Administration of Youth Allowance

Department of Education, Employment and Workplace Relations

Centrelink

Australian National
Audit Office

Canberra   ACT
19 November 2009

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 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. The report is titled *Administration of Youth Allowance.*

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

Ian McPhee
Auditor-General

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

Audit Team
Steven Lack

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Abbreviations

BPA	Business Partnership Agreement
DEEWR	Department of Education, Employment and Workplace Relations
DEST	Department of Education, Science and Training
Finance	Department of Finance and Deregulation
FMA Act	*Financial Management and Accountability Act 1997*
ISSG	DEEWR's Income Support and Stakeholder Group
KPI	Key Performance Indicator
NSO	National Support Office
PBS	Portfolio Budget Statements
SSDM	Standard Service Delivery Model
YA	Youth Allowance

Glossary

Administered Items	Administered items are those resources controlled by government but administered by an agency on behalf of the Government (for example most grants and benefits; and transfer payments).
Agencies	Agencies are Departments of State, Departments of Parliament and 'prescribed agencies' for the purpose of the *Financial Management and Accountability Act 1997.*
Outcomes	The results or impacts on the community or the environment that the Government intends to achieve.
Outputs	The actual deliverables agencies produce to generate the desired outcomes specified by government.
Performance Indicators	Often referred to as key performance indicators (KPIs), performance indicators are established to provide information (either qualitative or quantitative) on the extent to which a policy, program, initiative or output is achieving its objective.
Program	Programs are the building blocks of government financial and non-financial reporting, management and analysis and provide a tangible link between government decisions, government activities and the impacts of those actions.
YA (student)	A means-tested income support payment available to eligible young people aged 16 to 24 years who are undertaking full time study, an Australian apprenticeship or students who are temporarily unable to study.
YA (other)	A means-tested income support payment available to eligible young people aged 16 to 20 years who are seeking or preparing for paid employment or are temporarily unable to work.

Summary and Recommendations

Summary

Introduction

Youth Allowance

1.   Youth Allowance (YA) was introduced on 1 July 1998, through the *Social Security Legislation Amendment (Youth Allowance Consequential and Related Measures) Act 1998*.

2.   The YA payment was designed to provide income support for eligible young people to encourage them to undertake further education or training or to look for paid employment. With an expected expenditure of over $2.5 billion in 2009–10, YA payments are one of the more significant government income support payments.

Eligibility

3.   There are two distinct types of YA:

• Youth Allowance (student): YA (student) is a means–tested income support payment available to eligible young people aged 16 to 24 years who are undertaking full time study, an Australian apprenticeship or students who are temporarily unable to study; and

• Youth Allowance (other): YA (other) is a means–tested income support payment available to eligible young people aged 16 to 20 years who are seeking or preparing for paid employment or are temporarily unable to work.

4.   Students are the main group of YA recipients and represent 80 per cent of the total YA population. While recipients of YA are required to meet age, residency, activity, and personal asset requirements, the parental means test has the largest bearing on who is eligible and the rates of payment. The parental means test has three elements: a family assets test, the combined parental income test threshold and the family actual means test.

5.   Parental means testing does not apply if a YA applicant is assessed as independent. While independence for YA can be obtained in a number of ways one of the criteria can be that the applicant is aged 25 years or more.

Administrative arrangements

6. Under current Administrative Arrangements, the Department of Education, Employment and Workplace Relations (DEEWR) is responsible for income support and benefit payments such as YA, and a range of other education and employment programs.

7. Centrelink, as the Australian Government statutory agency responsible for delivering income support and benefit payments, is the principal service delivery agency for DEEWR's social security programs, including YA. DEEWR purchases services from Centrelink on behalf of the Government, with purchaser–provider terms agreed through agreements.

8. At the time this audit commenced, in September 2008, Business Partnership Agreement (BPAs) of particular relevance to YA were in place between Centrelink and: the former Department of Education, Science and Training, including YA(student) for the period 2005–08; and the former Department of Employment and Workplace Relations, including YA(other) for the period 2006–09. In December 2007, DEST and DEWR were amalgamated into DEEWR, and an Interim BPA between DEEWR and Centrelink (for the period 2008–09) was signed on 31 December 2008.

9. From the customer's perspective, YA services are accessed/delivered through the Internet, Centrelink's 25 call centres and over 300 customer service centres. The call centres are managed centrally as a virtual single call centre. Customer service centres are grouped into 15 geographically based areas that provide oversight of Centrelink operations in that area and coordinate the implementation of new initiatives or processes emanating from Centrelink's National Support Office (NSO).

Program description

10. Beginning with the 2009–10 Budget, the Australian General Government Sector adopted an Outcomes and Program Reporting Framework. As part of its transition to the new arrangements, DEEWR rationalised its nine Outcomes into five and adopted a program structure in which YA is located within three discrete programs. DEEWR's budgets for its YA-related programs: Program 2.11, School Student Assistance; Program 3.3, Tertiary School Assistance; and Program 4.4, Working Age Payments are shown in Table 1. Included in the table is the budget for the YA component of each program.

Table 1

Budget for YA-related programs in 2009–10

YA-related Program	Program Budget 2009–10 ($000)	Budget for YA Component ($000)	YA as % of program budget
Program 2.11: School Student Assistance	826 408	641 385	77
Program 3.3: Tertiary School Assistance	1 789 825	1 302 207	73
Program 4.4: Working Age Payments	15 038 802	625 797	4

Source: DEEWR, Portfolio Budget Statements, 2009–10.

Recent initiatives

11.   On 12 May 2009, the Australian Government announced a package of reforms to student income support to respond to the recommendations and findings of the Bradley Review of Australian Higher Education. The package of reforms is intended to increase access to, and better target, income support for students who need it most, through a fairer and more equitable allocation of existing resources.

12.   The measures in the package included changes to the parental income test, the age of independence personal income test, extension of income support to students enrolled in a masters degree by coursework, and changes to scholarships. The measures are to be implemented from 2010.

13.   As part of the 2009–10 Commonwealth Budget the Government also announced that, from 1 July 2009, Centrelink will receive all of its departmental funding directly from the budget. While policy agencies, such as DEEWR, remain accountable for the oversight of social security outcomes, Centrelink will be directly appropriated to deliver income support and benefit payments.

14.   For this reason, new arrangements including key performance measures, covering the period 2009–12 are in the process of being established between DEEWR and Centrelink.

Audit objective and scope

15.   The audit objective was to assess the effectiveness of administrative arrangements for YA, including service delivery. The ANAO assessed DEEWR's and Centrelink's performance against three main criteria:

- objectives and strategies for the ongoing management and performance measures for YA provide a firm basis for measurement against outcomes (Chapters 2 and 3);

- YA services delivered are consistent with legislative and policy requirements, (Chapter 4); and

- monitoring arrangements provide appropriate information for assessing service delivery performance (Chapter 5).

16. The scope of the audit was designed to complement previous ANAO audits including Audit Report No. 43, 2005–06 that assessed Centrelink's use of Random Sample Surveys to measure payment correctness and accuracy.

17. While the audit examined the monitoring and reporting of service delivery through KPIs, such as the timeliness of processing claims, the ANAO did not assess the adequacy of YA payments. Detailed examination of administrative arrangements for supplementary assistance (which YA recipients may be eligible for) was also out of scope for this audit.

Overall audit conclusion

18. Youth Allowance (YA) was first introduced in July 1998 and is a significant government income support payment providing over $2.5 billion a year to eligible young people who are either studying full-time or seeking paid employment. Students are the main group of YA recipients and represent 80 per cent of the total YA population.

19. Under current administrative arrangements the Department of Education, Employment and Workplace Relations (DEEWR) is responsible for YA payments. An Interim Business Partnership Agreement (BPA) is in place with Centrelink to deliver YA services to eligible customers on behalf of DEEWR.

20. Overall, there are effective administrative arrangements in place for Centrelink to deliver YA consistent with the relevant legislation and DEEWR's service delivery requirements. Key operational processes such as means testing, establishing proof of identity, activity testing, and determining independence are defined and controlled through the use of appropriate procedures. The assistance of these controls in supporting the delivery of YA service is reflected in the decline in the percentage of YA complaints received by Centrelink over the past three years, decreasing from 12.6 per cent to 9.7 per

cent of all the complaints received by Centrelink. Over the same period, YA service delivery complaints decreased by 7 percentage points.

21. Particular aspects of DEEWR's administration of YA should, however, be strengthened to allow more meaningful and complete measurement of the performance of YA against its program intent, and to better inform DEEWR's program management. Three areas where enhancements would be of particular benefit are: the development and use of appropriate effectiveness measures; the capture and use of data to support program management; and adopting a more strategic approach to oversighting Centrelink's performance in delivering YA services.

The development and use of appropriate effectiveness measures

22. DEEWR's YA-related program effectiveness indicators, as described in the department's Portfolio Budget Statement (PBS), focus on YA (other), that is, young people who are seeking or preparing for paid employment. DEEWR does not have effectiveness indicators for its YA-related programs that focus on providing support to the main group of YA recipients, students. Appropriate YA–related effectiveness indicators for DEEWR's School Student Assistance and Tertiary Student Assistance programs would allow DEEWR to identify and measure the achievement of these programs in providing appropriate income support and promoting education and training. Such initiatives would also assist the department to assess the contribution that these programs make to DEEWR's broader outcomes for school and higher education.

23. The DEEWR–Centrelink Business Partnership Agreement (BPA) identifies a range of Key Performance Indicators (KPIs) designed to monitor the delivery of YA payments and services by Centrelink including the timeliness of claims processing, for which, internal DEEWR KPI reports indicated good performance. Performance against such quality indicators are likely to be of considerable interest to citizens and Parliament and there would be benefit in making key aspects of this information relating to service quality, at the broad trend level, more widely available and accessible.

The capture and use of data to support program management

24. The importance of effective management at the program level has been a focus of the Government's reform agenda to improve the openness and transparency of public sector budgetary and financial management.

