.5 To this end, DEEWR and Centrelink were expected to have established a set of well-defined performance indicators, targeted to key program elements, and including practical methods of measurement and appropriate reporting arrangements. To determine if this was the case, the ANAO assessed aspects of the arrangements for monitoring performance under the 2006–09 BPA, including:

- performance information and DEEWR outcomes;
- the KPI framework under the 2006–09 BPA;
- development and review of KPIs; and
- reporting and analysis of performance.

Performance information and DEEWR outcomes

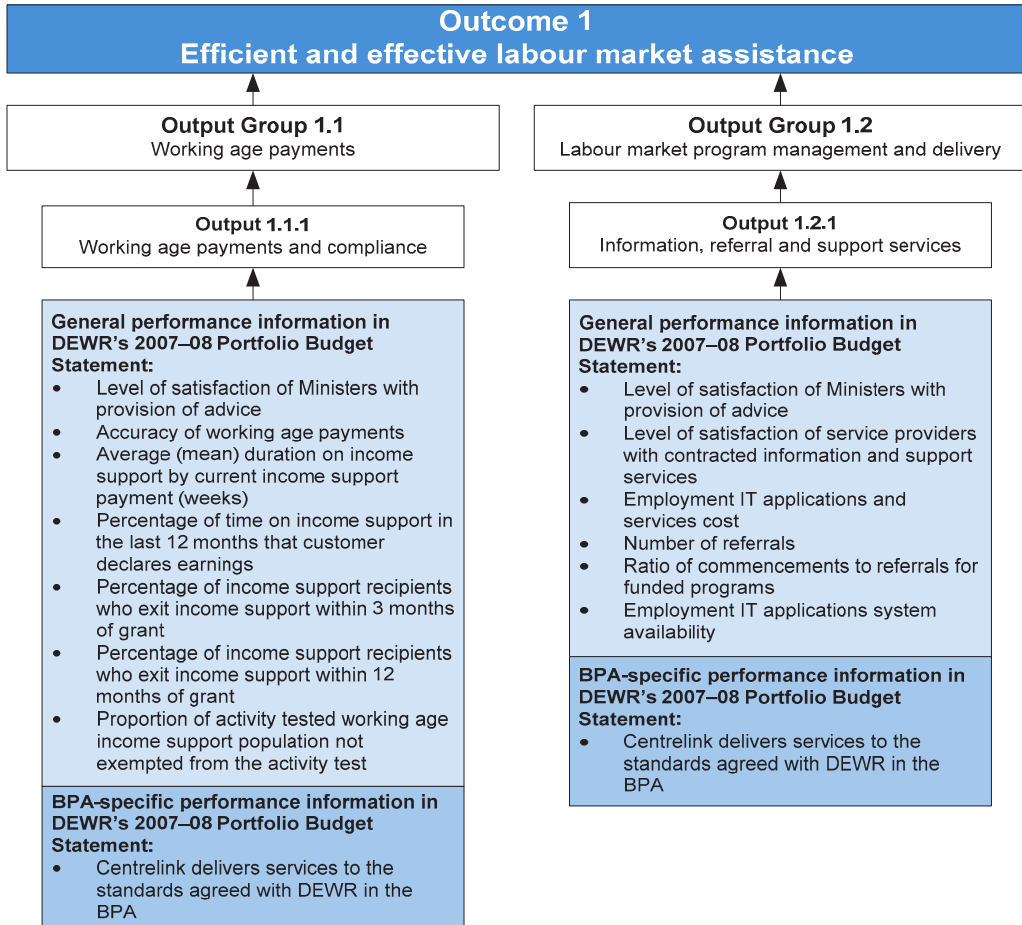
6.6 The stated objective of Protocol 4—Key Performance Indicators, was to describe the agreed measures that determine Centrelink’s performance in delivering services which contribute to DEEWR achieving two of its portfolio outcomes:

- efficient and effective labour market assistance (former DEWR Outcome 1); and
- increased workforce participation (former DEWR Outcome 3).⁸⁵

6.7 Figure 6.1 shows the link between the agreed measure of Centrelink’s performance under the 2006–09 BPA, and the Department’s broader performance information requirements for former Outcome 1 (Output Groups 1.1 and 1.2).⁸⁶ In order to satisfy these performance information requirements DEEWR reports in its Annual Report whether Centrelink delivers services ‘to the standards agreed with [DEEWR] in the 2006–09 BPA.’ These standards are determined by monitoring Centrelink’s performance against KPIs outlined in Protocol 4 of the 2006–09 BPA.

⁸⁵ Previous DEWR Outcomes 1 and 3 are used here to avoid confusion, and because they were current when the original ANAO analysis for this chapter was done. With the December 2007 machinery of government changes, previous DEWR Outcomes 1 and 3 became DEEWR Outcomes 7 and 8, but had the same description. Outcome 7 and 8 were in use between December 2007 and the May 2008 Budget. However, in the Portfolio Budget Statement for 2008–09, Outcomes 7 and 8 have changed in description to: Outcome 7, Labour Market Assistance—Individuals have access to income support and socially inclusive labour market programs which further economic development; and Outcome 8, Workforce Participation—Policies and strategies are developed to assist disadvantaged Australians to increase their skills and workforce participation through enhanced employment services and employer engagement.

⁸⁶ Outcomes and Output groups as shown in the 2007–08 Portfolio Budget Statement.

Figure 6.1**Links between service delivery and DEEWR Outcome 1***

Source: ANAO. Information from DEEWR's 2007–08 Portfolio Budget Statement and the 2006–09 BPA.

Note* Previous DEWR and DEEWR Outcome 1 now correlates to DEEWR Outcome 7.

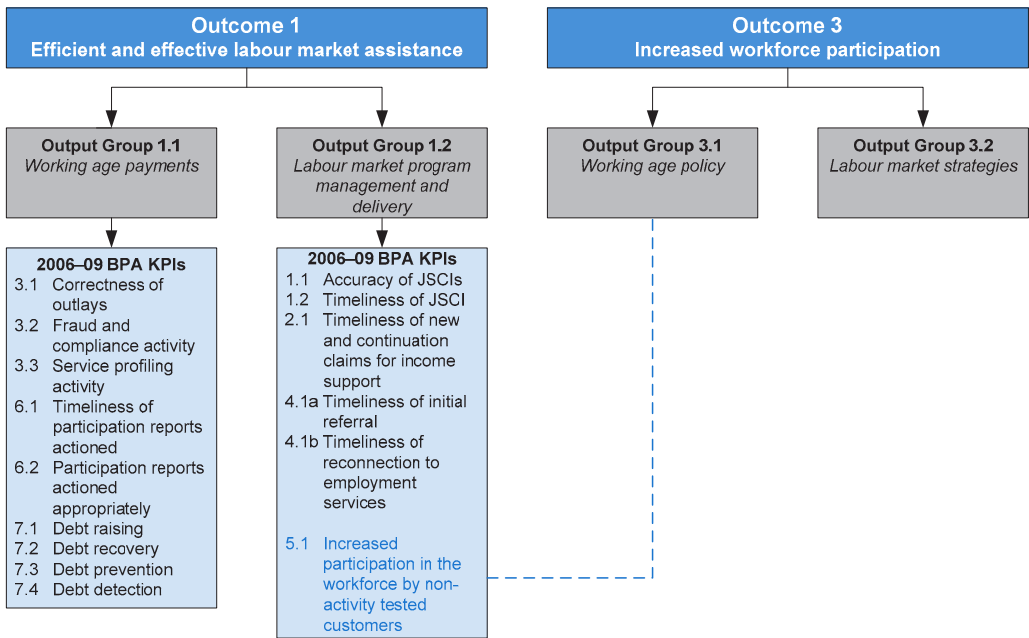
6.8 Figure 6.2 shows the alignment of each KPI listed in Protocol 4 to former DEWR outcomes and outputs. As shown, KPIs were aligned solely to Outcome 1. There were no KPIs aligned to former DEWR Outcome 3, although the BPA clearly applied to Outcome 3 (see paragraph 6.6 and Figure 6.2).

6.9 The ANAO noted that in March 2007, the DEEWR team producing the monthly KPI Report identified that KPI 5.1 aligned with Outcome 3, rather

than Output Group 1.2. During the audit, DEEWR and Centrelink confirmed that KPI 5.1 was the only KPI aligned to former Outcome 3.⁸⁷

Figure 6.2

Alignment of KPIs with former DEWR Outcomes 1 and 3



Source: ANAO, using information from the 2006–09 BPA, Protocol 4. The figure does not include KPIs with 'proposed' status under the BPA.

6.10 The re-shaping of DEEWR outcomes under the current government, and renegotiation of a new BPA between DEEWR and Centrelink, provides an opportunity for DEEWR and Centrelink to re-examine their KPI framework and the suite of KPIs. DEEWR and Centrelink should, as appropriate, when reassessing the suite of KPIs, consider developing KPIs and measures of the effectiveness of BPA-related outputs and activities which support DEEWR Outcome 8 (previously represented as DEWR Outcome 3) as well as DEEWR Outcome 7 (previous DEWR Outcome 3).

⁸⁷ This is still the case with respect to DEEWR Outcomes 7 and 8.

The KPI Framework underpinning the 2006–09 BPA

6.11 The current KPI framework was negotiated for the 2006–09 BPA:

to further reflect the increased emphasis on workforce participation under the *Welfare to Work* initiative. The KPIs focus on the primary deliverables—prompt assessment, referral and connection of job seekers to employment services, and accurate and timely payment of income support.⁸⁸

6.12 Table 6.1 shows that when the 2006–09 BPA was signed (in August 2006), the KPI protocol listed 15 individual KPIs⁸⁹ and a further seven ‘proposed’ KPIs that agencies intended to establish during the life of the BPA. (including one new area, Reviews and Appeals). The current and proposed KPIs were grouped within four key areas of business. These were consistent with the focus of the BPA⁹⁰ and DEEWR’s increased emphasis on workforce participation under the *Welfare to Work* initiative.

⁸⁸ DEWR Annual Report 2005–06, Part 2: Employment, p. 45.

⁸⁹ These are the same KPIs as shown in Figure 6.2.

⁹⁰ Section 5.1 of the 2006–09 BPA Core Agreement states that: ‘The current framework reflects Centrelink’s role under the BPA, which is providing services in a professional manner to deliver assessment, referral, compliance and related activities; and deliver the full range of income support to eligible customers.’

Table 6.1

KPI Framework for the 2006–09 BPA

Business Area	KPI
Assessment	1.1 Accuracy of Job Seeker Classification Instrument (JSCI)
	1.2 Timeliness of JSCI completions
Payments	2.1 Timeliness of new and continuation claims for income support
	3.1 Correctness of outlays
	3.2 Fraud and compliance activity
	3.3 Service profiling activity
Participation, Referrals and Compliance	4.1a Timeliness of initial referral
	4.1b Timeliness of reconnection to Employment Services
	5.1 Increased participation in the workforce by non-activity tested customers
	6.1 Timeliness of participation reports actioned
	6.2 Participation reports actioned appropriately
	Proposed 4.1c Timeliness of referral to Job Capacity Assessment
	Proposed 5.2 Extent of engagement with Employment Services
	Proposed 6.3 Accuracy of Vulnerability Indicator
	Proposed 6.4 Timeliness of financial case management
	Proposed 6.5 Accuracy of financial case management
Debt	7.1 Debt raising
	7.2 Debt recovery
	7.3 Debt prevention
	7.4 Debt detection
Proposed Area	
Reviews and Appeals	Proposed 8.1 Quality of reviews by Authorised Review Officers
	Proposed 8.2 Ombudsman's complaints

Source: DEEWR–Centrelink 2006–09 BPA, Protocol 4.

Legend:	KPIs in place and measured	KPIs under review during the audit	Proposed KPIs	KPIs under development at time of audit, but since discontinued
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Development and review of KPIs

6.13 A disciplined approach to developing and reviewing KPIs can help to ensure that KPIs are relevant and measurable. The ANAO examined the mechanisms agencies used for developing and reviewing the KPIs for the 2006–09 BPA.

Responsibility for developing and reviewing the KPIs

6.14 The development of KPIs has been a joint process between the policy agency and Centrelink. Prior to the 2004 machinery of government changes (in which the then DEWR took over from the then FaCS⁹¹ responsibility for *Welfare to Work* initiatives), FaCS and Centrelink had developed a KPI Framework. Following the 2004 machinery of government changes, DEEWR and Centrelink undertook to review the KPI Framework. Development of the Framework was largely the responsibility of the joint DEEWR–Centrelink KPI Working Group. This group was disbanded in late 2006, once the 2006–09 BPA was signed, and reconvened in 2007 (see paragraph 6.21).

6.15 Protocol 4 of the 2006–09 BPA identified the Business Partnership Review Group (BPRG) as the Steering Group for the KPIs, assisted by the Business Assurance Sub-Committee (BASC). Responsibility for the development and review of KPIs under the 2006–09 BPA was therefore shared by three committees: the BPRG; the BASC; and the KPI Working Group.⁹²

The review process

6.16 The ANAO requested information from DEEWR and Centrelink to ascertain how KPIs were developed, including the setting of KPI specifications, parameters and data requirements, and the establishment of targets and reporting needs. However, DEEWR and Centrelink could provide only limited information.

6.17 Largely, the KPIs originate from the 2003–06 and 2005–06 BPAs. Figure 6.3 and Figure 6.4 show ANAO’s analysis of the migration of KPIs from one BPA to the next, and how the framework has evolved over time to the current suite of KPIs. DEEWR and Centrelink were continuing to review and develop KPIs during the audit through a Major Project (see paragraph 6.20).