25.   Program management requires the information and capability to assess whether objectives have been met. Since the introduction of YA only one formal evaluation has been conducted, and this was published in 2001. In this regard, the objectives of YA have not been formally reviewed since the allowance commenced over 10 years ago.[1] A strategy to evaluate YA over time, including reviewing the objectives, would assist in determining if YA is meeting its stated purpose and provide the means by which to measure and assess the contribution YA makes to DEEWR's YA-related programs.

26.   Sound financial information is also an important tool for management and accountability purposes. In particular, monitoring the costs associated with managing a program informs a department how efficiently it is administering a government initiative over time.

27.   Because Centrelink delivers YA services on behalf of DEEWR through a BPA, service delivery costs are known and managed. However, DEEWR captures the costs associated with its departmental expenditure at the broad outcome level, not at the program level. While DEEWR recorded its departmental expenditure in accordance with the previous guidance provided by the Department of Finance and Deregulation, aggregation of departmental expenditure to the outcome level limited the department's ability to monitor its efficiency in administering YA payments that involve an annual expected expenditure of over $2.5 billion.

Adopting a more strategic approach to oversighting Centrelink's performance

28.   DEEWR is not a direct provider of YA services, but administers YA payments through a BPA with Centrelink. Until recently, there has been a strong focus within DEEWR on the operational aspects of managing YA, that is, the day-to-day issues of Centrelink's delivery of YA services. Given Centrelink's role in providing on-the-ground YA services, there would be value in DEEWR focusing on higher level aspects, such as program effectiveness and measuring the overall outcomes of the department's YA-related programs.

29.   The BPAs reviewed as part of this audit were undergoing transition to the 2008–09 Interim BPA prior to new arrangements for 2009–12. Since the

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[1]   DEEWR advised the ANAO that while the department had not undertaken a formal review the YA program, policy development had been, and is being, informed through a number of initiatives including the National Youth Participation Requirements for Young Australians.

audit was undertaken, new funding arrangements have been implemented resulting in changes to the DEEWR–Centrelink purchaser/provider relationship. In particular, from 1 July 2009, Centrelink has been directly appropriated departmental funding including for YA. This change in Centrelink and DEEWR responsibilities provides an opportunity for the two agencies to better focus their bilateral arrangements for the delivery of YA services.

Key Findings

DEEWR's outcomes and YA-related Programs (Chapter 2)

30. Beginning with the 2009–10 Budget, the Australian General Government Sector adopted an Outcomes and Program Reporting Framework. As part of its transition to the new arrangements, DEEWR rationalised its nine Outcomes into five and adopted a program structure in which YA is located within three discrete programs that make a contribution to three distinct DEEWR outcomes:

- Outcome 2: School Education—YA is one of four payments included in Program 2.11: School Student Assistance;

- Outcome 3: Higher Education—YA is one of five payments included in Program 3.3: Tertiary School Assistance; and

- Outcome 4: Labour Market Assistance—YA is one of fourteen payments included in Program 4.4: Working Age Payments.

31. As part of the Australian Government's Outcomes and Programs Framework, departments are required to establish a performance management regime that enables the measurement and assessment of the contribution of programs to their respective outcomes. This includes providing relevant performance information in the form of effectiveness indicators.

32. While DEEWR has monitored trends in YA recipient numbers at school and tertiary levels, it has not put in place specific YA (student) effectiveness indicators for Program 2.11: Secondary Student Support or for Program 3.3: Tertiary Student Support. As a result, stakeholders are unable to assess the extent to which YA (student) contributes to the achievements for Outcome 2 and 3. As an example, while the department monitors the trend in the number of undergraduate completions (at the broad Outcome 3 level), it does not report on the number of undergraduate completions that were in receipt of YA (student) or any other form of income support. As a result stakeholders will

have some difficulty in determining the contribution YA (student) has made to Outcome 3 achievements.

33. DEEWR does have effectiveness measures for YA (other) as part of Program 4.4: Working Age Payments. These program level performance indicators monitor the average duration that income support recipients are in receipt of the different types of income support payments, such as YA (other).

34. From 2009–10, departments are also required to report on the deliverables for each program. This includes setting quantity and quality indicators in PBS and reporting against these indicators in annual reports.

35. While DEEWR monitors the number of YA (student) and YA (other) recipients over time, the department does not provide and report on measures of quality in relation to the delivery of its YA-related programs in its PBS or annual reports. However, quality measures for the service delivery component of YA-related programs, which is undertaken by Centrelink on DEEWR's behalf, are known and managed as part of the BPA between the two organisations. These measures include the timeliness of processing; the correctness of payments; fraud and compliance activities; service profiling activity; and debt raising and recovery.

DEEWR's Management of YA (Chapter 3)

36. How departments manage ongoing programs is central to the efficient and effective delivery of government initiatives. Program support activities undertaken by departments incorporate program management, and policy development including evaluation. In relation to DEEWR's management of YA-related programs:

- appropriately disaggregated internal funding arrangements would enable DEEWR to identify the portion of its program support costs that relate to its YA-related programs; and

- an evaluation strategy would assist DEEWR to inform government and the Parliament about the continued relevance and priority of YA-related programs objectives.

Program support costs

37. As a part of the 2009–10 Budget, agencies were required to identify their program support costs, detailing the resources required for each program in their Portfolio Budget Statements. DEEWR's 2009-10 PBS did not provide information that would allow an assessment of the department's cost

associated with supporting individual programs, including YA–related programs. The purpose of program cost performance information is to allow judgements to be made about the cost of production and to ascertain whether there are better ways of achieving program objectives.

38. DEEWR's approach to monitoring its efficiency is at the outcome level. Financial information on the cost associated with providing program management, policy services, and service delivery is available at the aggregated level for each of the department's outcomes.

39. Sound financial information is an important tool for management and accountability purposes. It should provide, along with non-financial data, a picture of an agency's performance to demonstrate the overall value of programs, including the efficiency of DEEWR's operations and the cost effectiveness of programs delivered. Appropriately disaggregated internal funding arrangements would enable DEEWR to identify the portion of its program support costs that relate to its YA-related programs.

The use of an evaluation strategy

40. One formal evaluation of YA has been conducted since the introduction of YA in 1998. This was published in 2001 and took the form of a three year study to assess the short and medium-term impact of YA against the original program objectives. A lack of consistency in the identification of YA objectives and the absence of appropriate performance indicators for evaluating program effectiveness, impacts on DEEWR's ability to provide clear program intent to guide program management and service delivery activities.

41. Since 2001, circumstances affecting Australia's young people have changed and an evaluation strategy would assist DEEWR to test whether YA is achieving its stated objectives. Evaluations assist managers and other decision makers to: assess the continued relevance and priority of program objectives in the light of current circumstances, including government policy changes; test whether the program is targeting the desired population; and ascertain whether there are more cost-effective ways of assisting the target group. Evaluations also have the capacity to establish causal links. Over time, an evaluation strategy has the potential to provide credible, timely and objective findings, conclusions and recommendations to aid in resource allocation, program improvement and program accountability.

Delivery of YA Services by Centrelink (Chapter 4)

42. Centrelink uses a standard service delivery model that was designed to enhance the consistency of service delivery across payment types, including Youth Allowance. Overall, there is a strong alignment between the operational policies and processes put in place by Centrelink to deliver YA services and the relevant legislation. This results largely from the development and maintenance of the Guide to Social Security Law (with YA content being a DEEWR responsibility) and Centrelink's e-Reference tool.

43. In order to ensure that on-the-ground service delivery meets legislative objectives, it is important that operational processes are appropriately managed and controlled. In examining Centrelink's management of processes central to YA service delivery – means testing, establishing proof of identity, activity testing, and determining independence – the ANAO considered that Centrelink had:

- defined key processes and associated requirements;
- controlled key processes through the use of appropriate procedural documentation;
- established adequate performance measures; and
- assigned responsibility for monitoring and improving key processes.

44. YA customer feedback is available from a variety of sources including; Centrelink's complaint handing system and customer relations units, internal and external reviews of Centrelink decisions, and ministerial correspondence. An analysis of Centrelink customer complaints over the last three financial years has shown a decline in the percentage of YA complaints compared to all complaints. In 2005–06, the percentage was 12.6 per cent, in 2006–07 it was 9.6 per cent and in 2007–08 it was 9.7 per cent. Over the same period, YA service delivery complaints decreased by 7 percentage points.

Monitoring of Service Delivery through KPIs (Chapter 5)

45. Since 1998, there have been several BPAs between relevant policy agencies and Centrelink relating to the delivery of income support and benefit payments, including those for YA. At the time of the audit, the most recent BPAs identified eight KPIs with direct relevance to YA. These KPIs were designed to monitor: the timeliness of processing; the correctness of payments; fraud and compliance activities; service profiling activity; and debt raising and recovery.

46. DEEWR and Centrelink performance reports indicated that Centrelink was meeting its performance targets for the majority of the KPIs directly relevant to YA. An ongoing area of concern being Centrelink's performance against the 'debt under management KPI' where performance results for the recovery of debt have been below target. DEEWR is working with Centrelink, the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and the Department of Human Affairs (DHS) on initiatives to address the underlying drivers and advised that existing KPIs are being reviewed in the context of developing new arrangements with Centrelink for 2009–12.

47. The BPAs between DEEWR and Centrelink have provided a strategic framework for DEEWR's program managers to concentrate on specifying YA services to be provided by Centrelink and to monitor Centrelink's progress against appropriate performance measures. However, DEEWR's teams have adopted an operational approach to monitoring Centrelink's inputs and YA processes. While formally a Centrelink responsibility under recent BPAs, DEEWR's Centrelink Reporting team assumed responsibility over the preparation of these reports. At the same time Centrelink continued to separately record all, and analyse much, of the same data set.

48. Following the reporting arrangements set out in the recent BPAs would minimise duplication of effort between the agencies and the resulting monthly reports would more apparently reflect the agreed balance between DEEWR's purchasing oversight and operational assurance provided by the service provider, Centrelink. Taking a longer term perspective, it would be prudent to minimise any ongoing duplication of effort and ensure that monthly KPI reports effectively support program management.

Summary of agencies' responses

The Department of Education, Employment and Workplace Relations

49. The Department of Education, Employment and Workplace Relations responded to the audit as follows.

> The Department of Education, Employment and Workplace Relations (DEEWR) appreciates the opportunity to participate in the ANAO's performance audit of the Administration of Youth Allowance (YA).

DEEWR welcomes the ANAO's overall conclusion that there are effective administrative arrangements in place for Centrelink to deliver YA consistent with the relevant legislation and DEEWR's service delivery requirements.

DEEWR notes that the ANAO's findings and recommendations primarily relate to enhancing the existing effective program management practices – specifically the need for measures to better able DEEWR to report on the effectiveness of YA related programs and also to provide more meaningful and complete measurement of the performance of YA against its program intent.

50. The full text of DEEWR's response is at Appendix 1.

Centrelink

51. Centrelink's responded to the audit as follows.

Centrelink welcomes this report and will continue to work with DEEWR to enhance its service delivery of the Youth Allowance program.

Recommendations

Recommendation No.1

Para. 2.32

To better able DEEWR to report on the effectiveness of YA-related programs that focus on providing support to the main group of YA recipients, students, the ANAO recommends that DEEWR develops and uses effectiveness indicators to identify and measure the achievement of these programs in providing appropriate income support and promoting education and training.

DEEWR response: Agreed.

Recommendation No.2

Para. 3.56

To provide the information and capability to provide more meaningful and complete measurement of the performance of YA against its program intent, the ANAO recommends that DEEWR:

(a) establishes an evaluation strategy for the YA-related programs that it administers; and

(b) places greater emphasis on its role in oversighting YA program outcomes, thereby allowing direct service delivery tasks to be managed by Centrelink.

DEEWR response: Agreed with qualification.

Audit Findings
and Conclusions

1.   Introduction

Administrative arrangements for the management and delivery of Youth Allowance are outlined in this chapter. The audit objective, scope and methodology are also provided.

Income support payments

1.1   On behalf of the Australian Government the Department of Education, Employment and Workplace Relations (DEEWR) provides a range of income support payments to eligible recipients. These payments, administered under Special Appropriations, include Youth Allowance (YA).

Youth Allowance

Legislative basis

1.2   YA was introduced on 1 July 1998, through the *Social Security Legislation Amendment (Youth Allowance Consequential and Related Measures) Act 1998*. The allowance was designed to provide support to young people whether they were in education, training, unemployed or sick. It replaced Youth Training Allowance, Newstart and Sickness Allowance for under 21 year olds, Austudy for under 25 year olds and the higher rate of Family Allowance for 16 to 18 year olds.

1.3   In 2005, YA legislation was amended under the *Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Act 2005*. These amendments affected YA recipients who were job seekers, particularly through the introduction of new assessment arrangements for people with a disability, new services for job seekers and new compliance arrangements.

Program description

1.4   There are two distinct types of YA:

- Youth Allowance (student): YA (student) is a means–tested income support payment available to eligible young people aged 16 to 24 years who are undertaking full time study, an Australian apprenticeship or students who are temporarily unable to study; and

- Youth Allowance (other): YA (other) is a means–tested income support payment available to eligible young people aged 16 to 20 years who are

seeking or preparing for paid employment or are temporarily unable to work. [2]

1.5 The number of recipients of, and expenditure on, YA (student) and YA (other) as at June 2008, is illustrated in Table 1.1.

Table 1.1

YA expenditure and recipients

Component	Actual expenses 2007–08	Number of recipients at June 2008
YA (student)	$1 584 359 000 [3]	256 600 [4]
YA (other)	$451 782 000 [5]	64 907 [6]
Total	**$2 036 141 000**	**317 089**

Source: DEEWR (see footnotes).

1.6 Beginning with the 2009–10 Budget, the Australian General Government Sector adopted an Outcomes and Program Reporting Framework. As part of its transition from output groups to a program framework, DEEWR rationalised its nine Outcomes into five and adopted a program structure whereby YA was located within three new programs that make a contribution to three distinct DEEWR outcomes:

- Outcome 2: School Education—YA is one of four payments included in Program 2.11: School Student Assistance;

- Outcome 3: Higher Education—YA is one of five payments included in Program 3.3: Tertiary School Assistance; and

- Outcome 4: Labour Market Assistance—YA is one of fourteen payments included in Program 4.4: Working Age Payments.

1.7 Budgets for DEEWR's YA-related programs: Program 2.11, School Student Assistance; Program 3.3, Tertiary School Assistance; and Program 4.4, Working Age Payments are shown in Table 1.2. DEEWR's current outcomes

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[2]   Certain 15 year olds, including those who are homeless, may also receive Youth Allowance.

[3]   DEEWR Annual Report 2007–08 p. 46, (combined, for each student group–secondary, tertiary, vocational education and training).

[4]   DEEWR email dated 12 March 2009.

[5]   DEEWR Annual Report 2007–08 p. 151.

[6]   DEEWR Fact Sheet Youth Allowance (other), June 2008.

and program structure means that funding for YA is a component of three separate programs. Included in the table is the budget for the YA component of each program.

Table 1.2

Budget for YA-related programs in 2009–10

YA-related Program	Program Budget 2009–10 ($000)	Budget for YA Component ($000)
Program 2.11: School Student Assistance	826 408	641 385
Program 3.3: Tertiary School Assistance	1 789 825	1 302 207
Program 4.4: Working Age Payments	15 038 802	625 797

Source: DEEWR, Portfolio Budget Statements, 2009–10.

Eligibility for YA

1.8   Eligibility for YA is dependent upon applicants being an Australian resident, their age (broadly 16 to 24 year olds) and activity (full time students or jobseekers). Once deemed eligible, there are further criteria that will determine a recipients' rate of payment including claimant means (access to assets and income) and independence (or otherwise).

Youth Allowance age

1.9   The minimum age for YA is generally 16 years, although some 15 years olds may be eligible if they are:

• over the school leaving age in their state or territory; and

• they are considered independent by Centrelink for YA purposes.

1.10   There are special age-related rules for under 18 year olds who have not completed Year 12 (or equivalent), that mean they can only quality for YA if they are in full-time study or training, or are specifically exempted from this. The maximum age for YA is 25 years for full-time students or Australian Apprentices, or 21 years for jobseekers.

The activity test for YA

1.11   A young person can satisfy the YA activity test if they are:

• an Australian Apprentice; or

• studying an approved course full-time; or

- actively seeking, and willing to undertake, suitable paid work or participating in activities that will improve the chances of finding work.

1.12 A wide range of activities may satisfy the YA activity test. If a young person is not undertaking full-time study, they can satisfy the activity test by combining job search with other activities. While undertaking activities such as part-time study or training, some young people will only be required to look for part-time work.

1.13 At the time of this audit, to qualify for YA young people aged under 18 years had to be undertaking full-time study or training. If they were not fulfilling this requirement they may have qualified under one of the legislated 'exemption from study' reasons.[7] These exemptions allowed a young person to leave full-time education and remain eligible for YA (other). The most common exemption from study reason was that the young person had agreed to enter into a YA Activity Agreement.

1.14 From 1 July 2009, young people seeking YA without Year 12 or equivalent are being assessed against new participation requirements. Under the new requirements, to receive Youth Allowance young people under 21 years of age without Year 12 or equivalent will need to:

- participate in education and training full-time; or

- participate full time (at least 25 hours per week) in part time study or training, in combination with other approved activities, until they attain Year 12 or an equivalent Certificate Level II qualification.

1.15 Young people already in receipt of YA (other) who do not have Year 12 or an equivalent qualification will transition to the new requirements between 1 January 2010 and 30 June 2010.

The Parental Means Test for YA

1.16 While recipients of YA are required to meet age, residency and activity test conditions, the parental means test has the largest bearing on who is eligible and the rates of payment. The parental means test has three elements: a

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[7] There are exemptions that relate to personal circumstances such as disability, ill health and learning difficulties. In addition, recipients may satisfy eligibility requirements by entering into an activity agreement (which will usually include some form of education or training) or be participating full-time in a new apprenticeship. Source: Guide to Social Security Law Section 3.2.11.20 at <www.facsia.gov.au>.

family assets test, the combined parental income test threshold and the family actual means test.

1.17   Parental means testing does not apply if a YA applicant is assessed as independent. While independence for youth allowance can be obtained in a number of ways one of the criteria can be that the applicant is aged 25 years or more.

Relationship with other income support payments

1.18   Figure 1.1 illustrates the relationship between age and activity which determines eligibility for the income support payments for eligible young people.

Figure 1.1

Eligibility for key working age payments
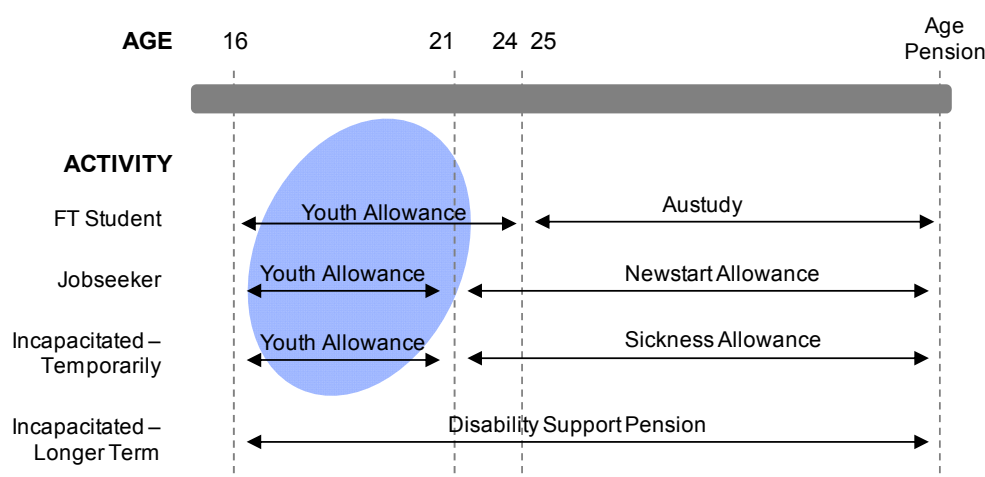
Source: ANAO

1.19   YA provides income support for those in a comparatively narrow age group, but who could be full time students, job seekers or temporarily incapacitated or moving between activity groups over time. This adds a degree of complexity to program management, policy development, and service delivery for YA as all these activities must consider two distinct demographics:

•   young full-time students, who tend to be more educated and proactive in protecting their interests; and

•   young jobseekers, who tend to have attained lower levels of education and come from lower socio-economic backgrounds.