⁹¹ Now FaHCSIA.

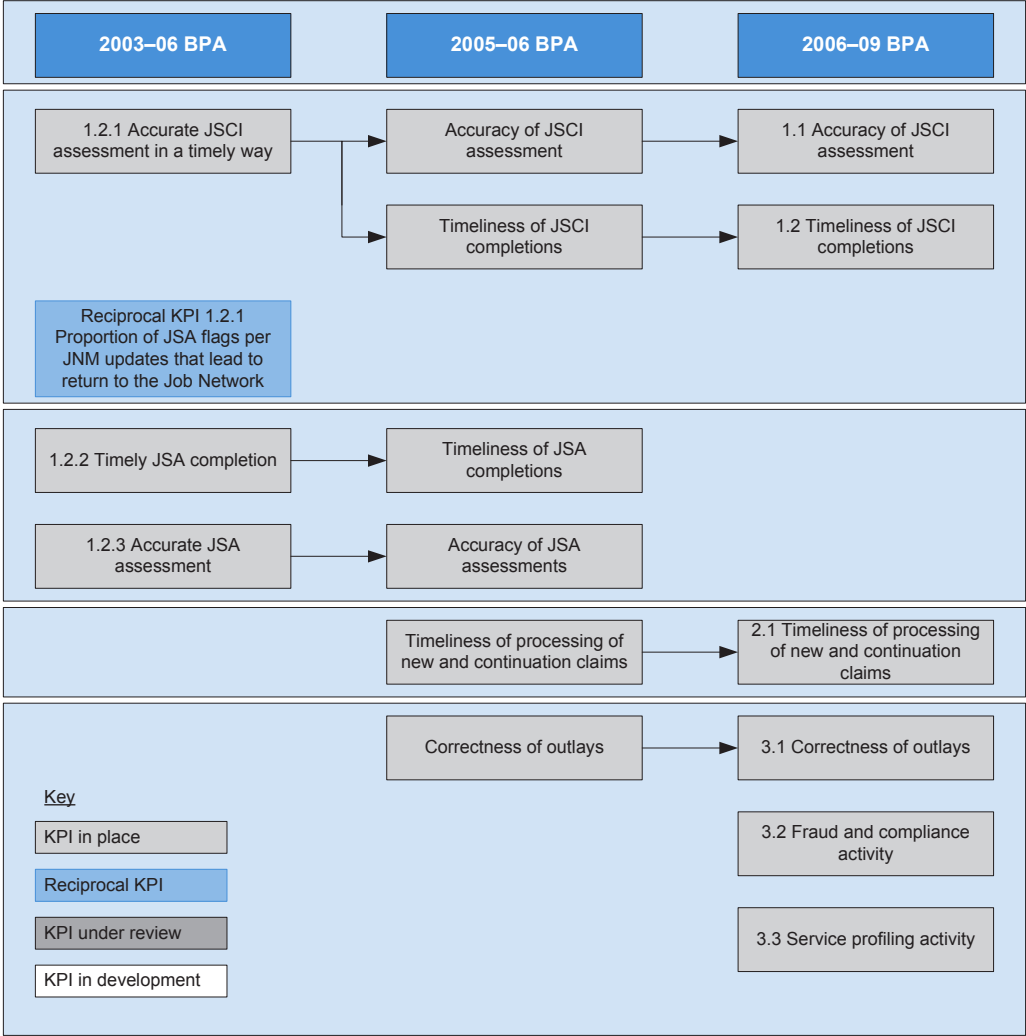
⁹² Responsibilities of the KPI Working Group and the BASC in developing and reviewing KPIs shifted over the course of the audit.

6.18 DEEWR and Centrelink's review of the BPA's KPIs, and tracking progress, would have greater context if original specifications, intent and parameters for data collection and other essential details are documented and available.

6.19 The ANAO noted that during the audit, DEEWR commenced work to document the history, basis, and specifications for the suite of KPIs. A standard template was developed to provide uniform recording of information. In April 2008, DEEWR informed the ANAO:

There is evidence of improved documentation on KPI specifications, agreements reached in relation to the appropriateness of KPIs and an increased strategic focus on the development and review of KPIs supervised by the KPI and management Information working group with direction from the BPRG.

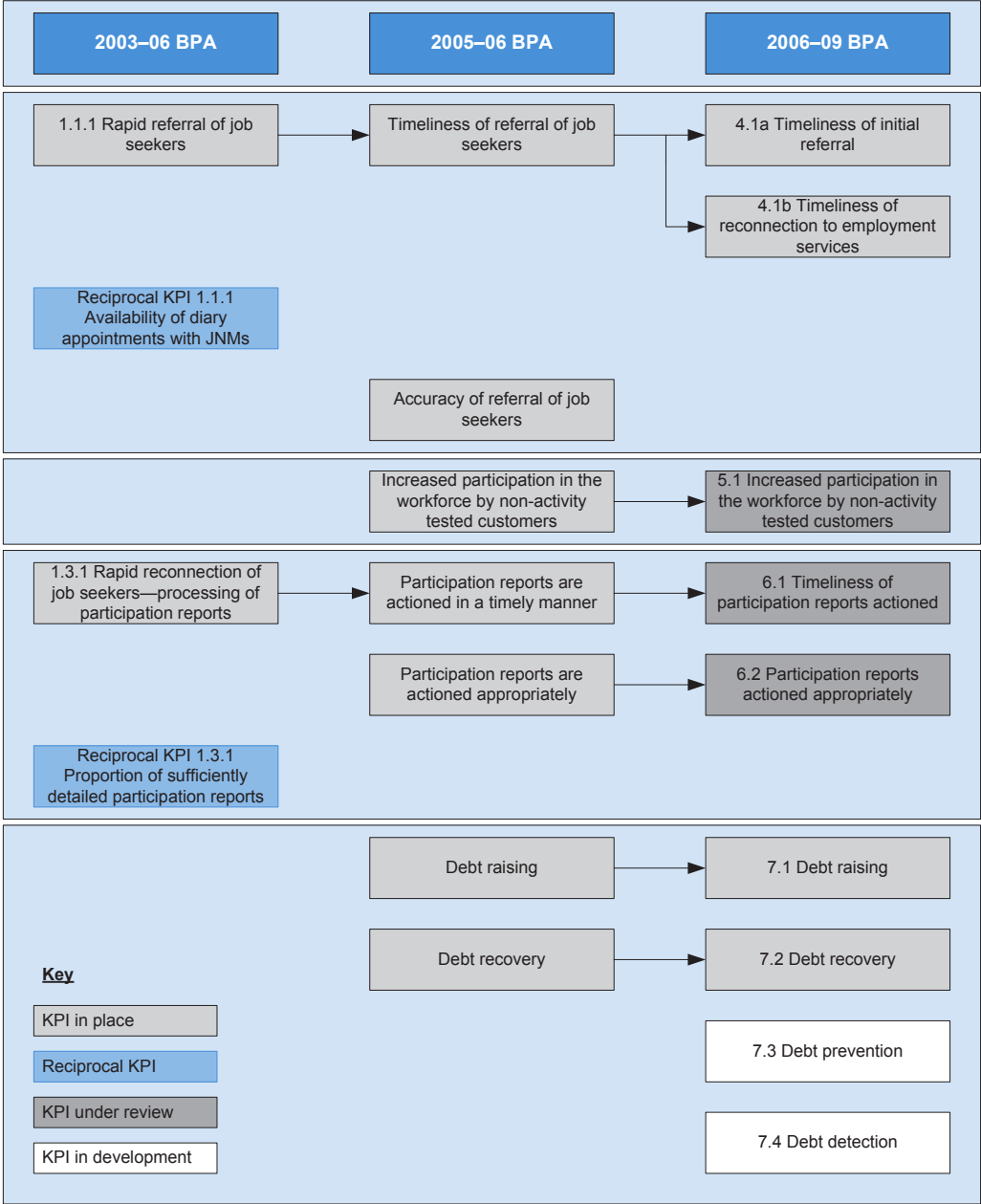
Figure 6.3
Migration and development of KPIs over consecutive BPAs



Source: ANAO, from DEEWR–Centrelink BPAs.

Figure 6.4

Migration and development of KPIs over consecutive BPAs



Source: ANAO, from DEEWR–Centrelink BPAs. Also refer to Table 6.1.

Major project for the review and development of KPIs

6.20 DEEWR and Centrelink recognised that substantial work remained in developing KPIs. A major project, Major Project 10.1—*Review and Development of Key Performance Indicators* was therefore included in the Major Projects—Protocol 14 under the 2006–09 BPA (see Appendix 6). The project was sponsored by the BPRG.

6.21 The project's start date was 1 July 2006, with completion intended by 31 December 2006. However, at its 27 July 2007 meeting, the BPRG noted that progress on project 10.1 'has stalled and a review of the Project Management Plan needs to occur'. In order to aid progress, the KPI Working Group was re-established following the 11 September 2007 meeting of the BPRG. The Terms of Reference (signed by the Agreement Managers on 2 October 2007) provided that the reformed KPI Working Group would:

- review the existing KPIs in consultation with DEEWR and Centrelink stakeholders;
- recommend any changes that are considered appropriate; and
- review the project plan for the Major Project on the development of new KPIs, assigning priority to these tasks for consideration by the BPRG.

6.22 The revised Project Management Plan for Major Project 10.1 was signed at the BPRG meeting of 2 October 2007. Its key objectives were to:

- establish a process for reviewing and developing KPIs, including the completion of a business/technical specification for every KPI;
- schedule existing KPIs for review and amend where appropriate; and
- schedule implementation of the KPIs proposed in Protocol 4, subject to those KPIs being measurable.

The appropriateness of the KPIs

6.23 In order to fully assess progress towards a specific outcome or quality, performance indicators and their associated targets must be appropriate.⁹³ A good test of this is the SMART criteria, which state that an indicator must be Specific, Measureable, Achievable, Relevant, and Timed. The ANAO

⁹³ ANAO, *Better Practice in Annual Performance Reporting—Better Practice Guide*, April 2004, p. 13.

considered the KPIs in Protocol 4 against SMART-based criteria (Table 6.2), and whether there were any significant gaps in the suit of KPIs.

Table 6.2

Assessment of 2006–09 KPIs according to SMART criteria

Criteria	ANAO comment
Specific (clear and concise)	The KPIs are generally simply stated, although full specifications were not available. Specificity of KPIs was, at times, affected by changes in policy, there being a lag between policy changes and revision of KPI specifications and/or data collection methodology.* DEEWR was progressing with the development, review and documentation of KPI specifications during the audit. The reasons for some proposed KPIs was not clearly documented (for example KPI 8.2 Ombudsman's complaints).
Measurable	Data systems were established by DEEWR and Centrelink for the measurement of KPIs, with ongoing assessment, monitoring and improvements to data collection apparent. A lack of formal written specifications for all KPIs meant that ANAO could not make a proper evaluation of measurability. The basis for set targets was often not apparent. The KPIs were, for the most part, quantitative. Additional emphasis on qualitative measures through KPIs would enhance the BPA's performance information.
Achievable	The majority of KPIs were generally achievable within the targets and timelines that had been set. There were occasions where Centrelink did not meet a KPI, or where one or more CSC did not meet a KPI. Reasons for this were always investigated by Centrelink, and referred to DEEWR for discussion at BPRG or executive meetings.
Relevant	The KPIs appear relevant where linked to DEEWR outcomes, however some KPIs had not been developed beyond the initial proposition (KPIs 7.3, 7.4) and therefore could not be assessed.
Timed	Where KPIs were in place, the period of reporting had been defined. For some KPIs, monthly monitoring is in place and data for 12 months is presented in KPI reports to management monthly. There were several instances of late reporting which impacted on the timely completion of the monthly KPI report.

Source: ANAO analysis from KPI reports and BPRG minutes for April 2007 to December 2007.

Note: * This refers to ANAO observations regarding KPIs 5.1 and 6.1. By way of update, in its response to ANAO Issues Papers, DEEWR reported that the methodology for KPI 6.1 was agreed in principle in November 2007, and formally acknowledged by the BPRG in January 2008. For KPI 5.1 the implementation of participation requirements for parents meant that the base for measurement of the KPI was no longer valid. Reporting of the KPI was suspended by BPRG on 29 October 2007 until May 2008.

6.24 DEEWR and Centrelink had established a potentially useful collection of KPIs, although several were still in stages of development or refinement. Until such times as the full contingent of KPIs were implemented, there remained gaps in the BPA's KPI framework.

Reciprocal KPIs

6.25 The 2006–09 BPA does not include KPIs that measure DEEWR's performance under the BPA. The 2003–06 BPA had included three reciprocal KPIs (that is, KPIs that measured the purchasing/policy agency's achievement

of its responsibilities under the Agreement). The ANAO noted that there had been no action towards developing new reciprocal KPIs.

6.26 The Portfolio Budget Statement performance information for the 2006–09 BPA focused only on Centrelink’s performance in delivering ‘services to the standards agreed with DEEWR in the BPA’ (see Figure 6.1). However, Centrelink had no assurance through the 2006–09 BPA that DEEWR would meet Centrelink’s need for high quality policy advice, including:

- interpretation and clarification of policy to Centrelink;
- introduction and maintenance of policy instructions and operating procedures (including maintaining up-to-date BPA documentation such as policy guides and other documentation supporting the BPA—refer to Chapter 3, paragraphs 3.14 to 3.18);
- provision of timely advice on changes to customer services and program delivery arrangements;⁹⁴ and
- timely planning for essential new work.

6.27 DEEWR’s performance in these, and other, areas can affect Centrelink’s ability to meet timelines and obligations under the KPIs and the BPA.⁹⁵ However, DEEWR’s view on reciprocal KPIs was:

Characterisation of the relationship between Centrelink and DEEWR as a literal ‘partnership’ fails to account for important aspects of the relationship. In a real sense, the relationship is closer to the purchaser–provider model with different requirements and expectations made of each party. As a result, DEEWR considers that requirements for DEEWR to have reciprocal measurable performance outcomes is not appropriate.⁹⁶

6.28 The BPA is a complex Business Partnership between DEEWR and Centrelink. Regardless of whether it is called a business partnership or a purchaser–provider arrangement,⁹⁷ it is intended to assist DEEWR and Centrelink to deliver services to clients according to legislation and government policy, while facilitating an appropriate level of accountability.

⁹⁴ 2006–09 BPA Core Agreement, sections 4.1 and 9. Also refer to Chapter 3.

⁹⁵ Centrelink was in favour of including ‘reciprocal performance measures’ in the BPA. Refer to Centrelink’s response to the audit on page 23 of this report.

⁹⁶ DEEWR response to ANAO Issues Papers, 7 April, 2008.

⁹⁷ ANAO is of the view that these two approaches are not mutually exclusive in the case of the DEEWR–Centrelink BPA. The BPA is the method chosen (in this instance) to formalise an interagency arrangement for delivery of government services by Centrelink on DEEWR’s behalf. The appropriation for these services is managed through DEEWR. The performance measures and accountability procedures reside largely in the BPA.

For cross-agency arrangements such as the BPA, each agency has responsibilities in achieving a successful outcome, but there are also significant interdependencies between DEEWR and Centrelink which can impact on both agencies' performance. The BPA's performance framework focuses on Centrelink's performance against KPIs designed to inform DEEWR's outputs and outcomes. However, the performance framework does not fully recognise the interdependence of the two agencies, particularly key dependencies of Centrelink on DEEWR (such as DEEWR's important role in providing 'interpretation and clarification of policy to Centrelink' and 'program delivery arrangements'⁹⁸). The ANAO considers that there is a sound argument for the inclusion of reciprocal accountability or measures of DEEWR's performance under the BPA, and has made a recommendation to that effect (see Recommendation No.4).

Reporting and analysing performance against KPIs

6.29 The Key Performance Indicator Report under the 2006–09 BPA is produced monthly by the Centrelink Reporting Team at DEEWR for tabling at monthly BPRG meetings. Most of the data is extracted by the Centrelink and Stakeholder Management Branch (CSMB) at DEEWR, although data on payment integrity (KPI 3.1) comes from DEEWR's Payment Integrity and Assurance Branch and debt data comes directly from Centrelink.

6.30 Once data is extracted by DEEWR, it is checked and verified, and any inconsistencies or errors are resolved. The compiled report is cleared by BPRG once agreed to by Centrelink.

Monthly KPI reporting to BPRG

6.31 The ANAO analysed the KPI Reports presented to the BPRG for the nine months from April 2007 to December 2007 (Table 6.3). The analysis demonstrated a range of issues in reporting against the KPIs, and a number of KPIs still under review or development.⁹⁹

⁹⁸ 2006–09 BPA Core Agreement, section 4 and section 9.2. Also see paragraph 6.28 and Chapter 3.

⁹⁹ Continuing negotiations between DEEWR and Centrelink have since improved or resolved many of these issues.

Table 6.3**Analysis of KPI measurement and reporting over the period April 2007 to December 2007****Observed weaknesses in the KPI report as at November 2007****1. No report for KPI provided**

KPI 1.1: No report, detailed results or analysis available to Centrelink or BPRG since survey was carried out in June 2007 (five months to December 2007).

KPI 5.1: KPI under review. Introduction of new parenting payment requirements (policy change) led DEEWR and Centrelink to suspend measurement of this KPI. Reporting was expected to recommence in April-May 2008.⁽ⁱ⁾

KPI 6.1: KPI under review. DEEWR and Centrelink agreed to suspend reporting of this KPI from July 2007 until methodological issues could be resolved.⁽ⁱⁱ⁾

KPI 6.2: KPI under review, no data available. This KPI is a qualitative measure and the subject of an annual survey to be reported as soon as a methodology was agreed and sampling commenced.⁽ⁱⁱⁱ⁾

KPIs 7.3 and 7.4: KPIs under development/review.^(iv)

2. Lack of data integrity

KPI 5.1: Database required to be cleansed of inappropriately included customers who were voluntarily engaged but not participating. A further system error resulted in customers being listed as 'active' who were not in fact on a PAGES caseload.

3. Data extraction issues

KPI 2.1: Error in data extraction for July 2007.

KPI 5.1: Data extracted for March 2007 excluded data for the last week in March.

4. Impact of policy changes on measurement of KPI

KPI 2.1: Policy changes within Parenting Payment mean Parenting Payment Single performance target was no longer appropriate and inconsistent with target for Parenting Payment Partnered.

KPI 5.1: Transition of parenting population from voluntary to compulsory participation rendered the KPI inappropriate. The KPI was suspended (see above) pending review.⁽ⁱ⁾

KPI 6.1: Change in November 2006 in policy relating to the processing of participation reports rendered the KPI inappropriate.⁽ⁱⁱ⁾

5. Lack of measurable data

KPI 7.3 and 7.4: Planned removal of these KPI in December 2007 on the basis of issues around measurement of the achievement against this KPI and the lack of qualitative data.^(iv)

Source: Compiled by the ANAO from KPI Monthly Reports and BPRG minutes from April 2007 to December 2007.

Notes: (i) In July 2008, DEEWR advised the ANAO that 'data are currently being reported with a view to agreeing a new target' (ii) DEEWR advised 'A new methodology was agreed in November 2007 with results from July 2007 onwards reported for the first time in the January 2008 Monthly KPI report' (iii) DEEWR advised that data from the survey for fiscal 2007–2008 were reported with the commencement of the survey in the April 2008 KPI Report (iv) In July 2008 DEEWR advised 'this is an example of a badly designed KPI that has been eliminated as a result of Centrelink and DEEWR effectively utilising a BPA review mechanism. Risks targeted in the initial proposal were demonstrably mitigated elsewhere.' ANAO notes that removal of KPI 7.3 and 7.4 from the BPA was endorsed by the BPRG at its 1 July 2008 meeting.

6.32 DEEWR and Centrelink communicated regularly concerning KPI data and periodically had identified a number of issues in relation to the preparation of the KPI Reports under the 2006–09 BPA. Delays in report availability could result from issues with data integrity, data extraction problems, staffing shortages or a lack of expert knowledge within the DEEWR's CSMB.

The impact of policy change

6.33 For some KPIs, negotiations between DEEWR and Centrelink had been quite extensive. Table 6.4 illustrates the difficulties that can arise due to policy change which is unaccompanied by appropriate changes to data collection capacity.

Table 6.4**Case Study of KPI 6.1—Timeliness of Participation Reports actioned****The impact of DEEWR's policy change in relation to processing Participation Reports**

The performance standards for KPI 6.1 at the time of signing the 2006–09 BPA were that:

- 80 per cent of all Participation Reports (PRs) must be actioned within 16 working days (including suspension) from the date that Centrelink received notification of the PR;
- 80 per cent of Centrelink Service Centres (CSCs) achieve or exceed this national annual target; and
- 90 per cent of CSCs achieve or exceed a target of 70 per cent of PRs actioned within 16 working days.

The processing of PRs within Centrelink requires a contact between Centrelink staff and the affected job seeker before the report can be finalised. In 2005–06, Centrelink's actioning of the PR was considered complete if the job seeker's payment was suspended after two unsuccessful attempts to contact him or her.

Since the KPI benchmarks were established, DEEWR has made two important policy changes:

- action to stop payment of the job seeker's income support no longer records the PR as completed. Centrelink must wait for the job seeker to contact them before the report can be finalised; and
- Centrelink must now hold PRs unactioned for 10 weeks for job seekers whose payments are stopped, before processing them. DEEWR acknowledged at the time of the change that this policy would have an adverse effect on the measurement of Centrelink's performance against this KPI.

Performance against KPI 6.1 is measured using data collected by DEEWR. The current performance calculation is not able to recognise cases where the actioning of the report has been delayed because of the job seeker's failure to contact Centrelink following his or her payment being stopped, or cases where an unactioned PR has been held for 10 weeks as required by the November 2006 policy change.

No changes were made to either DEEWR's or Centrelink's IT systems to accommodate these changes in policy. In February 2007, however, the target reported in the KPI Report was amended to include a regional benchmark that all CSCs (i.e. 100 per cent) achieve 80 per cent of PRs actioned within 16 working days—stricter than the original area benchmarks. The 2006–09 BPA was not amended to show this adjustment to the benchmark.

With the change in policy there was a corresponding decline in performance, as measured by KPI 6.1, from December 2006 onwards, with Centrelink failing to meet the national benchmark from April 2007 and each subsequent month. The revised area benchmark was never achieved. Reporting against KPI 6.1 was suspended from July 2007 pending a review of the performance data requirements.

DEEWR advised the ANAO that 'in-principle agreement was reached in November 2007. Full results against National and area benchmarks were published in the January 2008 KPI Report and continue to be included in each months KPI report'.

Source: BPRG Papers, other agency documents, interviews, and written responses from DEEWR.

Recommendation No.4

6.34 To strengthen the performance framework and performance reporting under the 2006–09 BPA, DEEWR and Centrelink should work collaboratively to complete and enhance its suite of Key Performance Indicators (KPIs). This process should include:

- alignment of KPIs to cover all outputs and outcomes relevant to the BPA;
- incorporating reciprocal accountability measures or KPIs to measure DEEWR's performance in meeting its agreed responsibilities under the BPA; and
- establishing a more strategic, timely and coordinated approach to KPI development, reporting and review. This should include suitable criteria for determining appropriate, measurable KPIs.

Centrelink response: *Agreed*

DEEWR response: *Agreed with qualification*

DEEWR has recognised the need to strengthen the performance framework and associated reporting under the BPA. However, our agreement with this recommendation is qualified by concerns about the requirement for reciprocal KPIs.

DEEWR is not, at this stage, convinced it is necessary for the BPA to include KPIs relating to aspects of the Department's activities. We are not aware of such KPIs being part of any BPA between Centrelink and other policy agencies, or of any substantive evidence that would demonstrate their potential value. We feel that standards relating to DEEWR activities that support our partnership with Centrelink are most effectively defined as part of Protocols and Service Level Agreements, rather than as KPIs under the BPA. Nonetheless, DEEWR is prepared to consider the potential for reciprocal KPIs if it can be shown they would be beneficial to the effective and efficient delivery of Government programs and services.

In co-operation with Centrelink, DEEWR has implemented improved arrangements for documenting the process of developing and reviewing KPIs. DEEWR believes it is important to consider the dynamic nature of the Centrelink service delivery under evolving policy initiatives and the impact this can have on the assessment of Centrelink's performance. The development of agreed performance measures for proposed new KPIs can also be complex and resource intensive, and may be impacted by the availability of readily

accessible data. The reporting of KPI measures as agreed by DEEWR and Centrelink, and the development of new KPIs, must necessarily account for these factors.

ANAO comment:

The Business Partnership Agreement (BPA) supports a complex business partnership between DEEWR and Centrelink, the intent of which is to aid in the delivery of the Government's working aged employment programs. The effective delivery of these programs requires a significant contribution by both DEEWR and Centrelink. As indicated in paragraph 6.28, each agency has responsibilities in achieving a successful outcome, and there are also significant interdependencies between the agencies which can impact on both agencies' performance. The recommendation provides options for improving accountability to government and between the two agencies, and strengthening performance of each signatory to the BPA in recognition of each of their essential contributions.

7. Managing Change Under the BPA

This chapter examines how effectively DEEWR and Centrelink manage change within the context of the Business Partnership Agreement.

Mechanism for managing cross-agency change

7.1 Government programs and administrative processes are subject to external and internal influences which drive change and system improvements. In this environment, DEEWR and Centrelink recognise that the Business Partnership Agreement itself is a 'living document' requiring regular revision in response to changes in policy and client needs, or as a result of efficiency measures.

7.2 As cross-agency arrangements are rarely static, DEEWR and Centrelink would be expected to establish common processes to assist in streamlining change requests, allocation of appropriate resources and to ensure that key obligations are not unduly disrupted when other urgent matters arise.

7.3 Appropriate change management involves: fully assessing risks, costs and impacts of proposed changes; clearance or endorsement of proposals through an agreed governance structure; use of committees, central coordination points, and registers to track progress of changes; and post-implementation evaluation to assess the level of success achieved by particular change strategies.

7.4 The ANAO assessed the effectiveness of mechanisms that DEEWR and Centrelink had established to support implementation of program and service delivery changes under the BPA. In particular, this chapter focuses on:

- the formal change management process;
- management of change through Major Projects.; and
- a case study of the cross-agency implementation of *Welfare to Work* reforms implemented under the 2005–06 and 2006–09 BPAs.

Change management process

Protocol 6—Change Management

7.5 A Change Management protocol was first introduced into the 2005–06 BPA as a means of providing a framework for DEEWR and Centrelink to work together to manage new business and enhancements resulting from policy changes to DEEWR programs. At that time DEEWR and Centrelink were faced with a substantial change agenda associated with implementation of *Welfare to Work* reforms.