Administrative arrangements

DEEWR program management

1.20 Under current administrative arrangements DEEWR is responsible for income support payments, such as YA, and the provision of a range of other employment services, youth services and educational development payments.

1.21 Within DEEWR, the Income Support and Stakeholder Group (ISSG) is responsible for the management of working age and student payments, including YA. A departmental restructure in August 2008 brought together responsibility for income support payments which had previously been in separate Groups. As such, at the time of this audit, ISSG was continuing to establish and consolidate its functions and responsibilities.

Centrelink service delivery management

1.22 Centrelink delivers services to eligible YA customers on behalf of DEEWR. This arrangement has been formalised through the use of a Business Partnership Agreement (BPA) between DEEWR and Centrelink. At the time this audit commenced, the existing Department of Employment and Workplace Relations—Centrelink BPA for the period 2006–09, was being amended to incorporate relevant components of the Department of Education, Science and Training—Centrelink BPA for 2005–08 (mainly those components that related to student income support payments).[8] This resulted in an Interim DEEWR-Centrelink BPA for the period 2008–09.

1.23 As part of the 2009–10 Commonwealth Budget the Government announced that, from 1 July 2009, Centrelink will receive all of its departmental funding directly from the budget. While policy agencies, such as DEEWR, remain accountable for the oversight of social security outcomes, Centrelink will be directly appropriated to deliver income support and benefit payments. For this reason, new arrangements including key performance measures, covering the period 2009–12 are in the process of being established between DEEWR and Centrelink.

1.24 From the customer's perspective, YA services are accessed/delivered through the Internet, Centrelink's 25 call centres and over 300 customer service

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[8]   DEEWR was created on 3 December 2007, bringing together elements of the former Department of Education, Science and Training (DEST) and the former Department of Employment and Workplace Relations (DEWR). Prior to this amalgamation, DEWR was responsible for what was termed 'working age income support' payments and services, and DEST was responsible for 'student income support'.

centres. The call centres are managed centrally as a virtual single call centre. Customer service centres are grouped into 15 geographically based areas that provide oversight of Centrelink operations in that area and coordinate the implementation of new initiatives or processes emanating from Centrelink's National Support Office (NSO).

1.25 Internally, Centrelink has a matrix management structure which means that a number of organisational components are responsible for aspects of YA service delivery. The Education, Employment and Disability Programs (EEDP) branch, based in Centrelink's NSO in Canberra, has a key role. The branch is responsible for administration of a range of education, employment and disability payments including YA, Austudy and Newstart Allowance. The branch's role includes providing policy advice on specific payments to Centrelink staff, liaising with DEEWR program management areas to escalate policy issues when appropriate, and providing feedback on service delivery processes and performance.

Recent initiatives

1.26 There has been a number of government initiated reviews that have included youth education and income support as part of their terms of reference. Two recent reviews are the review of Australia's tax system and the review of Australian higher education.

The review of Australia's tax system

1.27 Announced on 13 May 2008, Australia's Future Tax System Review (the Henry Review) is considering a broad range of issues concerning the tax and transfer payment system, including all income support payments of which YA is just one. This review is due to report by the end of 2009.

The review of Australian Higher Education

1.28 The review of Australian Higher Education (the Bradley Review) included consideration of income support as a means of supporting social inclusion in higher education. The final report[9] for this review was released on 17 December 2008 and contained two recommendations for student income support, including proposing a package of reforms to eligibility criteria and

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9   Australian Government, Review of Australian Higher Education, Final Report, December 2008.

payment rates. The Government's response was included in the 2009–10 Budget Paper - Transforming Australia's Higher Education.

The 2009–10 Budget

1.29 On 12 May 2009, the Australian Government announced a package of reforms to student income support to respond to the recommendations and findings of the Bradley Review of Australian Higher Education. The package of reforms is intended to increase access to, and better target, income support for students who need it most, through a fairer and more equitable allocation of existing resources. The measures are to be implemented from 2010.

Previous audits

1.30 Individual payment streams for YA, have not previously been the subject of ANAO performance audits. However, the ANAO has undertaken a number of audits that examined related aspects of working age payments, including:

- ANAO Audit Report No.22, 2008–09, *Centrelink's Complaints Handling System*;

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

- ANAO Audit Report No.8, 2007–08, *Proof of Identity for Accessing Centrelink Payments*; and

- ANAO Audit Report No.43, 2005–06, *Assuring Centrelink Payment—The Role of the Random Sample Survey Programme*.

1.31 These areas were examined in this current audit, but with a focus on YA-specific arrangements.

Audit objective, scope and method

Audit objective

1.32 The audit objective was to assess the effectiveness of administrative arrangements for YA, including service delivery.

Audit scope and criteria

1.33 The ANAO assessed DEEWR's and Centrelink's performance against three main criteria:

- objectives and strategies for the ongoing management and performance measures for YA provide a firm basis for measurement against outcomes (Chapters 2 and 3);

- YA services delivered are consistent with legislative and policy requirements, (Chapter 4); and

- monitoring arrangements provide appropriate information for assessing service delivery performance (Chapter 5).

1.34 The scope of the audit was designed to complement previous ANAO audits including Audit Report No. 43, 2005–06 that assessed Centrelink's use of Random Sample Surveys to measure payment correctness and accuracy.

1.35 While the audit examined the monitoring and reporting of service delivery through Key Performance Measures, such as the timeliness of processing claims, the ANAO did not assess the adequacy of YA payments. Detailed examination of administrative arrangements for supplementary assistance (which YA recipients may be eligible for) was also out of scope for this audit.

Audit Methodology

1.36 The audit was conducted in accordance with ANAO Auditing Standards at a cost of $400 000. A consultant firm, KNJ Professional Services Pty Ltd, assisted with the conduct of the audit.

1.37 The ANAO conducted fieldwork between October 2008 and January 2009, at DEEWR and Centrelink national offices in Canberra. The ANAO also visited a range of Centrelink processing centres, call centres, customer service centres, and State offices in five locations: Newcastle, Adelaide, Brisbane, Caloundra and Inala. The Department of Humans Services was also consulted. An overview of the audit methodology is shown in Table 1.3.

Table 1.3

Audit methodology

Method	DEEWR's Outcomes & YA-related Programs	DEEWR's Management of YA	Delivery of YA Services by Centrelink	Monitoring of Service Delivery through KPIs
Reviewed departmental and program documentation.	✓	✓	✓	✓
Reviewed relevant legislation, policy and procedural documentation.		✓	✓	
Conducted interviews with DEEWR and Centrelink national office management.	✓	✓	✓	✓
Reviewed a number of DEEWR YA-related litigation cases and resulting program improvement initiatives.		✓		
Reviewed a sample of YA-related ministerials.		✓		
Examined DEEWR and Centrelink documentation relating to program planning, service delivery and reporting arrangements for YA.		✓	✓	✓
Examined Centrelink and DEEWR monthly performance reports.				✓
Examined controls (including legislative, policy and procedural requirements) relating to nine service delivery processes.			✓	
Conducted further examination of four key service delivery processes.[10]			✓	

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[10] This included further analysis of process controls, process mapping and observation of processes at four Centrelink call centres, four student processing centres, and four customer service centres; and discussions with Centrelink service delivery management and staff.

2. DEEWR's Outcomes and YA-related Programs

DEEWR's application of the Australian Government's Outcomes and Programs Framework as it relates to Youth Allowance is outlined in this chapter. In particular, the performance information associated with the outcomes and programs relevant to Youth Allowance is examined.

The Government's Outcomes and Programs Framework

2.1   Prior to the introduction of program reporting in 2009–10, agencies were required to report within outcomes against output groups and, within these output groups, against administered and departmental items.

2.2   In the 2009–10 Commonwealth Budget, a number of revisions were made to the budget reporting framework. The most significant of these involved changes to the arrangements for outcomes to reflect an increased emphasis on programs. Beginning in 2009–10, all General Government Sector agencies are required to report in accordance with an Outcomes and Programs Framework. Programs are the building blocks of government financial and non-financial reporting, management and analysis and should provide a tangible link between government decisions, government activities and the impacts of those actions. [11]

2.3   The Australian Government's Outcomes and Programs Framework provides the basis of the Government's approach to budgeting and reporting for public sector departments and the means by which the Parliament appropriates funds in the annual budget context. The key elements of the framework are:

- specification of the outcomes the Government is seeking to achieve in the community;

- identification of programs and their associated administered items such as grants, transfers and benefit payments that are administered by departments on behalf of the Government with a view to achieving the desired outcomes;

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[11]   Department of Finance and Deregulation, Portfolio Budget Statements Constructors Kit, March 2009.

- establishment of a performance management regime that enables the measurement and assessment of the contribution of programs to their respective outcomes; and

- annual performance reporting by departments on their delivery of programs (and their related administered items) through program support activities (previously referred to as departmental outputs) which includes: program management; the provision of policy advice; and service delivery.[12]

2.4   The revised framework is designed to enhance public accountability through agencies reporting on planned and actual performance. To assess the approach taken by DEEWR during this transitional period, the ANAO:

- traced DEEWR's Outcomes and Programs Framework as it relates to Youth Allowance (YA); and

- examined DEEWR's performance information relevant to YA-related programs.

DEEWR's Outcomes and Programs Framework as it relates to YA

2.5   As part of its transition from output groups to a program framework, DEEWR rationalised its nine Outcomes into five and adopted a program structure whereby YA was located within three new programs that make a contribution to three distinct DEEWR outcomes.