7.6 In the 2006–09 BPA, Protocol 6—Change Management describes the processes established by DEEWR and Centrelink to:

manage changes to the BPA, its protocols and policy guides, information technology (IT) systems and any new business, including enhancements that may occur during the life of the Agreement.

7.7 Protocol 6 also promotes ‘high-level consultation and where possible a joint approach between the Department and Centrelink to develop, implement and maintain policy and operational procedures’.

7.8 The processes described in Protocol 6 were generally familiar to staff in both DEEWR and Centrelink, and provided a formal basis for cross-agency management of the change process. However, the protocol was somewhat limited in its content, omitting many necessary aspects of change management. For example, it neither contained, nor linked to, procedures for updating protocols or policy guides¹⁰⁰. It also contained little explanation of clearance processes for assuring that policy or process changes were accurately updated into *e-reference*, the *Social Security Guide*, or relevant publications. Documentation of these processes would improve transparency of business practices and ensure consistence of process across DEEWR and Centrelink.

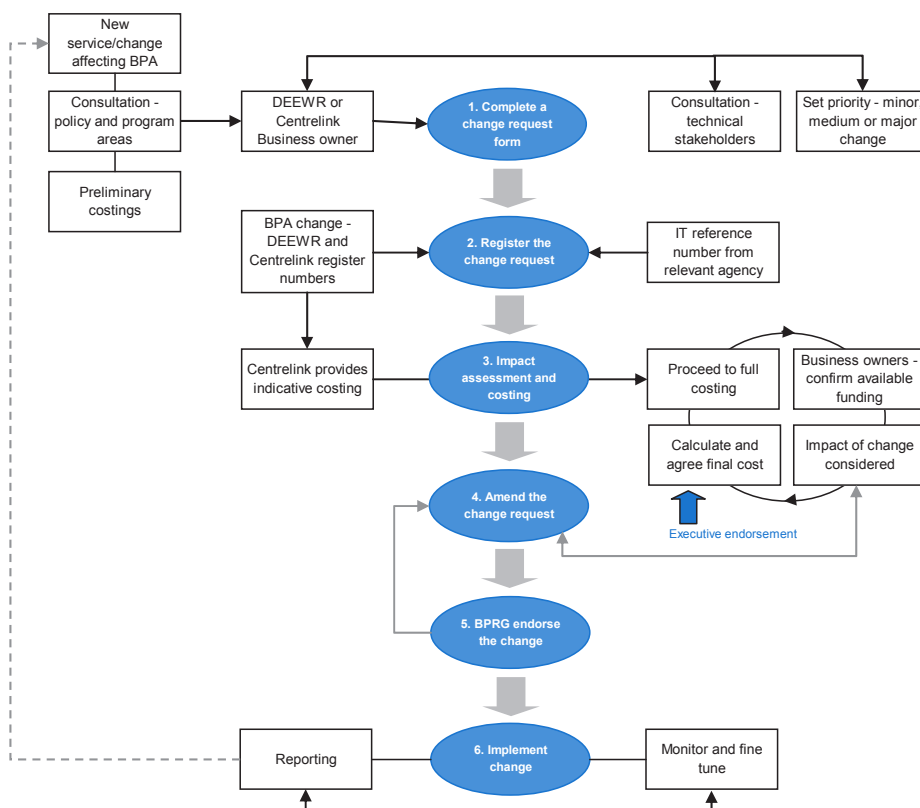
Managing change requests

7.9 The process for managing change requests from either DEEWR or Centrelink is shown in Figure 7.1.

¹⁰⁰ Also see Chapter 3 for ANAO’s assessment of Protocols and Policy Guides.

Figure 7.1

The change request process



Source: Compiled by the ANAO based on BPA Protocol 6—Change Management, other documents and interviews in DEEWR and Centrelink.

7.10 DEEWR and Centrelink had each set up an electronic ‘post box’ for the receipt and handling of change management correspondence. Incoming electronic mail was expected to be actioned within two working days, and this target was generally met. The initiator of a change request used an agreed template to record details of the required change. This template had been revised and improved over time. It provided a reasonable format to summarise relevant information about the requested change, for assessment by Program Managers and the Business Partnership Review Group (BPRG) (also see comments at paragraph 7.12).

7.11 Changes were classified as either urgent or non-urgent. Protocol 6 required Centrelink to perform an impact assessment on all urgent changes

within five working days of the submission of the change request.¹⁰¹ The impact assessment required Centrelink to further categorise urgent changes into:

Major change: could require up to six months to implement, involving complex IT or infrastructure changes with impact on job seeker programs;

Medium change: could take up to three months to implement, involving some IT change or infrastructure change with impact on job seeker programs; or

Minor change: requires up to one month to implement, has no impact on job seeker participation and requires no IT or infrastructure change.¹⁰²

7.12 The process documentation reflected minor weaknesses in the agencies' administration of change requests. DEEWR and Centrelink would strengthen administration by clarifying and documenting:

- who within DEEWR or Centrelink was authorised to designate a change request as 'urgent';
- DEEWR's role in preparing impact assessments. DEEWR's role was not apparent, which seemed inappropriate, particularly as it funded many of the changes and was responsible for implementation of employment policies which complied with the *Social Security Act 1991*;
- an agreed treatment or process for considering unfunded change proposals, to avoid these being inappropriately deemed not urgent, or being delayed. This was not dealt with in Protocol 6, or in practice;
- for each change management request, state the relationship of the request to the original New Policy Proposals or other significant related initiatives. For example, whether the change was part of an original *Welfare to Work* initiative or Parenting Payment measure; a Minister's new directive; or an Executive Management Committee request. The absence of this information on some requests makes it difficult to ascertain: how particular changes should have been funded; the full cost of some initiatives; and whether they were completed on time or within budget.

7.13 Particular care should also be taken in approving first-stage changes without agreement between the two agencies that resources (including

¹⁰¹ Specified under the 2006–09 BPA, Protocol 6, section 13.

¹⁰² The protocol included further description of the three categories of change, not included here.

funding) will be made available for completion of subsequent work. Approved change requests should always include a schedule of the work to be done, to facilitate tracking of progress against deliverables and milestones.

7.14 Inclusion of the above information would assist in prioritising change requests, ensuring there is a shared commitment from both DEEWR and Centrelink to funding essential changes. It would also help to improve transparency of the change process and avoid delays in implementing changes.

Use of change registers

7.15 Both DEEWR and Centrelink maintain change registers to monitor the submission, status and progress of change requests. The two systems are not identical or linked, and therefore result in some duplication of work across the two agencies.

7.16 The change registers are managed by the BPA coordination areas in DEEWR and Centrelink. Each month, the two areas collaborate to produce a status report for BPRG on outstanding change requests. This is tabled at the BPRG. The majority of changes pass through the approval process with minimal effort, each change request signed off jointly by the BPRG's co-chairs.

7.17 However, as raised in Chapter 2, there were instances where changes took an unusually long time to resolve, with mutual agreement between DEEWR and Centrelink difficult to reach (refer to paragraph 2.26). These instances required additional allocation of staff resources to monitor and prepare meeting briefs, develop re-costings, and to undertake other negotiation activities. The additional effort spent on these few cases undermined the efficiency of the change management process, and placed strain on the inter-agency relationship.

7.18 Centrelink raised concerns that the incidence of the more contentious changes may be increasing. A lack of records of meeting and decisions outside of the BPRG meant that the ANAO could not assess whether such a trend was occurring. However, the ANAO would encourage monitoring of this situation by both agencies, particularly with a view to finding an effective and more timely way of resolving differences, consistent with the cross-agency intentions of the BPA.

7.19 Despite some limitations in the management of the change process, the concept and use of registers as change management tools was useful. The Centrelink change management register in particular provided a perceptible

and sound summary of the change request, key correspondence, costings, and decisions.

The importance of maintaining complete records

7.20 Systematic record-keeping is important to maintaining clear communication and shared understanding during change. Table 7.1 outlines the ANAO's evaluation of DEEWR and Centrelink's record management practices.

Table 7.1

DEEWR and Centrelink maintenance of records

Criteria	ANAO comment on DEEWR	ANAO comment on Centrelink
Records were easily located by agency	DEEWR was unable to provide a complete file list for the auditors. Response time on the ANAO's requests for information/documents varied but frequently extended to weeks or months.	Centrelink held hard-copy files in an accessible area. Thus hard-copy information was immediately available for much of the audit. File lists were also available and up-to-date. Additional files and information were generally obtained within reasonable timeframes.
Version control:		
<ul style="list-style-type: none"> All drafts are dated/version numbered 	Documents were not all dated and version control was variable.	Mostly comply with this.
<ul style="list-style-type: none"> Final versions are clearly marked 'final' 	DEEWR frequently did not have final copies available, or, final copies were still marked 'draft'.	Final copies were usually on file or located on request.
Decisions are clearly recorded	Both agencies should consider developing a consolidated decision register to improve tracking and management of key initiatives. When dealing with multi-part initiatives, a register would be useful for tracking progress of key deliverables and decisions across different committees, and improve visibility of project management.	
There are adequate procedures manuals for key business functions	This varied across and between agencies. Examples of areas requiring development of, or updated, documentation included: handling of cross-agency disputes; the BPA's finance protocol; DEEWR KPI specification and reporting requirements; the business assurance framework and activities therein; and listing of management information requirements under the BPA.	

Source: ANAO analysis.

7.21 Appropriate attention to record keeping is an important control during periods of change. Incomplete or ambiguous records disrupt the transparency and accountability of administrative processes and diminish the historical record of key business activities.

Protocol 14—Major Projects

7.22 DEEWR and Centrelink incorporated Major Projects into the BPA as a means of developing more complex or longer term implementation strategies (see Table 7.2).

Table 7.2

Identifying Major Projects—BPA Core Agreement

The 2006–09 BPA Core Agreement states:

Section 26.1: The Department and Centrelink will identify, from time to time, a number of joint projects, referred to as ‘major projects’ that have a requirement for longer implementation strategies or wide-ranging implications for service delivery, information and technology or policy implementation. Such projects will be managed by the Department and Centrelink and will include developing a project management plan, managing the project and testing and implementing of outcomes of the projects.

Section 26.4: The Department and Centrelink may identify and undertake cooperatively, from time to time, other projects that will not be classified as major projects.

Source: DEEWR–Centrelink 2006–09 BPA.

7.23 The ANAO examined whether DEEWR and Centrelink had set up appropriate processes to meet the above expectations (see Table 7.3 for ANAO’s analysis).

7.24 There was sound reasoning behind incorporating major projects into the BPA. In particular, it provided an impetus for both DEEWR and Centrelink to commit to undertaking developmental work collaboratively, to improve the delivery of employment services. However, the agencies’ administration of major projects did not consistently demonstrate strong project planning, particularly with regard to assessment of risks, resource allocation and priority setting.

7.25 Furthermore, it was not clear how resources for section 26.4 of the BPA’s Core Agreement (refer to previous Table 7.2) were managed, or where such projects sat in overall priority setting for work within the ambit of the BPA. It was also unclear why significant cross-agency issues such as the development of the business assurance framework had not been identified as major projects.

Table 7.3**Agencies' management of major projects**

Criteria	Criteria met	ANAO findings/comments
There are criteria to determine whether a Major Project should be incorporated into the BPA	Not met	There were no criteria specific to the selection of projects. It was not apparent why some projects were included in the BPA and others not, or how this should affect priorities, funding, and timeliness of activities or deliverables. The development of a criteria-based method for selecting projects would assist in setting priorities, allocating resources, and thereby prevent over-commitment which leads to cancellation or delay in project commencement.
Project proposals identify:		
• Objectives	Met	Each project outline/proposal examined stated the project's objective/s
• Resources	Not met	The level and source of funding was not clearly depicted in project proposals. There were instances where projects were delayed due to resource short-falls or competing priorities. This indicated that a more structured approach to planning and prioritising Major Projects was necessary.
• Key risks	Partially met	Identification of risks varied across different projects, but generally risk assessments were not systematic, consistently performed or well documented.
• Timeframe for completion	Largely met	Projects identified a timeframe. However, original timeframes were often not met. It was the task of the BPRG to revise the timeframes, but there were, at times, delays in this.
There are agreed mechanisms for funding major projects	Not met	Not all projects had identified/approved funding.
Projects are appropriately endorsed	Met	Endorsement is through the BPRG and through each agency's executive committees where projects have substantial commitment of resources.
Each project has a project plan and milestones	Largely met	There were plans for each project examined by the ANAO, although it was not always evident which ones were the final approved plans.*
Progress of projects is monitored and reported	Largely met	Reports are submitted to the BPRG monthly. The reports often contain few details, but indicate project status and whether projects are meeting milestones.
Final project reports articulate project outcomes and future directions or recommendations	Largely met	Final reports on 2005–06 projects were brief, but usually gave an indication of the future of the projects. No final reports were available on 2006–07 projects at the time of the audit.

Source: ANAO assessment of agencies' documentation on major projects.

Note: * DEEWR documents were frequently marked 'draft' but rarely indicated 'final' versions.

7.26 Delays in commencement of major projects under the 2006–09 BPA (see Table 7.4) impacted on the agencies' efficiency and timeliness of progressing developmental work intended to improve aspects of employment services.

Table 7.4

Status of approved major projects

Document	Reference in 2006–09 BPA	Intended completion date	Status as at 31 August 2007*	ANAO Comment December 2007	DEEWR update March 2008**
Major Project 10.1 Review and Development of Key Performance Indicators (KPIs)	Protocol 14 Major Projects section 10.1	31 December 2006	Incomplete	Revised project completion date is June 2007	Progressing: KPI working group has prioritised nine KPIs for review.
Major Project 10.2 Social Security Appeals Tribunal/ Administrative Appeals Tribunal Review of Decisions	Protocol 14 Major Projects section 10.2	30 June 2007	Incomplete	Revised project completion date is 31 October 2007	Completed
Major Project 10.3 Review of Communication Products	Protocol 14 Major Projects section 10.3	Not stated	Incomplete	Revised project completion date is 30 December 2007	Completed
Major Project 10.4 Site Visits	Protocol 14 Major Projects section 10.4	30 June 2009	Ongoing	See Table 7.5.	On hold
Major Project 10.5 Participation Report Rejection	Protocol 14 Major Projects section 10.5	31 December 2006	Incomplete	Revised project completion date is December 2007 (project scope has also shifted)	Completed: National Participation Solutions Team established in Centrelink.

Source: ANAO, using documents sourced from DEEWR and Centrelink. Projects shown are from the 2006–09 BPA, Protocol 14.

Note: * One year after the 2006–09 BPA was signed. **Update provided by DEEWR in its response to Issues Papers.

7.27 Notwithstanding the above comments, many projects had been undertaken over the period 2005 to 2007, and progress was evident in several areas. However, documentation of projects was not consistently well maintained and this restricted the ANAO's assessment of project management. The following example, Major Project 10.4—*Site Visits* (Table 7.5) provides an overview of one of the better documented major projects.

Table 7.5**Example: Major Project 10.4—Site Visits****Background**

The Site Visits project spanned two BPAs. It was initially conducted on a trial basis as part of the *Welfare to Work* change agenda under the 2005–06 BPA. Both agencies found benefit in the site visits, so included it as a major project in the 2006–09 BPA.

The site visit project objectives under the 2005–06 BPA

'The primary objective of this project is to develop a program of Centrelink Customer Service Centre (CSC) and Centrelink Call Centre visits which will contribute to the overall assessment of Centrelink's delivery of services on behalf of the Department.

The secondary objectives of this project are to:

- provide Department staff with an awareness of how Centrelink deliver these services;
- improve the communication channels between the Department and Centrelink; and
- identify best practice to enable recommendations in relation to improvement in work practices.'¹⁰³

Recommendation/conclusion in the final project report for 2005–06

The final project report submitted to the BPRG stated:

'The project is in the trial phase up until 30 June 2006 when an evaluation report will be conducted of the trial for the period December 2005 to June 2006. It is anticipated that the DEEWR Site Visits Project will continue for the life of the new BPA from 1 July 2006 and a twelve-month forward plan is currently being developed.'

Continuation of the site visit project under the 2006–09 BPA

The project continued under the 2006–09 BPA. A twelve-month plan was prepared. The project had a time frame of 1 July 2006 to (end date) 30 June 2009. It was sponsored by the BPRG.

Protocol 14 describes the Site Visits project:

'Throughout the life of the Agreement, the Department and Centrelink will jointly conduct visits to Centrelink Area Support Offices, Customer Service Centres and Call Centres to:

- contribute to the Department's overall assessment of Centrelink's delivery of services on behalf of the Department;
- provide Department staff with an awareness of how Centrelink delivers these services; and
- identify best practice in service delivery and make recommendations to improve work practices, and/or policy settings, as appropriate.'

Identification of risks for the project

The project was continuing at the time of the audit, with progress reporting through the BPRG. The project plan identified two high level risks for the project:

1. Lack of clarity around project scope and governance arrangement; and
2. Differing expectations between the Department and Centrelink and requirements not clearly identified in DEEWR/Centrelink Business Partnership Agreement (BPA).

The April status report to the BPRG stated 'an additional risk that has been identified is that as this project didn't have a specific budget allocated there is a risk identifying attendees for future visits'

Suspension of site visits in 2008

In February 2008, Centrelink informed DEEWR that it would not be scheduling or funding site visits in the first four months of 2008, due to higher priorities and pending new DEEWR arrangements. DEEWR agreed to suspend site visits, with coordination teams from both agencies working towards recommencing visits in May 2008, under a revised schedule and agenda.

Source: Compiled by the ANAO from DEEWR–Centrelink documents.

¹⁰³ Major Projects – Site Visits, Final Report 2005–06, internal DEWR report.

7.28 The site visits project followed a structured process. A twelve-month schedule was developed, and both Centrelink and DEEWR staff (and often other stakeholders) attended site visits together. A report of each visit was prepared and circulated in DEEWR and Centrelink. These reports identified issues raised by staff during the visit, and issues were followed up.

7.29 The BPRG received status reports on the project. The project was meeting its objectives, particularly by improving DEEWR's understanding of Centrelink's service delivery, and strengthening the relationships between DEEWR and Centrelink. The August 2007 status report informed the BPRG that the project had met all targets and timelines, and that deliverables for the 2006–07 financial year were met. There had been seven scheduled and four additional sites completed, equating to 22 CSC sites, seven Call Centres, a User Laboratory and a Processing Centre.

7.30 While its inclusion as a major project in the BPA helped to drive cross-agency involvement in the site visits project, the ANAO noted that the absence of a committed budget put the project at risk of not continuing.¹⁰⁴

Case study: The cross-agency implementation of Welfare to Work reforms

7.31 This section examines the wider application of the DEEWR–Centrelink relationship in implementing the 2005 budget initiative *Welfare to Work*—a extensive, multi-component strategy which involved significant legislative and policy changes to employment services (also see Appendix 3).

7.32 The *Welfare to Work* change agenda had a relatively tight timeframe for implementation. It also involved extensive IT systems development in Centrelink and establishment of data and monitoring systems within DEEWR. To help with these challenges, DEEWR and Centrelink drafted a 2005–06 BPA, which referred specifically to an enhanced focus for DEEWR and Centrelink in implementing *Welfare to Work*:

DEEWR and Centrelink agree that a critical priority for the year 2005–2006 is preparation and implementation of the *Welfare to Work* reforms and other initiatives announced in the 05–06 Budget. To this end DEEWR and Centrelink are committed to meeting the requirements of the IT protocol and to working

¹⁰⁴ In early 2008 the site visits were suspended (this occurred following the completion of audit fieldwork). Refer to Figure 7.5.

collaboratively on the development and implementation of the IT systems required to support the policies and procedures for *Welfare to Work*.

In addition, DEEWR and Centrelink will work collaboratively to drive cultural change within Centrelink to support the rapid and successful implementation of a systematic and sensitive *Welfare to Work* focus for all clients. At the same time, DEEWR and Centrelink will work collaboratively to increase referrals of job seekers to employment services, in particular parents and people with disabilities, in a managed way.¹⁰⁵

7.33 Thus, DEEWR and Centrelink used the 2005–06 BPA to bolster cross-agency focus and commitment towards the *Welfare to Work* implementation. The success of this approach was noted by Centrelink’s Chief Executive Officer (CEO) and DEEWR’s Secretary at the signing ceremony for the 2006–09 BPA:

The 2005 BPA has produced an excellent working relationship between both our agencies. The quality of the relationship is evident by our successful joint response to implementing the *Welfare to Work* reforms and having the RapidConnect regime in place on time.¹⁰⁶

7.34 The ANAO examined DEEWR’s and Centrelink’s approach to coordinating and implementing several elements within the *Welfare to Work* measures.¹⁰⁷ In particular the ANAO assessed how effectively DEEWR and Centrelink had utilised the established governance mechanisms of the BPA to help manage the coordination and implementation of the *Welfare to Work* initiatives. Table 7.6 summarises ANAO’s analysis (criteria are shown in the blue rows, and ANAO’s findings in the white ones).

¹⁰⁵ DEEWR–Centrelink 2005–06 Business Partnership Agreement, sections 2.3 and 2.4.

¹⁰⁶ Additional information on Rapid Connect is provided in Appendix 7.

¹⁰⁷ A full examination of *Welfare to Work* initiatives was outside the scope of this audit. The audit was more concerned with the coordination and monitoring of the initiatives between DEEWR and Centrelink, and identifying better practice where present. The ANAO selected a range of programs to examine, including the *Welfare to Work* communications strategy, the *Welfare to Work* Steering Group and transition arrangements in 2006; the introduction of RapidConnect and Job Search Kiosks; and Parenting changes introduced in 2007.

Table 7.6

Implementing Welfare to Work

Agencies collaborate on the development of budget measures

Cross-agency consultation involved financial, policy, program and coordination branches within each agency. There was evidence of cooperation at most levels of the agencies, although the dispersal of functions across two large organisational structures did cause some challenges in coordination. The establishment of several joint working groups, steering committees and coordination areas helped to establish collaboration.

Identification of key stakeholders

This was a strong element in the agencies' approach to the *Welfare to Work* initiatives, including the 2007 Parenting Changes. There was early identification of stakeholders, including client groups, and the number of clients who would be affected by the legislative and policy changes. Use of consultative forums assisted in engaging stakeholders.

Cross-agency implementation plans exist for new programs or significant policy changes

DEEWR and Centrelink consulted on the development and ongoing review of the *Welfare to Work* implementation plan and associated work schedules. Plans included schedules of work to be done, and identified responsible areas and processes for executive approval. Most of the initiatives examined by the ANAO involved regular committee oversight of progress, although there were some lapses in rigor at times, particularly due to competing priorities, staff turn-around, or delays in inter-agency agreement on specific change components.

Risk assessments

Risks to each new initiative were considered as part of developing the implementation strategy.

A comprehensive risk assessment was done for large initiatives like *Welfare to Work*, although records for more recent initiatives did not show the same level of rigour. There was some concern by the ANAO that risk assessments were not always effective in defining key risks and appropriate treatments. An internal Centrelink program brief indicated that full implementation of *Welfare to Work* was not achieved by 1 July 2006. Essential components of the program were expected to be delivered in the following financial year, but DEEWR determined that not all of these were essential. Centrelink considered that these components had had 'significant impact on Centrelink's service delivery...and costs... because of time consuming workarounds and additional customer contacts.' This example showed a need to improve joint consideration of risks, benefits and priority setting.

Monitoring of implementation included reporting progress against planned objectives and milestones, and collection of appropriate data

The *Welfare to Work* initiative had its own taskforce in the early phases of implementation, with reporting of progress against detailed plans and task lists on a weekly basis to the BPRG and the Executive in DEEWR and Centrelink.

Transition KPIs were developed. However, DEEWR and Centrelink data was not always comparable. While many aspects of data collection have been successful, delays in developing new KPIs and defining data requirements has impacted on the agencies' capability to monitor progress of some initiatives effectively. There is ongoing work by both DEEWR and Centrelink to improve data quality and capacity.

Most key milestones were met for the *Welfare to Work* initiatives. One exception to this was Parenting measures, which were not delivered on time. There were also some issues with data collection, with discrepancies between DEEWR and Centrelink data. Resolution of these issues was ongoing in both agencies.

Governance structures including steering committees and working groups

DEEWR established six working groups which reported (first weekly and then fortnightly) to a *Welfare to Work* DEEWR–Centrelink Steering Committee. Through the working group, detailed business requirements were prepared. The BPRG also played an important role in coordinating progress reports on the various initiatives, and alerting program areas and the agencies' executives to any arising problems.

Performance measures are in place to measure the success of the initiatives

The agencies' success in this area was variable. DEEWR and Centrelink developed transitional KPIs for monitoring *Welfare to Work* initiatives. However, as discussed in Chapter 6, there were issues encountered in developing KPIs to measure key program elements. Refer to Table 6.4 – KPI 6.1 for example.

Transition issues register to record and manage all transition issues

Example: *Welfare to Work* had a transition register to:

- provide advice and clarification on issues raised by Centrelink and DEEWR in regards to *Welfare to Work*;
- provide policy clarification; and
- record advice/solution for each issue raised.

Implementation included a communication strategy, which includes informing clients and stakeholders of changes

Welfare to Work included an extensive communication strategy. There was a targeted mail out to all income support recipients informing them of the changes relating to the *Welfare to Work* legislation. A timetable was produced for the delivery of the targeted mail out. Call Centres and identified CSCs were set up to answer customer questions relating to the letters received.

There was a detailed communication plan and a major review of publications as part of the *Welfare to Work* agenda. This has continued as a major project into the 2006–09 BPA, with ongoing review of publications.

The DEEWR website contained information on *Welfare to Work* reforms, including a description of the measures, business processing models, and changes to clients' eligibility and obligations under the new arrangements.

Mechanisms for handling additional enquiries and problems during implementation of new initiative

Throughout implementation one or more mechanisms were used to address queries and problems (a) help desk (b) DEEWR's liaison area (c) issues register (d) issue referred to DEEWR policy area.

Ongoing assessment of issues to determine impact of implementation and policy

There were channels of communication between DEEWR and Centrelink, so that recurring issues were picked up and addressed. Help desk records and issues registers were able to detect some problem areas. However, a recent Ombudsman¹⁰⁸ report suggested that some customers were not dealt with appropriately.

Staff training

Specifically designed training modules were developed to cover all aspects of the *Welfare to Work* changes. Information was delivered in a staged approach to all Centrelink staff across the Service delivery network and Call Centres. Activity modules were produced for each customer target group as part of the training strategy that are compulsory for staff to complete. This was to ensure that staff had a full understanding of the *Welfare to Work* changes and how it may impact on Centrelink customers.