2.6   With an expected annual expenditure of over $2.5 billion, YA is a significant income support payment, and makes a contribution to three of the five DEEWR outcomes: Outcome 2: School Education; Outcome 3: Higher Education; and Outcome 4: Labour Market Assistance.

YA-related programs

2.7   From 2009–10, each of DEEWR's outcomes comprises of one or more programs which contain one or more administered items, such as YA. The department's YA-related programs are shown in Table 2.1.

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[12]   Program support activities (previously referred to as departmental outputs) that relate to DEEWR's management of the YA program are examined in Chapter 3.

Table 2.1

Youth Allowance within DEEWR's outcomes and programs structure

DEEWR Outcome	YA-related program
Outcome 2: School Education—Improved learning and literacy, numeracy and educational attainment for school students, through funding for quality teaching and learning environments; workplace learning and career advice.	Program 2.11: School Student Assistance: at $641 million, YA represents 77 per cent of the Program's 2009–10 budget [$826 million].
Outcome 3: Higher Education—A growth in skills, qualifications and productivity through funding to improve teaching quality, learning, and tertiary sector infrastructure, international promotion of Australia's education and training sectors, and partnership with industry	Program 3.3: Tertiary Student Assistance: at $1.3 billion, YA represents 73 per cent of the Program's 2009–10 budget [$1.789 billion].
Outcome 4: Labour Market Assistance—Enhanced employability and acquisition of labour market skills and knowledge and participation in society through direct financial support and funding of employment and training services.	Program 4.4:Working Age Payments: at $626 million, YA represents 4 per cent of the Program's 2009–10 budget [$15 billion].

Source: DEEWR Portfolio Budget Statements 2009–10.

The objectives of DEEWR's YA-related programs

2.8   As illustrated below, similar existing activities have been grouped to form more substantial programs and the three YA-related programs are linked to three DEEWR outcomes. The objectives of DEEWR's YA-related programs are structured around contributing to the intended results of their respective outcome statements. In addition, DEEWR has provided a lower-level purpose for each individual YA item/component.[13]

Program 2.11: School Student Assistance

2.9   Administered items within Program 2.11 include: YA(student); ABSTUDY; and the Assistance for Isolated Children scheme. The YA (student) item/component represents 77 per cent of the Program's 2009–10 budget of $826 million and its purpose described as follows.

> To provide support for full-time students and Australian Apprentices aged 16-24 years who are in need of financial assistance, to undertake secondary or tertiary education or training.

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13   The range and focus of YA objectives over time, and DEEWR's approach to program evaluation are examined in Chapter 3.

Program 3.3: Tertiary Student Assistance

2.10   Administered items within Program 3.3 include: Youth Allowance; Austudy, Student Start-up Scholarship; and Relocation Scholarship.[14] The YA (student) item/component represents 73 per cent of the Program's 2009–10 budget of $1.789 billion and its purpose is described as follows.

> To provide support for full-time students and Australian Apprentices aged 16-24 years who are in need of financial assistance, to undertake secondary or tertiary education or training, including approved masters by coursework programs.

Program 4.4: Working Age Payments

2.11   Administered items within Program 4.4 include: Youth Allowance (other); Parenting Payment; Pensioner Education Supplement; Widow Allowance; Ex Gratia Payment; Utilities allowance; Newstart Allowance; Partner Allowance; Sickness Allowance; Mobility Allowance; and Modified Compliance Framework. The YA (other) item/component represents 4 per cent of the Program's 2009–10 budget of $15 billion and its purpose is described as:

> an income support payment available to eligible young people aged 16 to 21 years who may be required to seek or prepare for paid employment or, until they attain Year 12 or an equivalent Certificate Level II qualification, undertake study or training in combination with other approved activities.[15]

Performance information relevant to YA-related programs

2.12   The YA payment was introduced in 1998 to remove disincentives for unemployed young people to participate in full time study or training and to recognise the diversity of school to work pathways. Below, the ANAO assessed whether DEEWR's aggregated performance reporting contained suitable performance measures and sufficient detail to allow stakeholders to identify the contribution of YA-related programs to DEEWR outcomes and, where appropriate, the impact of YA items/components.

2.13   In particular, agency Portfolio Budget Statements (PBS) for 2009–10 should include performance information in the form of effectiveness indicators to enable the public and Parliament to access the relative success of each

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14   These two scholarships have not yet been implemented and their availability is subject to the passage of legislation currently before the House of Representatives.

15   DEEWR, Portfolio Budget Statements, 2009–10.

program in meeting its objective and, as a result, the contribution the program makes to the department's outcomes. Departments are also required to report on deliverables (quantity and quality indicators) for each program.

Effectiveness indicators for YA-related programs

2.14   Effectiveness indicators require careful design and specification. For long term planning and policy purposes, it is important that the best available effectiveness indicators are identified and reported against. It is, therefore, contingent upon departments to identify realistic, useful and relevant effectiveness indicators to assist stakeholders and internal managers to better understand the value of administered items in terms of specific policy outcomes. Indicators of effectiveness should seek to draw out the specific effects caused by programs. The effectiveness indicators for DEEWR's YA-related programs are shown in Table 2.2.

Table 2.2

Effectiveness indicators identified for YA-related programs

YA-related Program	Effectiveness Indicator	DEEWR Estimate	Type of Indicator
Program 2.11: School Student Assistance	None identified.		
Program 3.3: Tertiary Student Assistance	None identified.		
Program 4.4: Working Age Payments	Mean duration on YA (other) support.	73 weeks	quality
	Percentage of YA (other) recipients who exit income support within three months of grant.	33 weeks	quality
	Percentage of YA (other) recipients who exit income support within 12 months of grant.	78 weeks	quality

Source: DEEWR, Portfolio Budget Statements, 2009–10.

Effectiveness measures for YA (students)

2.15   While DEEWR has monitored trends in YA recipient numbers at school and tertiary levels, it has not put in place specific YA (student) effectiveness indicators for Program 2.11: Secondary Student Support or for Program 3.3: Tertiary Student Support. As a result, stakeholders are unable to assess the extent to which YA (student) contributes to the achievements for Outcome 2 and 3.

2.16   As an example, while the department monitors the trend in the number of undergraduate completions (at the broad Outcome 3 level), it does not report on the number of undergraduate completions that were in receipt of YA (student) or any other form of income support. As a result stakeholders will have some difficulty in determining the contribution YA (student) has made to Outcome 3 achievements.[16]

Effectiveness measures for YA (other)

2.17   DEEWR does have effectiveness measures for YA (other) derived from the YA-related Program 4.4: Working Age Payments. Program 4.4 Working Age Payments performance indicators are based on monitoring and accessing the average duration in weeks recipients receive the different income support payments. Performance against these indicators is reported in DEEWR's annual report, the most recent being for 2007–08.

2.18   In its 2007–08 Annual Report DEEWR recognised that a range of different factors are influencing the direction of the Australian labour market, only some of which are subject to the control of the department. DEEWR also reported labour market experience (measured as average duration in weeks on full rate YA) for young people as:

> Over the period 2003 to 2008, there has been a 4.6 per cent decrease in the average duration of young people on Youth Allowance.[17]

Additional reporting

2.19   Additional reporting is provided within DEEWR's *Labour Market and Related Payments a monthly profile* which presents statistical information for the various types of labour market payments delivered by Centrelink on behalf of the department. This report is published[18] monthly and includes the current number (and trend over time) of recipients of YA (other) and YA (student). Likewise, DEEWR's internal document the quarterly *Newstart and Youth Allowance (other) Health of the Program Report*[19] 'monitors trends and changes in the population' of Newstart Allowance and YA (other) recipients.

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[16]   DEEWR advised that this is because the monitoring of trends in education completion or achievement is through aggregated data while income support data is at the individual level and monitors participation in education streams while on income support.

[17]   DEEWR Annual Report op cit. p. 154.

[18]   The report is available publicly at <www.workplace.gov.au>.

[19]   DEEWR *Newstart and Youth Allowance (other) Health of the Program Report* Quarter 3 2007–08.

2.20 However, the number and trend over time of recipients for YA (student) and YA (other) are not effectiveness indicators, but rather an indication of eligibility or take-up.[20]

Deliverables for YA-related programs

2.21 Departments are also required to report on the deliverables for each program. This can include setting quantity and quality indicators and reporting against these indicators in annual reports.

2.22 Quantity is typically the number of services that are produced for a given cost. Quality relates to attributes such as timeliness, coverage, accuracy and conformity to specifications. Although more difficult to measure, less tangible criteria such as client satisfaction and public perception can also be used. The cost of an output of a certain quality can, over time, provide the community with the means to determine whether it is getting value for money.

2.23 In its publicly available documentation, DEEWR does not identify and report on quality indicators for its YA-related programs. The lack of externally available quality indicators means that it not possible for stakeholders to make a judgement on service delivery aspects of YA services.

2.24 Table 2.3 summarises the deliverables identified within DEEWR's 2009–10 PBS for its three YA-related programs.

2.25 While DEEWR's 2009–10 PBS does not contain a complete set of measures for the quality of YA services to be delivered, the DEEWR-Centrelink Business Partnership Agreement (BPA) does identify a range of Key Performance Indicators (KPIs). These KPIs are designed to monitor the accuracy and timeliness of the delivery of YA payments and services by Centrelink.[21]

2.26 Quality indicators, in particular, are likely to be of considerable interest to citizens and Parliament and data against such KPI for YA are known and managed as part of the BPA between DEEWR and Centrelink. There would be benefit in making key aspects of this information, at the broad trend level, more widely available and accessible.

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[20] Since the audit, DEEWR has also commenced quarterly Health of the Program reports for Youth Allowance (apprentices and full-time students).

[21] The structure of the BPA is outlined in Chapter 3 and examined further in Chapter 5.

Table 2.3

Deliverables identified for YA-related programs

YA-related Program	Deliverable	DEEWR Estimate	Type of Indicator
Program 2.11: School Student Assistance	Number of secondary school students receiving YA as at end June.	98 500	quantity
Program 3.3: Tertiary Student Assistance	Number of higher education students in receipt of YA as at end June.	141 000	quantity
	Number of Australian Apprentices and Students attending a TAFE college or private training institution in receipt of YA as at end June.	30 000	quantity
	Total number of tertiary students and VET students in receipt of YA as at end June.	180 000	quantity
Program 4.4: Working Age Payments	None identified.		

Source: DEEWR, Portfolio Budget Statements, 2009–10.

Previously available output information

2.27   As part of its fieldwork for this audit, the ANAO examined DEEWR's approach to reporting against its 2007–08 departmental outputs for YA, that is, previously available performance information.

DEEWR's reporting against YA (student) outputs for 2007–08

2.28   In its Annual Report for 2007–08, DEEWR reported that the number of students receiving YA (student) included: 104 000 secondary school students; 117 623 higher education students; and 40 838 students in vocational education and training.

2.29   YA is a demand driven income support allowance, that is, the number of young people claiming the allowance is a function of the population and individual situations. For this reason, the identified quantity of the outputs is not a 'desired' or target level but a forecast of expected demand which depends on a range of factors including the prevailing economic conditions and forecast unemployment rates.

DEEWR's reporting against YA (other) outputs for 2007–08

2.30   In its Annual Report for 2007–08, DEEWR reported that the number of young people seeking or preparing for paid employment and receiving YA (other) was 64 900. The department also reported on a range of effectiveness

measures for working age payments (including YA (other)) and job placement and intensive support services that reflect Job Network services and performance more generally.

2.31 Some of these indicators do provide YA (other)-specific information and others do not. Those that do not isolate YA-specific results relate to jobseeker services where a key objective is to provide the same level of service to all jobseekers whether they are young people (receiving YA (other)) or older jobseekers (receiving Newstart Allowance).

Recommendation No.1

2.32 To better able DEEWR to report on the effectiveness of YA-related programs that focus on providing support to the main group of YA recipients, students, the ANAO recommends that DEEWR develops and uses effectiveness indicators to identify and measure the achievement of these programs in providing appropriate income support and promoting education and training.

DEEWR response: Agreed.

DEEWR will investigate development of the above mentioned effectiveness indicators, taking into account:

- the complexity of the issues surrounding an individual's choice to participate in, and remain in, study;

- that any indicators developed must promulgate the SMART criteria (specific, measurable, attainable, realistic and time-sensitive goal setting); and

- the availability of appropriate management information or survey data.

3. DEEWR's Management of Youth Allowance

DEEWR's management of Youth Allowance through its provision of program support activities is examined in this chapter.

Program Support Activities

3.1 The importance of effective management at the program level has been a focus of the Government's reform agenda to improve the openness and transparency of public sector budgetary and financial management. Based on Department of Finance and Deregulation (DFD) guidelines, DEEWR is moving from reporting against departmental outputs to reporting against program support activities.

3.2 During the 2009–10 transition, program management, policy services, and service delivery remained the three common elements of DEEWR's program support activities. Of these program support activities, two are delivered directly by DEEWR – program management and policy services.

3.3 In the case of YA, DEEWR is not a direct service provider, but outsources the delivery of YA services through a Business Partnership Agreement (BPA) with Centrelink. In 2007–08, DEEWR provided Centrelink with $21.2 million to deliver YA services. This funding was directly linked to service demand, such as the number of YA claims processed.[22]

3.4 Departments are expected to measure their performance in terms of efficiency in delivering programs and their effectiveness in contributing to achieving specified outcomes. Given the significance of YA payments, the ANAO examined DEEWR's program support activities to guide and report on its administration of YA payments including the department's approach to:

- program management, particularly YA program administration costs;
- providing policy services, especially the currency of YA evaluations; and

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[22] The BPA between DEEWR and Centrelink relates to the provision of income and support payments. YA is one of over 20 payments, benefits and allowances delivered by Centrelink under the DEEWR–Centrelink BPA.

- oversighting the delivery of YA services by Centrelink.[23]

YA program administration costs

Transparency of YA-related program support funding

3.5 In the context of the 2009–10 Budget, DFD indicated that:

> Program support refers to the departmental activities and resources that can be attributed to the policy development, delivery and associated costs of administering a Commonwealth program. It covers the costs of the area of agency responsible for the program's administration, and a relevant portion of the costs of the corporate areas that support the operation of the department.[24]

3.6 As part of its fieldwork for this YA audit, the ANAO examined DEEWR's approach to reporting against its 2007–08 departmental outputs for YA and its plans to report program support costs by individual programs from 2009–10 (as illustrated in the department's 2009–10 Portfolio Budget Statements).

Reporting departmental costs associated with YA for 2007–08

3.7 Within DEEWR's previous Outcomes and Outputs Framework, YA made a contribution to four separate DEEWR outcomes: Outcome 2: School Education; Outcome 3: Higher Education; Outcome 4: Vocational Education and Training; and Outcome 7: Labour Market Assistance.

3.8 Based on previous guidance provided by DFD, DEEWR's annual reporting of expenses against each departmental output (within each outcome) was reported at the output level, and not disaggregated by program.

3.9 For example, data extracted from DEEWR's 2007–08 Annual Report for Outcome 2 and summarised in Table 3.1 shows, administered expenses for YA (student) were identifiable (at $475 million), but internal funding arrangements did not allow the department to identify what portion of the cost of policy services, program management and service delivery (total cost $197 million), were attributable to YA-related programs.

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[23] The delivery of YA services by Centrelink is examined in Chapter 4 and the monitoring of this service delivery through Key Performance Measures (KPIs) is assessed in Chapter 5.

[24] Department of Finance and Deregulation, Portfolio Budget Statements Constructors Kit, March 2009.

Table 3.1

Actual expenses for 2007–08, DEEWR Outcome 2: School Education

Component	$'000
Total Administered Expenses	**10 012 617**
Including: YA (student)	475 308
Total Departmental Outputs	**197 455**
Program Management	119 402
Policy Services	58 989
Service Delivery	19 064

Source: DEEWR Annual Report 2007–08, p.46.

3.10   For the former YA–related DEEWR Outcomes 2, 3, 4, and 7, the amount of administered expenditure attributable to YA in 2007–08 was $2 billion (of a total $33.6 billion), while the amount of departmental expenditure attributable to YA-related programs was not known. As Table 3.2 shows, associated departmental expenditure totalled $1.5 billion.

Table 3.2

Actual expenses for 2007–08, Youth Allowance-related

	Administered expenses	Departmental expenses
Total – Outcomes 2, 3, 4 and 7	$33.6 billion	$1.5 billion
YA Component	$2.0 billion	not recorded

Source: DEEWR Annual Report 2007–08, p.46, 77, 101, 151.

3.11   While DEEWR recorded its departmental expenditure in accordance with the previous guidance provided by DFD, aggregation of departmental expenditure to the outcome level limited the department's ability to monitor its efficiency in administering a government payment that involved an annual expenditure of some $2 billion in 2007–08.

Plans to report program support costs associated with YA from 2009–10

3.12   As for all agencies, DEEWR's 2009–10 Portfolio Budget Statements incorporated significant changes as required by DFD. These changes were designed to increase the transparency and accountability of government expenditure whereby, Commonwealth agencies are funded on the basis of

their outcomes, but it is through their programs that these outcomes are achieved.[25]

3.13   With its transition to the new 2009–10 PBS DEEWR rationalised its nine Outcomes into five and adopted a program structure in which YA is located within three discrete programs. DEEWR's 2009–10 PBS did not, however, provide information that would allow an assessment of the department's cost associated with supporting individual YA-related programs including Program 2.11: School Student Assistance; Program 3.3: Tertiary School Assistance; and Program 4.4: Working Age Payments.

3.14   The purpose of program cost performance information is to allow judgements to be made about the cost of administration and to ascertain whether there are more efficient ways of achieving program objectives.

3.15   DEEWR's approach to monitoring its efficiency is at the outcome level. Financial information on the cost associated with providing program management, policy services, and service delivery is available at the aggregated level for each of the department's outcomes.

3.16   Sound financial information is an important tool for management and accountability purposes. It should provide, along with non-financial data, a picture of an agency's performance to demonstrate the overall value of programs, including the efficiency of DEEWR's operations and the cost effectiveness of programs delivered.

3.17   Appropriately disaggregated internal funding arrangements would enable DEEWR to identify the portion of its program support costs that relate to its YA-related programs.

The currency of YA evaluations

3.18   DEEWR's 2008–09 PBS states that policy services are 'focused on the department's policy, research, analysis and evaluation roles' and includes the provision of policy advice and research, analysis and evaluation to 'develop policy and measure the effectiveness of policy against stated outcomes'.

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[25]   Department of Finance and Deregulation, Portfolio Budget Statements Constructors Kit, March 2009.

Program evaluation

3.19 Program evaluation can be defined as the systematic and objective assessment of a program to assist the Government and other decision-makers to:

- assess the continued relevance and priority of program objectives in the light of current circumstances, including government policy changes (that is, the appropriateness of the program);

- test whether the program outcomes have achieved the stated objectives (that is, the effectiveness of the program); and

- ascertain whether there are better ways of achieving these objectives (that is, the efficiency of the program).

Recent Evaluations of YA

3.20 One formal evaluation of YA has been conducted since the introduction of YA in 1998. This took the form of a three year study to assess the short and medium-term impact of YA against the original payment objectives. The resulting evaluation report was published in 2001. [26]

3.21 DEEWR advised the ANAO that while the department had not undertaken a formal review the YA program, policy development had been, and is being, informed through a number of initiatives including the National Youth Participation Requirements for Young Australians. This initiative was implemented from 1 July 2009 with an aim to increase young peoples' engagement with education and training pathways.

3.22 DEEWR has also undertaken research and evaluation activities at a broad level including questions on YA that are included in the department's Longitudinal Surveys of Australian Youth (LSAY). These surveys are used for research and evaluation projects on a range of matters relating to young people.