Post-implementation evaluation of initiatives

There were gaps and delays in this area which both agencies needed to address. Monitoring and review of programs as part of development and implementation occurred, but there was not a consistent approach to joint review or evaluation of the overall effect or efficiency of key initiatives.

DEEWR and Centrelink audits provided some assurance that programs were achieving their outcomes, but did not have wide enough coverage to compensate for the lack of post-implementation evaluation occurring.

Source: ANAO assessment of several aspects of *Welfare to Work*, including Rapid Connect (also see Appendix 7), Parenting Allowance Changes and Job Search Kiosks.

¹⁰⁸ *Annual Report 2006–07 Commonwealth Ombudsman*, Chapter 7—Looking at the Agencies.
<http://www.ombudsman.gov.au/publications_information/annual_reports/ar2006-07/index.html>

7.35 Over a period of three years, DEEWR and Centrelink have worked within the guidance of the BPAs to develop a stronger and more collaborative cross-agency arrangement. The impetus of *Welfare to Work* initiatives helped to drive the change agenda in both agencies, in terms of cultural change and business practices. Lessons learned from *Welfare to Work* implementation have translated into many examples of improved governance arrangements and coordination between DEEWR and Centrelink.

7.36 The governance structures, communication strategies and process changes commenced under the 2006 *Welfare to Work* initiatives were being refined under the 2006–09 BPA. For example, it was not until the 2006–09 BPA that DEEWR and Centrelink established detailed protocols to provide firmer guidance on cross-agency processes. Notwithstanding issues raised in Chapters 2 and 3, expansion of the set of policy guides has, overall, helped to clarify and formalise the roles and responsibilities of each agency in delivering working age employment services.¹⁰⁹

7.37 In addition, enhanced exchange of information through co-chaired committees, regular meetings between Centrelink’s CEO and DEEWR’s Secretary, site visits, and interactive coordination units also helped to consolidate the DEEWR–Centrelink relationship, to accomplish implementation of significant program changes.



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24 September 2008

¹⁰⁹ At the time of the audit, a further review of the policy guides and protocols was underway.

Appendices

Appendix 1 Agency Responses to the Audit

Centrelink response

Centrelink agrees with the overall recommendations outlined in the Section 19 Report. The main areas where Centrelink is particularly pleased with the findings of the Audit are in relation to strengthening the performance framework and reporting, including the addition of reciprocal performance measures for DEEWR; and also the strengthening of the governance arrangements, including business assurance. Centrelink will continue to work with DEEWR on progressing the broader issues highlighted in the Issues Paper and the Section 19 Report; and to incorporate many of the recommendations when negotiating the new BPA that will take effect from 1 July 2009.

Recommendation No.1

To strengthen governance arrangements and information supporting the Business Partnership, the ANAO recommends that DEEWR and Centrelink:

- Clearly define agencies' roles and responsibilities under the Business Partnership Agreement (BPA), including strategic roles, and the role of the Business Partnership Review Group (BPRG) particularly in establishing and monitoring its sub-committees;
- Enhance dispute resolution arrangements under the BPA; and
- Complete the BPAs' essential supporting documents, and implement a systematic process to make sure that the BPA is kept up-to-date and accurate.

Centrelink response: Agreed

Recommendation No.2

To improve DEEWR and Centrelink's accountability of financial management under the Business Partnership Agreement (BPA), the ANAO recommends that:

- DEEWR strengthen its monitoring of the status of deliverables outside the scope of the Centrelink Funding Model, particularly New Policy Proposals;
- Both agencies amend the financial management protocol to reflect all key aspects of the financial arrangements between DEEWR and Centrelink;
- Centrelink, in collaboration with appropriate purchasing agencies, DHS and Department of Finance and Deregulation, revise the Customer Activity Ratio (CAR) more frequently, to reflect significant changes in policy and procedure for employment services; and
- Both agencies evaluate the purpose, need, and procedures for developing process maps, taking DEEWR's and Centrelink's perspective into consideration.

Centrelink response: Agreed

In relation to the 4th dot point Centrelink believes that the purpose and need for the process maps needs to be clearly established and only then if appropriate should procedures for their further development be put in place.

Recommendation No.3

DEEWR and Centrelink should work jointly to achieve more transparent and cohesive business assurance and risk management practices under the Business Partnership Agreement. In particular by:

- Establishing governance arrangements for business assurance which include suitable monitoring and oversight to ensure timely progression of key business assurance strategies;

- Updating the Assurance Expectation Matrices (AEMs) to reflect current risks and priorities, and jointly assigning responsibility for risks; and
- Agreeing a consolidated program of standard management information reports, and designating responsibility for coordinating and disseminating management information.

Centrelink response: Agreed.

Recommendation No.4

To strengthen the performance framework and performance reporting under the 2006–09 Business Partnership Agreement (BPA), DEEWR and Centrelink should work collaboratively to complete and enhance its suite of KPIs. This process should include:

- Alignment of KPIs to cover all outputs and outcomes relevant to the BPA;
- Incorporating reciprocal accountability measures or KPIs to measure DEEWR's performance in meeting its agreed responsibilities under the BPA; and
- Establishing a more strategic, timely and coordinated approach to KPI development, reporting and review. This should include suitable criteria for determining appropriate, measurable KPIs.

Centrelink response: Agreed

Department of Human Services (DHS) response

I note the findings of the proposed report concerning the areas that DEEWR and Centrelink need to address to improve their administration under the Business Partnership Agreement (BPA, and agree with the recommendations of the report.

Department of Education, Employment and Workplace Relations (DEEWR) response

The Department of Education, Employment and Workplace Relations (DEEWR) welcomes the performance audit of the administration of the Business Partnership Agreement (BPA) between Centrelink and the former Department, Employment and Workplace Relations (DEWR). This audit is timely in that it will both build upon the recent progress in strengthening the joint management of business under the BPA and inform the development of a new three year BPA between DEEWR and Centrelink. This new BPA is required following the December 2007 Machinery of Government (MoG) changes.

An interim BPA, for 2008-2009, has been agreed between the Chief Executive Officer (CEO) of Centrelink and DEEWR's Secretary. This interim agreement provides for continuity of service delivery and assures the ongoing successful implementation of Government policy across the full range of programs and services delivered by Centrelink on DEEWR's behalf. It has been agreed with Centrelink that a new three year BPA will be in place by 1 July 2009.

DEEWR has appreciated the opportunity to participate in this audit which has been helpful to our co-operative relationship with Centrelink. However, the Department does not agree with all of the ANAO's conclusions. In particular DEEWR is not, at this stage, convinced there would be any advantage in including Key Performance Indicators (KPIs) relating to the Department's activities in the BPA. Nonetheless, we are prepared to consider the potential for such KPIs, if it can be demonstrated they would deliver genuine benefits for the effective delivery of Government programs and services.

DEEWR provides the following additional comments in regard to the detail of the report.

Governance of the Business Partnership

DEEWR agrees with the recommendation for clarification of the role of the Business Partnership Review Group (BPRG) and the need for closer oversight of sub-committees and working groups by BPRG. DEEWR also notes that the delivery of services and programs is managed through broader internal and inter-agency governance arrangements. These broader arrangements, which fall outside the scope of the administrative governance structures detailed in the BPA, are demonstrably effective in assuring the successful delivery of Government policies and programs.

DEEWR agrees there would be benefits in more clearly defining the role and responsibilities of BPRG. There would also be advantages in more rigorous monitoring of BPRG sub-committees and their achievement of the specific objectives agreed with Centrelink. Improvement in the joint management of sub-committees has been implemented - for example, the Management Information Working Group and Business Assurance Sub-committee (BASC) are both required to regularly report to BPRG on progress with agreed forward workplans. DEEWR also agrees that dispute resolution could be enhanced, particularly as it relates to negotiating potential progress of beneficial but non-essential changes to Centrelink systems. DEEWR has established a new internal decision making process to assist in achieving this goal.

DEEWR is concerned that the report might be seen to imply a wider than appropriate scope for BPRG. From time to time, Centrelink or DEEWR initiate the short term monitoring of particular matters by BPRG. However, BPRG was not established to conduct the detailed monitoring of Centrelink's policy implementation and service delivery, or to serve as the only forum for inter-agency issues resolution. Instead, these responsibilities normally fall to the various DEEWR program and policy Groups which liaise directly with Centrelink, including through joint working groups and committees as required. These working groups and committees may include a number of additional Government Departments with a shared responsibility for relevant policy and program implementation. The internal line of reporting for these key governance bodies is DEEWR's Employment Management Committee (EMC) which makes all key decisions on policy and programs and monitors their implementation.

DEEWR believes that the governance arrangements external to BPRG are effective and allow for the appropriate escalation of issues, including to the level of discussion between our Secretary and the Centrelink CEO. For example, the negotiations on the funding of Centrelink systems changes as referenced in Table 2.4 of the audit report were conducted by DEEWR's Working Age Policy Group. This particular matter was elevated for discussion between agency heads and agreement was reached to ensure the timely implementation of essential changes to Centrelink's systems. While the two agencies subsequently continued to negotiate about further changes that would increase the flexibility of service arrangements, these additional systems changes were not essential to the ongoing effective delivery of services to Centrelink customers.

In November 2007, DEEWR's EMC approved a new internal process to improve the efficient negotiation of beneficial but non-essential changes to Centrelink systems. Under these arrangements our Employment Systems Board is to make decisions on whether to initiate negotiations with Centrelink on desirable but non-essential changes for which there is no agreed source of funding. As an important mechanism for resolving any potentially prolonged negotiations, a new Partnership Executive Committee (PEC) comprising the DEEWR Deputy Secretaries and Centrelink Deputy CEOs was formed in April 2008. The PEC is the highest level committee under the interim BPA 2008-2009.

DEEWR agreed with the ANAO's previous recommendation that the BPA be kept up-to-date. While it is preferable for all documents to be up-to-date, they must be mutually agreed by both agencies and issues associated with resource constraints have impacted on our joint capacity to ensure the finalisation of Service Level Agreements and other materials. Nonetheless, in all essential respects, the accuracy and

completeness of the BPA has been consistently maintained. In addition, DEEWR and Centrelink work in close co-operation to ensure that regardless of any requirement for the update of BPA materials or the ongoing negotiation of related matters, all Government programs, services and policies are successfully delivered.

Financial Management

DEEWR agrees with the recommendation to improve financial management under the BPA. DEEWR closely monitors the implementation of services by Centrelink through inter-agency governance arrangements that fall outside the more narrow administrative focus of the BPA. As an example, the Welfare to Work Steering Committee closely monitored the effective implementation of new participation requirements and job seeker assessment and referral arrangements from 1 July 2006. We will continue to work with Centrelink and other agencies through these broader arrangements to monitor and assure the delivery of the services purchased by the Department.

DEEWR believes there is a need to establish procedures to improve the monitoring of expenditure by Centrelink on the DEEWR funded components of new policy measures. More rigorous reporting requirements would enhance the capacity of both agencies to ensure that the services purchased from Centrelink by DEEWR are delivered within the expected timeframes. If DEEWR is provided with more detailed information on the allocation and expenditure of funds by Centrelink, it would give greater transparency and assurance about their utilisation within measures and minimise the potential for prolonged negotiations about the source of funding for particular changes to systems or processes. It would also allow for early consideration and agreement on the funding implications of any changes that may occur in relation to specific service delivery requirements or customer numbers.

The Department has recognised the need to enhance the established exception based reporting on Centrelink's progress towards the timely completion of particular projects. We have been concerned to ensure that DEEWR receives early notice of any instance in which Centrelink is unable to fully meet requirements to implement new or changed arrangements within the expected timeframes. We have introduced new internal procedures that provide for centrally co-ordinated monthly reporting on the status of Centrelink deliverables. Under the previous arrangements there was a significant reliance upon reporting by Centrelink in the third quarter of each year. The new process is intended to ensure that DEEWR has the earliest possible information on any project that Centrelink may be unable to complete within the expected timeframe. The success of these new procedures will depend upon Centrelink's capacity to agree to more rigorous reporting requirements.

DEEWR supports the proposal that we collaborate with all relevant agencies to update the Customer Activity Ratios (CARs) that determine the annual funding for Centrelink. Along with more rigorous reporting on Centrelink's expenditure of funds on new measures, updating the Centrelink Funding Model (CFM) to reflect current service delivery arrangements and customer numbers would provide improved assurance of the cost-effective delivery of programs and services. DEEWR also proposes to work with Centrelink to agree on meeting our mutual requirements for process maps which are important to DEEWR's understanding of operational service delivery and associated costs.

DEEWR feels the audit report does not always make it clear that authority for operation of the CFM does not rest with DEEWR. For example, the report makes observations about the continued use of the 2002-03 CARs for CFM cost estimation and reconciliation purposes. DEEWR's view is that the CFM should be aligned with current customer numbers and service delivery activity levels. However, the use of up-to-date CARs and any other refinement to the CFM relies upon approval by Government that would be secured by submission from the Department of Human Services in conjunction with the Department of Finance and Deregulation. We are concerned to ensure that readers of this report do not incorrectly conclude that DEEWR has elected not to up-date the CFM.

Business Assurance and Managing Risks

DEEWR agrees with the recommendation on the improvement of business assurance and risk management practices. The department was aware of the requirement to strengthen the management of business assurance activities as specified in the BPA and, in conjunction with Centrelink, has taken action to bring this about. Notwithstanding our recognition of the need to improve the conduct of these particular activities, DEEWR also considers that broader inter-agency governance arrangements have been both important and effective in providing for the assurance of program and service delivery. In addition, DEEWR and Centrelink manage risks through Key Performance Indicators (KPIs) where it is jointly agreed that this both efficient and effective.

The ANAO found that DEEWR did not have a current overarching strategy for its business assurance arrangements with Centrelink. DEEWR agrees with the ANAO in this regard and, commencing in August 2007, has undertaken work with Centrelink to reinvigorate the BPRG Business Assurance Sub-committee, including working towards developing an agreed formal business assurance framework and reviewing the BPA Assurance Expectation Matrices.

DEEWR has been concerned that Centrelink has not fully met the obligation to provide risk assessments as required under the BPA. However, we also recognise that DEEWR could implement more consistently rigorous follow-up in pursuing the timely and complete provision of all required reports by Centrelink. It is anticipated that the new business assurance framework will clearly stipulate the obligations of each agency and establish procedures for methodical follow-up of any required assessments.

The interim DEEWR/Centrelink BPA 2008-2009 assures the continuation of services delivery for all DEEWR programs previously accounted for under the BPAs between Centrelink and the former DEWR; Department of Family, Community Services and Indigenous Affairs (FaCSIA), and; Department of Education, Science and Training (DEST). In July 2008, DEEWR commenced work on an internal review of the three High Level Risks that were identified as part of the DEWR/Centrelink BPA 2006-2009 and are also included in the interim BPA 2008-2009. This review will examine the key risks to the delivery of services by Centrelink across the full range of DEEWR programs and will inform our future consultations with Centrelink on the business assurance framework and the BPA Business Assurance Protocol.

DEEWR will work with Centrelink to better implement business assurance activities as agreed under the BPA. DEEWR will also work with Centrelink in continuing to implement broader interagency Governance arrangements that play an important part in the reliable assurance of policy implementation and service delivery. It is expected that KPIs will also continue to be an essential tool for mitigating the risks to effective delivery of services. The requirements for these KPIs are to be reviewed as part of the development of the new three year BPA.

Measuring Performance

DEEWR agrees with the recommendation to strengthen the performance framework and associated reporting under the BPA. Our agreement with this recommendation is qualified by concerns about the requirement for reciprocal KPIs.

DEEWR is not, at this stage, convinced it is necessary for the BPA to include KPIs relating to aspects of the Department's activities. Our understanding is that reciprocal KPIs of this kind were not included in the BPAs between Centrelink and FaCSIA or DEST. We are not aware of such KPIs being part of any BPA between Centrelink and other policy agencies, or of any substantive evidence that would demonstrate their potential value.

The Department is prepared to consider the possibility of including reciprocal KPIs in the prospective BPA 2009-2012. However, it is not obvious that reciprocal KPIs would add to the effectiveness of the inter-

agency purchaser/provider relationship. We believe that standards relating to DEEWR activities that support our partnership with Centrelink are most effectively defined as part of Service Level Agreements, rather than as KPIs under the BPA. The inclusion of any KPI relating to DEEWR would be contingent upon it being demonstrated that this would result in tangible benefits in the context of the efficient and effective delivery of Government programs and services.

In relation to the detailed observations in the audit report, DEEWR emphasises the need to clearly distinguish between the substantial suite of established KPIs that provide for reliable assessment of Centrelink's performance and the additional range of proposed KPIs for which the agreed development of valid and reliable measurement is required. A suite of fifteen established KPIs has been used to report on Centrelink's performance. Seven potential new KPIs were also identified under the BPA 2006-2009. This audit does not consistently make the distinction between established and proposed new KPIs for which quantitative measurement may not prove feasible.

The development of agreed performance measures for proposed new KPIs can be complex and resource intensive, and may be impacted by the availability of readily accessible data. Extraneous factors also impact on Centrelink's performance and these factors have the potential to prevent reliable quantitative assessment. These issues contributed to slower than anticipated progress in the development of the new KPI measures proposed under the BPA. Joint work carried out by DEEWR and Centrelink has established that in view of these issues a number of the new KPIs proposed under the BPA 2006-2009 are not amenable to reliable quantitative measurement. In January 2008 it was agreed with Centrelink that a number of the proposed KPIs could potentially be removed from the BPA, provided strategies are in place to mitigate any continuing relevant business risks.

DEEWR believes it is important to acknowledge the dynamic nature of Centrelink service delivery under evolving policy initiatives and, in particular, the impact this can have on the assessment of Centrelink's performance. As an example, BPA KPI 5.1 which has been in place since 2004-2005, requires that Centrelink increase participation in the workforce by non-activity tested customers. As result of the implementation of new employment participation requirements for Parenting Payment recipients from 1 July 2007, it was not possible to reliably assess Centrelink's achievement against KPI 5.1 during 2007-2008 and reporting was temporarily suspended. Reporting for KPI 5.1 is to recommence in 2008-2009 once reliable measurement is re-established. The Department feels that the audit report might be interpreted as being critical of the temporary suspension of reporting against KPI 5.1 and other KPIs, when this represents a normal and necessary part of ongoing valid performance assessment.

DEEWR would emphasise that work linked to the risks that are mitigated by KPIs is not restricted to the development of quantitative measures. For example, DEEWR and Centrelink have cooperated closely to improve service delivery in the context of KPI 6.1 and KPI 6.2 which relate to the timely and appropriate action of Participation Reports. Commencing from July 2006 this work improved both the quality of information provided to Centrelink by DEEWR's contracted employment services providers and the associated decision making by Centrelink's Participation Solutions Teams. We would also highlight the successful implementation of a Contact Model trial implemented as a major project under the BPA. These significant projects were managed outside the administrative governance arrangements set out in the BPA, with the relevant program and policy areas within DEEWR and Centrelink reporting directly to EMC, the Department's Secretary and Centrelink's CEO as appropriate.

As an additional matter, it is important to recognise that for reasons of cost effectiveness and efficiency, it is not feasible to implement continuous measurement for some KPIs. For example KPI 1.1, the accuracy of Centrelink's administration of the Jobseeker Classification Instrument (JSCI), is measured through annual survey in which the JSCI is re-administered to around 600 job seekers. This annual survey provides a valid and reliable measure of JSCI administration accuracy. Data for KPI 1.1 cannot be readily compiled from Centrelink and DEEWR information systems and continuous monthly assessment is not

feasible. DEEWR feels that the audit report does not give sufficiently clear recognition that different forms of measurement are necessary for different KPIs and that, for some KPIs, continuous assessment is neither essential or practical.

Notwithstanding the issues detailed above, DEEWR acknowledges there was a need to improve the management of work associated with the review of established KPIs and the development of proposed new KPIs. BPRG has implemented improved oversight of the relevant sub-committee to ensure the reasons for any future temporary suspension of KPI reporting are clearly documented. This improved oversight will also ensure there is regular revision of KPI review and development plans to account for any instances where the lack of readily accessible data or extraneous factors lead to unanticipated delays in progress.

Appendix 2 DEEWR Working Age Programs

Table A1 below, shows the programs for which Centrelink makes income support payments on DEEWR's behalf for working age Australians.

Table A 1

DEEWR's estimated administered appropriations for working age programs delivered by Centrelink for 2006–07 and 2007–08

Program	Estimated expenses for 2006–07 \$'000	Estimated expenses for 2007–08 \$'000	Revised Estimates 2007–08 \$'000
Disability Support Pension*	8 705 066	8 892 428	
Mature Age Allowance	92 815	28 073	25 838
Mobility Allowance	145 688	126 146	118 339
Newstart Allowance	5 353 553	5 282 087	4 359 305
Parenting Payment (Partnered)	1 293 544	1 143 356	1 097 379
Parenting Payment (Single)	4 880 132	4 697 114	4 514 584
Partner Allowance (Benefit)	125 366	83 289	82 822
Partner Allowance (Pension)	373 877	344 511	337 525
Pensioner Education Supplement	75 908	70 655	70 655
Sickness Allowance	85 076	88 321	84 728
Utilities Allowance	7 493	7 897	19 404
Widow Allowance	506 809	489 311	477 565
Youth Allowance (Other)	582 033	530 853	448 360
Community Development and Employment Program (transitional payment)			7 794
Total	22 227 360	21 784 041	11 644 298

Source: ANAO, based on DEEWR's Portfolio Budget Statements for 2006–07 (Table 3.1.1, Total resources for Outcome 1 (\$'000), p. 44) and 2007–08 (Table 3.1.1, Total resources for Outcome 1 (\$'000), p. 42)

Note: ** The Additional Estimates Statements 2007–08 for DEEWR showed that responsibility for Disability Support Pension was transferred under the AAOs to the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). This resulted in the transfer of \$8 892 428 000 to FaHCSIA.

Appendix 3 Welfare to Work measures

Table A 2

Information on Welfare to Work Initiatives

Background

The *Welfare to Work* measures were announced as part of the 2005 Federal Budget. They were intended to increase workforce participation and reduce the number of working age Australians on welfare. Groups targeted by the measures were mature age people, parents, people with a disability and the very long term unemployed:

Approximately \$530 million was appropriated by DEEWR to Centrelink to implement the *Welfare to Work* initiatives. Most measures were to be implemented by 1 July 2006.

The changes included:

- changes to income support payments;
- increases in employment services;
- a new compliance framework, including Financial Case Management; and
- a new reporting regime (the Contact Model) to support increased participation.

2006 initiatives

Examples of initiatives in 2006 were:

Increasing participation of people with a disability. Commencing on 1 July 2006, about 400 000 assessments (conducted by private and public sector providers) were expected to be made annually under a new Job Capacity Assessment process.

Financial Case Management. As at June 2007, 9834 customers had had serious or repeated failure resulting in a eight-week non payment period. There were 724 customers assessed as eligible for financial case management, and 173 declined this offer.

July 2007 initiatives

An example of a 2007 initiative was:

Parents payments. Approximately 233 000 grandfathered Parenting Payment customers (as at end of January 2007), were to receive compulsory participation interviews (after 1 July 2007). Centrelink prioritised these people into three groups, and an outbound call strategy was conducted to encourage voluntary referral to the Job Network.

Appendix 4 Relevant Legislation

The following table lists legislation referred to the 2006–09 BPA Core Agreement, protocols and policy guides. This illustrates the complex environment in which the BPA and the Two agencies, DEEWR and Centrelink operate.

Table A 3

Legislation related to the 2006–09 BPA

Legislation or related document	Reference in 2006–09 BPA or Audit Report Chapter
< A New Tax System (Family Assistance)(Administration) Act 1999 >	Protocols 2, 17
< Administrative Appeals Tribunal Act 1975 >	Protocol 13
< Administrative Decisions (Judicial Review) Act 1977 >	Protocol 13
< Archives Act 1983 >	Chapter 6
< Bankruptcy Act 1966 >	Protocol 13
< Commonwealth Services Delivery Agency Act 1997 >	Core Agreement, section 1 Chapter 1
< Crimes Act 1914 >	Protocols 12, 13
< Criminal Code Act 1995 >	Protocol 12
< Data-matching Program (Assistance and Tax) Act 1990 >	Protocol 13
< Disability Services Act 1986 >	Policy guides 14, 15, 27
< Electronic Transactions Act 1999 >	Protocol 13
< Federal Court of Australia Act 1976 >	Protocol 13
< Financial Management and Accountability Act 1997 >	Protocols 5, 9, 11, 12, 13, 16 Chapter 4
< Freedom of Information Act 1982 >	Protocols 1, 2, 3, 10, 16
< A New Tax System (Goods and Services Tax) Act 1999 >	Protocol 17
< Guide to Social Security Law >	Core Agreement, sections 11, 12, 18 Protocols 1, 2, 6, 7, 8, 15 Chapter 2
< Migration Act 1958 > and < Migration Regulations 1994 >	Protocol 2
< Ombudsman Act 1976 >	Protocol 10
< Privacy Act 1988 >	Protocol 1, 2, 3, 8, 10, 12, 13, 15 Core Agreement, section 20 Policy guides 2, 4, 10

<p>Social Security Law, comprised of:</p> <p><Social Security Act 1991></p> <p><Social Security (Administration) Act 1999></p> <p><Social Security (International Agreements) Act 1999></p>	<p>Core Agreement, section 20</p> <p>Protocols 2, 6, 8</p> <p>Policy guides 2, 9, 14, 16</p> <p>Protocols 2, 3, 5, 8, 10, 12, 13, 15, 16, 17</p> <p>Policy guides 1, 2, 4, 9, 10, 12, 13, 21, 27</p> <p>Chapters 1, 2, 6</p> <p>Policy guides 2, 10, 11, 13</p>
< Student And Youth Assistance Act 1973 >	Protocol 17
< Taxation Administration Act 1953 >	Protocol 13

Source: Compiled by ANAO.

Legislation can be accessed through the Commonwealth of Australia Law website, <www.comlaw.gov.au>. The Social Security Law and the Guide to Social Security Law can also be accessed through FaHCSIA's website, <www.fahcsia.gov.au>.

Appendix 5 Policy Guides Under the 2006–09 BPA

Table A4, below, shows the range of policy guides under the 2006–09 BPA and when they were signed by the BPA Agreement Managers. Policy guides shaded in blue were completed after the 2006–09 BPA had been signed.