3.23 While not focussing directly on YA, recent government reviews such as the Review of Australian Higher Education (the Bradley Review) and Australia's Future Tax System Review (the Henry Review) have included aspects of YA as part of their scope.

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[26] Department of Family and Community Services, Youth Allowance Evaluation, Final Report, December 2001.

Objectives for YA

3.24   Objectives are essential to support evaluation of payment effectiveness, that is, the extent to which actual payment outcomes match intended outcomes. The identification of objectives is also important for providing clear intent to guide program management and service delivery activities.

3.25   The earliest, and most succinct, statement of YA objectives is contained with the 2001 evaluation report[27] which detailed the findings of a three year study to assess the short and medium-term impact of YA. A more current statement of objectives is contained within the Guide to Social Security Law.[28]

3.26   Throughout the audit, various statements of payment objectives or aims were observed in a number of key documents, with a general focus on the following objectives:

- income support–ensuring eligible young people receive adequate levels of income support while studying, looking for, or preparing for, paid employment;

- promoting education and training–encouraging young people to choose further education or training over job search if they do not have sufficient skills to obtain long-term employment;

- promoting employment–encouraging young people to undertake a range of activities that will promote entry into employment; and

- more recently, DEEWR's 2009–10 Portfolio Budget Statements identified a lower-level purpose for each individual YA item/component for each of its three YA related programs.

3.27   Table 3.3 summarises the various YA objectives identified within a number of documents in DEEWR, the former Department of Education, Science and Training (DEST) and Centrelink.

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[27]   Department of Family and Community Services, Youth Allowance Evaluation, Final Report, December 2001.

[28]   Department of Families, Housing, Community Services and Indigenous Affairs Guide to Social Security Law at <http://www.facsia.gov.au/Guides_Acts/homeint.html>.

Table 3.3

Identification of YA objectives

Source Document	Stated YA Objectives				ANAO Comment
	Income Support	Promote Education & Training	Promote Employment	Program Credibility	
YA Evaluation	✓	✓	✓	✓	Source: FaCS, YA Evaluation Report 2001.
The Guide To Social Security Law	✓	✓	✓		Under heading of 'Objective of Youth Allowance', these are listed as 'aims'.
DEEWR YA (other) Risk Assessment	✓				Notably, the 'promote employment' objective was not acknowledged.
DEEWR YA (student) Risk Assessment	✓	✓	✓	✓	
Centrelink's e-Reference	✓	✓	✓		Contains a slight wording variation for the 'income support' objective
DEWR-Centrelink BPA					YA program objectives are not separately identified
DEST-Centrelink BPA	✓	✓	✓		Under heading of 'program description', each objective is not as distinctly articulated as in other documents
DEEWR Budget Working Paper	✓	✓			
DEEWR 2009–10 Portfolio Budget Statement					
Program 2.11: School Student Assistance	✓	✓			DEEWR identifies a 'purpose' for each individual YA item/component.
Program 3.3: Tertiary Student Assistance	✓	✓			DEEWR identifies a 'purpose' for each individual YA item/component.
Program 4.4: Working Age payments	✓	✓	✓		DEEWR identifies a 'purpose' for each individual YA item/component.

Source: ANAO analysis

Potential sources for YA program effectiveness indicators

3.28   As illustrated in Chapter 2, DEEWR has not identified effectiveness indicators for assessing the extent to which YA-related program objectives are being achieved. There are, for example, no useful measures of whether YA is providing adequate levels of income support. The trend in the number of students and jobseekers receiving YA, may be a misleading indicator of this

objective as the number of recipients is a reflection of eligibility criteria rather than whether the program is providing '*adequate* levels of income support'.

3.29 A useful starting point for developing program effectiveness indicators can be obtained by mapping the three commonly cited YA objectives against potential sources for outcome indicators (see Figure 3.1).

Figure 3.1

Potential sources for YA program effectiveness indicators
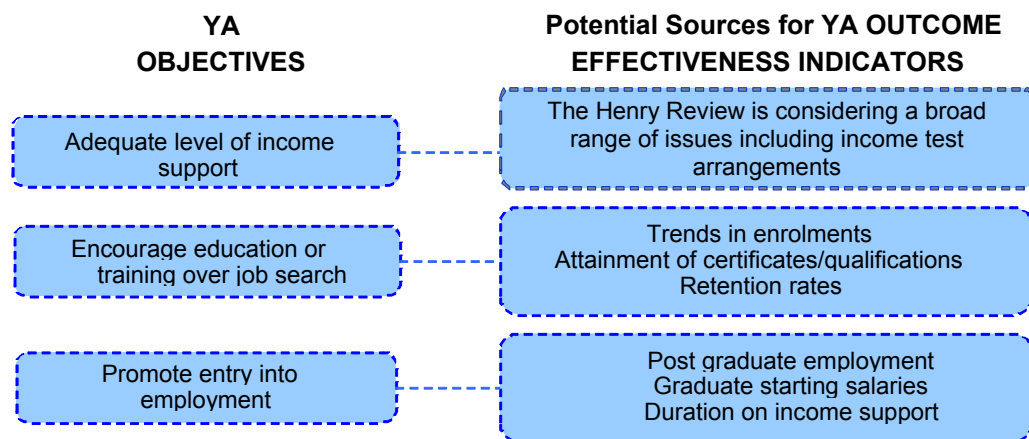
Source: ANAO

3.30 Issues relating to program objectives and performance indicators for YA are not new. A 2005 *Inquiry into Student Income Support*, conducted by the Senate Employment, Workplace Relations and Education References Committee, noted that there is no 'sense of what the purpose of the [student] income support system is, and how its performance and effectiveness are measured and reviewed'.[29] The Committee also noted a similar issue dating back to 1991, where a House of Representatives committee inquiry into student financial assistance 'found that it was difficult to measure the effectiveness and efficiency of the Austudy program' (the introduction of YA in 1998 replaced Austudy for those aged under 25).

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[29] Commonwealth of Australia Student Income Support Report No. 2257, Senate Employment, Workplace Relations and Education References Committee, 2005.

3.31   Furthermore, the 2005 Inquiry report stated:

> 'The committee believes that the main barrier to any review of the adequacy and effectiveness of the [student] income support system is the absence of disaggregated data required for a proper assessment of income support programs.'[30]

3.32   More specific performance indicators could be designed to measure program effectiveness, if YA–specific results were available. For example, in evaluating whether YA is effective in 'encouraging young people to choose further education or training over job search', it would be reasonable to examine the trend in the number of YA recipients attaining an undergraduate degree. DEEWR's data collection processes do not allow for YA–specific results to be isolated from the general student population.

Oversighting the delivery of YA services by Centrelink

YA services delivered by Centrelink through BPAs

3.33   Under current Administrative Arrangements, DEEWR is responsible for income support and benefit payments such as YA, Newstart Allowance, Parenting Payments, Sickness Allowance, and a range of other education and employment services.

3.34   Centrelink, as the Australian Government statutory agency responsible for delivering income support and benefit payments, is the principal service delivery agency for DEEWR's social security programs, including YA. DEEWR purchases services from Centrelink on behalf of the Government, with purchaser–provider terms agreed through a DEEWR–Centrelink Business Partnership Agreement (BPA).

3.35   Since the establishment of Centrelink in 1998, there have been several BPAs relating to the delivery of income support and benefit payments. Though the BPAs differed in complexity, content and format, each was important in providing a foundation for inter–agency management of services delivered by Centrelink on behalf of the respective policy departments.

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[30]   ibid., p. 17.

Previous Business Partnership Agreements

3.36 At the time this audit commenced, in September 2008, three relevant BPAs were in place between Centrelink and the:

- former Department of Education, Science and Training (DEST) covering the period 2005–08;

- former Department of Employment and Workplace Relations (DEWR) covering the period 2006–09;

- former Department of Families, Community Service and Indigenous Affairs (FACSIA) covering the period 2006–10.

The DEEWR-Centrelink Interim BPA 2008–09

3.37 On 3 December 2007, DEST and DEWR were amalgamated into the Department of Education, Employment and Workplace Relations (DEEWR). Following the 2007 machinery of government changes an Interim BPA between DEEWR and Centrelink, for 2008–09, was signed on 31 December 2008.

3.38 The purpose of the DEEWR-Centrelink Interim BPA 2008–09 is to facilitate the implementation of the Australian Government's employment, education, child care and social inclusion policy outcomes through the successful delivery of services provided by Centrelink on behalf of the DEEWR. Centrelink received a substantial portion of its funding through such arrangements and budgeted $960 million to be made available from DEEWR in 2008–09 to fund Centrelink's departmental costs in providing these services.

The Centrelink Funding Model

3.39 The previous and Interim BPAs relied on the Centrelink Funding Model (CFM) to determine the amount to be paid to Centrelink for the services delivered. There were two components to the CFM: infrastructure – fixed costs that cover the resources supporting service delivery; and transaction variable funding – directly linked to service demand, such as the number of claims processed, for each major customer group.

3.40 Transaction variable funding applicable to YA was $21.2 million for 2007–08[31]. Centrelink provided DEEWR with quarterly Transactional Variable Reports, which DEEWR used to monitor variances in customer numbers and associated funding.

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[31]   Centrelink CFM Reconciliation Analysis.

3.41 Review of the CFM and related arrangements resulted in Centrelink being directly appropriated for service delivery from July 2009. This new approach to Centrelink funding will change the basis of the business relationship between DEEWR and Centrelink for the delivery of income support payments, such as YA. In the meantime, the 2008–09 Interim BPA has been extended three months to September 2009 while negotiations continue to finalise arrangements under direct appropriations (see 'Arrangements for the next agreement' at the end of this chapter).