Table A 4

List of policy guides and date signed

No.	Policy guide name	Date original policy guide signed by BPA Agreement Managers	
		DEEWR	Centrelink
1	Job Seeker Eligibility	30-08-06	30-08-06
2	Provision of Information to Job Seekers	30-08-06	30-08-06
3	Registration for Job Search Support Only (JSSO)	24-08-06	21-07-06
4	Registration of Fully Job Network Eligible (FJNE) Job Seekers	24-08-06	17-08-06
5	Job Seeker Classification Instrument (JSCI)	24-08-06	21-07-06
6	Referral and Allocation to the Job Network	24-08-07	21-08-07
7	Referrals to Complementary Programmes	16-10-06	26-09-06
8	Liaison with Job Network Members	24-08-06	23-08-06
9	Job Seeker Participation and Compliance	24-08-06	17-08-06
10	Remote Area Exemptions	24-08-06	17-08-06
11	Exits and Transfers	-- -- 06	13-09-06
12	Employment Preparation	24-08-06	14-08-06
13	Community Work Coordinators	25-08-06	28-08-06
14	Disability Employment Network (DEN)	-- 09-06	25-10-06
15	Vocational Rehabilitation Services	29-08-06	28-08-06
16	Personal Support Programme	24-08-06	23-08-06
17	Job Placement, Employment and Training (JPET)	24-08-06	21-07-06
18	New Enterprise Incentive Scheme (NEIS)	24-08-06	21-07-06
19	Green Corps	24-08-06	21-07-06
20	Harvest Labour Services	24-08-06	21-07-06
21	Financial Case Management	24-08-06	17-08-06
22	Indigenous Wage Assistance	29-08-06	28-08-06
23	Community Development Employment Projects	04-06-07	01-06-07

24	Indigenous Employment Centres (IECs)	30-08-06	30-08-06
25	Index of Services to Indigenous Customers	24-08-06	23-08-06
26	Indigenous Services	24-08-06	21-08-06
27	Remote Services	24-08-06	17-08-06
28	Services to Culturally and Linguistically Diverse Job Seekers	30-08-06	30-08-06
29	JobSearch Kiosks	31-07-06	14-08-06

Source: ANAO, based on DEEWR records.

Appendix 6 Major Projects under the 2006–09 BPA

The following table outlines the major projects under the 2006–09 BPA.

Table A 5

Major Projects under the 2006–09 BPA

Major project		DEEWR–Centrelink description
10.1	Review and development of KPIs	Examine the availability of data to assist in the development of performance measures for proposed Key Performance Indicators (KPIs) for new <i>Welfare to Work</i> initiatives to enable Centrelink and the Department to set appropriate performance targets. Review specific existing KPIs, such as the timeliness KPI, to examine the relevance of targets in light of the changes following the implementation of <i>Welfare to Work</i> initiatives.
10.2	Social Security Appeals Tribunal/Administrative Appeals Tribunal Review of Decisions	The project will look at review and appeal cases and record reasons why decisions have been overturned or set aside. Commonalities will be grouped and discussions held with major stakeholders. The objective of the project is to identify areas where decision making, procedures and processes, customer notifications and recording of information needs to be improved.
10.3	Review of Communication Products	<p>This project will have several parts as follows:</p> <p>There will be a review of the full suite of Department and Centrelink communication products.</p> <p>There will be an ongoing, rolling review of all publications including pamphlets, notices, forms and letters as they undergo changes over time as a result of new policy or government initiatives. The review of changes to letters and notices will have regard to Minister Hockey's external review of all Centrelink customer letters.</p> <p>Centrelink and the Department will agree on the focus, breadth and priorities for the reviews</p>
10.4	Site Visits	<p>Throughout the life of the Agreement, the Department and Centrelink will jointly conduct visits to Centrelink Area Support Offices, Customer Service Centres and Call Centres to:</p> <p>Contribute to the Department's overall assessment of Centrelink's delivery of services on behalf of the Department.</p> <p>Provide Department staff with an awareness of how Centrelink delivers these services.</p> <p>Identify best practice in service delivery and make recommendations to improve work practices, and/or policy settings, as appropriate.</p>
10.5	Participation Report Rejection	The key component of this project is to analyse Centrelink Participation Report rejection reasons. This project will also examine areas for improvement that will result in a reduction of Participation Report rejections and lead to an improvement in the quality of Participation Reports submitted and investigated.
10.6	Job Seeker Employment and Earnings: Notification and Processing	In March 2007, a discussion paper entitled ' <i>Notification of Job Seeker Employment: Information Exchange between Centrelink–DEEWR–PAGES</i> ' was tabled at the DEEWR/Centrelink BPRG meeting. This paper explored the history of the current systems notification, the changes to service arrangements, legislation and policy and offered some

		<p>recommendations for improvement.</p> <p>The aim of the project is to provide DEEWR with enough detail in requirements and costs to enable the department to seek finding for these changes through the 2008 Budget round of submissions.</p>
10.7	Appropriate Engagement of all jobseekers with PAGES	<p>This project involves identification of customers who are not appropriately connected to a Providers of Australian Government Employment Services (PAGES), or who have not been moving through the employment services continuum. The project working group will explore the reasons why the connection has not occurred and will identify appropriate solutions.</p> <p>It is estimated there are possibly thousands of customers who receive payment but are not appropriately connected to a PAGES. Currently 14 groups of job seekers have been identified, including job seekers who have moved between programs and those who have been on the PSP waiting list for a significant time period. The working group will prioritise each of these job seeker groups and develop solutions as they proceed so that groups of job seekers continue to be appropriately engaged through the life of the project.</p>

Source: ANAO, based on: Major Projects Protocol 14 of the 2006–09 BPA; *Job Seeker Employment and Earnings: Notification and Processing*, Status Report No. 4 to BPRG, October 2007; and BPRG minutes for 11 September 2007.

Appendix 7 Rapid Connect Phase 1 Post-Implementation Review

The following is an extract from a joint post-implementation review of Rapid Connect phase one implementation. The report was dated December 2005. The report is included because it illustrates issues that may arise during program implementation, lessons learned and suggested solutions.

KEY RECOMMENDATIONS

The following key recommendations were made by representatives from DEWR and Centrelink. Their applicability should be considered and used to inform future projects.

Project Governance

- The project plan and governance structure should be clearly specified at project commencement including joint sub-groups, determination of appropriate membership, responsibility of individuals and clear escalation procedures.
- Clear governance around working arrangements and responsibilities for Communications teams needs to be established early in the project
- One central version of an issues register should be established and decisions on recording, maintaining and resolving issues must be determined as part of the project plan.
- A glossary of frequently used terms, including IT terms, should be defined as part of the project plan to minimise confusion across agencies.

Systems Development

Transition measures need to be established for future systems changes, to take account of any unintended consequences.

- Systems and policy representatives should attend the scenario walk throughs prior to testing to ensure that all possibilities are covered.
- To reduce the occurrence of development issues systems developers should be co-located particularly during the testing phase
- A wide range of policy people should be trained in testing skills and procedures. This would enable their use as testing resources for *Welfare to Work* testing in July.
- A complete review/health check of existing systems and servers should be conducted one week prior to testing.
- Multiple releases make problem identification and resolution more difficult. Release schedules should be circulated widely to remedy this issue.
- Release schedules and related activities should, where possible, be aligned for joint projects.

Communications/Training

- Contract Managers (DEWR) should receive more information on a regular basis to ensure they are fully across all key areas of change.
- DEWR should attend Centrelink pilot training sessions to provide business assurance
- Senior Centrelink members of the Centrelink Project Team should attend the pilot training session to field questions from Centrelink staff in relation to Centrelink business decisions.
- Provision of a systems prototype to both Centrelink and the Job Network would allow staff to familiarise themselves with changes prior to release.
- Where time permits, each Department should share documentation prior to release/publication to ensure that content is consistent and accurate.
- The Communications Sub-group should utilise the RDG more to resolve issues.

LESSONS LEARNED

Project Governance

Committees

Project Management Committee (PMC)

- Issues unable to be resolved by the development group, sub groups or individuals responsible should be escalated to PMC.
- Regular reporting to PMC, including detailed information about resources/impact and timeframes should occur to ensure that the full extent of the change is recognised. This reporting could include separate DEWR and Centrelink achievements.

RapidConnect Development Group (RDG)

- Each policy/systems area in both DEWR and Centrelink should ensure ongoing and appropriate representation to allow all issues to be clearly understood and resolved.

Employment Management Committee (EMC)

- The nature of DEWR's decision making processes inhibited the pace at which decisions could be made. This was primarily dictated by the schedule of EMC meetings.

Meetings – Schedules and Representation

- Both Centrelink and DEWR should ensure that a suitable policy representative attends each systems walk through meeting to allow policy issues to be rectified immediately.
- Regular meetings between DEWR and Centrelink Systems teams ensured that, as development progressed, each team was aware of the timelines and progress of the other.
- DEWR and Centrelink systems representatives should attend each RDG to ensure that their understanding of the progress of development/policy changes is consistent and up-to-date.
- Centrelink and DEWR Project Teams should meet regularly with both DEWR and Centrelink IT to ensure systems accurately reflect the requirements
- The meeting schedule suited the stage of the project. Weekly PMC and RDG meetings early in the project cycle ensured that issues were able to be quickly resolved. As the project matured, the meeting schedule moved to every two weeks – unless urgent issues required a meeting to be convened. Meetings should however be more synchronised to reduce time travelled etc.

Guidelines

- Information should be provided on project management requirements for each department/Agency including different documentation and timeline requirements.
- Terminology should be agreed and documented at project commencement to ensure that the same term is not used in each Department to describe different activities or events.
- Protocols surrounding sharing of information and clearance procedures should be clear to both DEWR and Centrelink staff.
- It should be made clear who the accountable people are within each sub group (from both DEWR and Centrelink).
- Regular reviews of governance structures should be held to ensure that the representation is correct, that the structure is supporting the project and that the correct people are being held to account.

Issues Register

- While the issues register worked well during the project, it would be useful to clearly define how issues will be resolved – and to allocate responsibility for each issue to one owner only.
- There should be an agreed process for the escalation of unresolved issues (E.g. through the Project Manager, then RDG, then PMC, then EMC etc). The points of escalation should be agreed and documented by the RDG and cleared by the PMC.

Management Information

- Despite the early identification of data requirements and initial scoping meetings with CMIS, DEWR was unable to facilitate the timely development of reports to measure the success of RapidConnect during the early months of implementation. This may have been due to staffing issues, restructures of the team and/or a shift of focus to *Welfare to Work* or decisions to reduce the priority of this functionality compared with other Departmental priorities. It is suggested that the Project Manager and Project Sponsor need to highlight the importance of the availability of data to the relevant committees to ensure that this does not occur for future projects.

Systems Development

Supporting Documentation

- Late inclusions/changes from the policy areas impact on the systems teams' ability to deliver on the new scope. The agreed change management process must be adhered to.
- While the development of the DBR requirements was comprehensive, some representatives failed to attend meetings where detailed decisions were made. This resulted in people not having a clear understanding of the process or asking for changes to requirements post decisions. It would be beneficial for key representation to be maintained at each meeting.
- Centrelink and DEWR systems representatives should ensure that they consult on each other's project brief/DBR carefully to ensure the details reflect the agreed project objectives and evaluation criteria.
- Steps for resolving problems should be clearly documented.
- Agreed responsibilities should be clearly documented.

Physical environment

- Problems were experienced with setting up the joint testing facility at Symonston which prevented end to end joint testing prior to release. The facility is now functional and, while it has yet to be utilised, it could be a powerful tool to reduce problems during test and release.
- Unavailability of Joint Testing (on site) meant that issues took longer to resolve. The availability of a "hands on" facility and co-location would ensure that all scenarios are able to be fully tested.
- Centrelink Business Analysts located off site had difficulty becoming familiar with DEWR systems as training was limited and was conducted in Adelaide.

Testing

- DEWR and Centrelink systems and policy areas need to ensure that the scenarios developed for use in testing cover off all possibilities.
- Joint testing (dedicated physical location) needs to be conducted further out from release – and within an agreed timeframe. Where this is not possible the scenario design needs to be comprehensively defined early so that testing can be done in an accelerated pace where practicable.
- To ensure that testing skills are retained, rotating testing/testing training staff through policy areas should be considered. The inclusion of policy staff in testing roles would increase appreciation of systems requirements and decrease occurrence of last minute systems changes and inclusions.
- Centrelink does not have test harnesses for First Contact Service Officer (FCSO) (ie they are not unable to develop them). This is being examined for *Welfare to Work* but could be costly to develop.

Pre-production

- Pre-production environment at DEWR, including a framework upgrade and server problems impacted on the RapidConnect systems release/test schedule.
- The ability for both Centrelink and DEWR to have the capacity to test in pre-production should be considered.

Hardware

- It is suggested that a survey of hardware functionality (health check) one week prior to each release on both the Centrelink and DEWR sides.

Communications/Training

- Creation of the Communications sub group worked well as progress was able to be made out of RDG session. However, the sub group would have benefited from the inclusion of a representative from the Centrelink RapidConnect Project team and from their own attendance at the regular development group meetings to be fully across all issues.
- Sharing information regarding the timing and content of communications products ensured consistency across Departments in their approach/timing to communications.
- There is a need to ensure that the training and promotional material contains the right balance between systems development and changes, and process and policy changes.
- The release of information to Centrelink/DEWR staff/JNMs/job seekers needs to be carefully coordinated to ensure that all stakeholders receive information at the same time to lessen the possibility of confusion.
- DEWR and Centrelink Project Teams should review the final versions of the BPA policy guides before they are sent to the other agency. The BPA policy guides often went through the “front door” without final copies being seen by the relevant business owners.
- The communications schedule should receive input from the Centrelink service delivery policy area.
- Centrelink achieved a great deal during their training, as they were able to create a shift in thinking and a process change. This process would have been further enhanced by the earlier provision of a prototype system.

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