DEEWR, Centrelink liaison

3.42 Within DEEWR, the Centrelink and Stakeholder Management Branch is responsible for liaison with Centrelink in regard to the BPA, funding for Centrelink under the CFM and reporting on Centrelink's performance against identified Key Performance Indicators (KPIs). Much of the Branch's contact with Centrelink is through the Centrelink Client Business division, the role of which is to 'provide strategic relationship management'[32] with clients, such as policy departments. The division also seeks to 'develop relationships, management information and communicate with influence to enable Centrelink to get things done'.[33]

Management of YA service delivery risks

3.43 It is a better practice risk management principle that responsibility for specific risks under a devolved service delivery arrangement should be allocated to the party best placed to manage those risks. The risk management framework employed by DEEWR and Centrelink to assure the delivery of YA services includes assurances provided by Centrelink as specified in a BPA; and DEEWR's high-level risk management framework and regular program specific risk assessments.

Managing service delivery risks through recent BPAs

3.44 DEEWR has appropriately transferred responsibility for service delivery risk events to Centrelink through recent BPAs. For example, while the DEWR–Centrelink BPA for 2006–09 did not explicitly state that Centrelink must make sure its staff have adequate knowledge about policy, it did require (among other things) that Centrelink: provide 'quality services' at standards no

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[32] Centrelink Centrenet (intranet) information.

[33] ibid.

less than described in the Centrelink customer service charter; deliver services in accordance with policy and legislation; and train staff to deliver any changes in policy and legislation.

Managing service delivery risks using DEEWR's risk management framework

3.45 Since the formation of DEEWR in December 2007, the department has progressed arrangements towards a single Risk Management Framework.

3.46 At the time of this audit, however, DEEWR was using both risk management frameworks of the former Department of Education, Science and Training (DEST) and the former Department of Employment and Workplace Relations (DEWR).[34]

3.47 DEEWR's risk assessments for YA contained a focus, in both the YA (other) and YA (student) risk assessments, on risk events predominately under Centrelink's control rather than DEEWR's. For example:

- key program management staff from DEEWR or Centrelink are not available for work; and

- inadequate levels of program management undertaken by Centrelink.

3.48 For these risks, there was an attempt to describe what Centrelink had in place to control them. Table 3.3 illustrates such risks and controls.

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[34] Following the fieldwork for this audit, the department established a common risk management framework to manage strategic and operational risks through the release of its revised Chief Executive's Instructions (CEI) in April 2009. The Risk Management Accountability and Governance Framework outlines DEEWR's approach to risk management including classification of risk, accountability, escalation processes and reporting requirements.

In addition, the department is undertaking further consolidation of risk management practices and is currently developing a new enterprise wide risk management IT system. DEEWR's new Enterprise Wide Risk Management System is designed to provide a consistent approach to the recording and management of risk at both the strategic and operational levels across the department. Implementation of the new system is scheduled for July 2010.

Table 3.3

Examples of identified controls

Identified risk	Current controls description	ANAO comment
Key program management staff from DEEWR or Centrelink are not available for work . . .	'People in high performing teams will remain if they have a sense of being valued . . .'	DEEWR has limited capacity to control availability of Centrelink staff. This aspect of the risk is better placed in a Centrelink risk assessment.
Inadequate levels of program management undertaken by Centrelink.	Extensive description of what is in place under the BPA.	Management of this risk would be better dealt with through the BPA.

Source: ANAO review and analysis of DEEWR risk assessments

3.49 DEEWR's program management areas have a limited capacity to directly manage these risks. However, within DEEWR's teams there was a lack of clarity around the sharing of risks associated with program management (a DEEWR responsibility) and on-ground service delivery (a Centrelink responsibility).

3.50 One manifestation of this lack of clarity was the duplication of monthly reports on Centrelink's performance against Key Performance Indicators (KPIs) for YA (student) payments. While formally a Centrelink responsibility under recent BPAs, DEEWR's Centrelink Reporting team assumed responsibility over the preparation of these KPI reports. At the same time Centrelink continued to separately record all, and analyse much, of the same data set (see Chapter 5).

3.51 One of the benefits of a devolved service delivery arrangement (as exists between DEEWR and Centrelink) is the ability to apportion specific risks that relate to service delivery to the provider. The purchaser's role then becomes ensuring that appropriate governance arrangements are in place within the provider organisation to manage risk in general and, where appropriate, manage specific key risks.

3.52 The BPAs between DEEWR and Centrelink have provided a strategic framework for DEEWR's program managers to concentrate on specifying YA services to be provided by Centrelink and to monitor Centrelink's progress against appropriate performance measures. However, DEEWR's teams have adopted an operational approach to monitoring Centrelink's inputs and YA processes.

3.53   Although DEEWR has ultimate accountability for the provision of YA services, the department should reinforce the risk management principles articulated in the BPA. This would mean: reducing the department's focus on Centrelink's management of operational elements for delivering YA services (where DEEWR has limited capacity to manage these day-to-day risks); and increasing the department's focus on treating the risks it identified as within its control, namely 'legislation and policy developed without appropriate factors being considered'.[35]

Arrangements for the next DEEWR-Centrelink agreement 2009–12

3.54   As part of the 2009–10 Commonwealth Budget the Government announced that, from 1 July 2009, Centrelink will receive all of its departmental funding directly from the budget. While policy agencies, such as DEEWR, remain accountable for the oversight of social security outcomes, Centrelink will be directly appropriated to deliver income support and benefit payments.

3.55   For this reason, a new agreement, including KPIs, covering the period 2009–12 is in the process of being established with Centrelink. This initiative provides an opportunity for DEEWR and Centrelink to better focus their bilateral arrangements for the delivery of YA services.[36]

Recommendation No.2

3.56   To provide the information and capability to provide more meaningful and complete measurement of the performance of YA against its program intent, the ANAO recommends that DEEWR:

(a)   establishes an evaluation strategy for the YA-related programs that it administers; and

(b)   places greater emphasis on its role in oversighting YA program outcomes, thereby allowing direct service delivery tasks to be managed by Centrelink.

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[35]   DEEWR risk assessments.

[36]   The delivery of YA services by Centrelink is examined in Chapter 4 and the monitoring of this service delivery through KPIs is assessed in Chapter 5.

DEEWR response: Agreed with qualification.

DEEWR is currently developing its research and evaluation plan with consideration being given to an evaluation strategy for the coverage of YA-related programs in this context. The DEEWR Research, Analysis and Evaluation Group (RAEG) provides the evidence-base for program and policy development by conducting, and advising on, evaluations and performance reviews of the department's programs, policies and associated trials in relation to education and training, workforce participation and income support.

In relation to part b) of the recommendation, the changed departmental appropriation arrangements relating to Centrelink necessitate a shift from purchaser–provider model to a partnership and an outcomes-focussed approach to a range of services delivered by Centrelink.

4.   Delivery of Youth Allowance Services by Centrelink

Arrangements for the delivery of Youth Allowance services and their alignment with policy intent and related legislation are examined in this chapter.

Service Delivery by Centrelink

4.1   Centrelink[37] delivers a range of government services on behalf of several policy departments (and other organisations) primarily through Business Partnership Agreements (BPA) which are based on a devolved service delivery model. The BPA between DEEWR and Centrelink relates to the provision of income support and benefit payments. Youth Allowance (YA) is one of over 20 payments, benefits and allowances delivered by Centrelink under the DEEWR-Centrelink BPA.

4.2   The ANAO examined:

- service delivery arrangements for YA;

- operational processes and controls that support compliance with legislative criteria; and

- Centrelink's monitoring of YA customer feedback.

Service delivery arrangements for YA

Centrelink's service delivery model

4.3   YA services and payments for both YA (student) and YA (other) are delivered by Centrelink through a Standard Service Delivery Model (SSDM). The SSDM was first implemented during 2005–06 and sought to enhance the consistency of service delivery across the Centrelink network[38] by offering a

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[37]   Centrelink was established under the *Commonwealth Services Delivery Agency Act 1997*, and is responsible for 'delivering a range of government payments and services to Australians, including retirees, families, carers, parents with disabilities, Indigenous people, and people from diverse cultural and linguistic backgrounds' (source: Centrelink, Annual Report 2007–08, p.9).

[38]   Network is the word used by Centrelink to describe its system of customer service facilities located across Australia.

prescribed range of services in each service delivery channel[39]; telephone, internet, written correspondence, and face to face.

4.4 The model has been the subject of ongoing review and improvement, with a 'new' Service Delivery Model introduced during 2007–08,[40] although this is largely a continuation (with modifications) of the SSDM introduced in 2005–06.

4.5 In its current form, management and delivery of services under the SSDM occurs through organisational elements of Centrelink's National Support Office (NSO) and the Centrelink network. Figure 4.1 identifies the Centrelink elements involved in service delivery of YA. The responsibilities for each organisational element in Figure 4.1 are described in Appendix 2.

Figure 4.1

Service delivery management for Youth Allowance
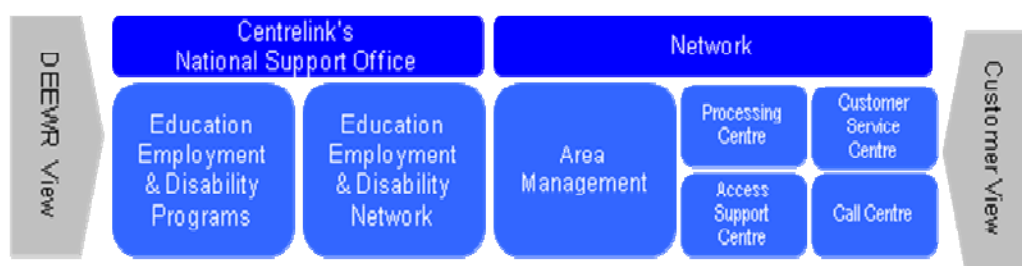
Source: ANAO analysis

4.6 A design feature of Centrelink's service delivery model is to consider the customer's perspective when providing services and to manage initial customer contact and subsequent interaction processes with a customer-centric focus.

Initial customer contact

4.7 Initial contact with YA customers can take place through three access channels; internet, telephone and in person (through a visit to a Centrelink Customer Service Centre (CSC)), as illustrated in Figure 4.2. Each channel may lead to further contact via another channel, and then result in a claim for YA
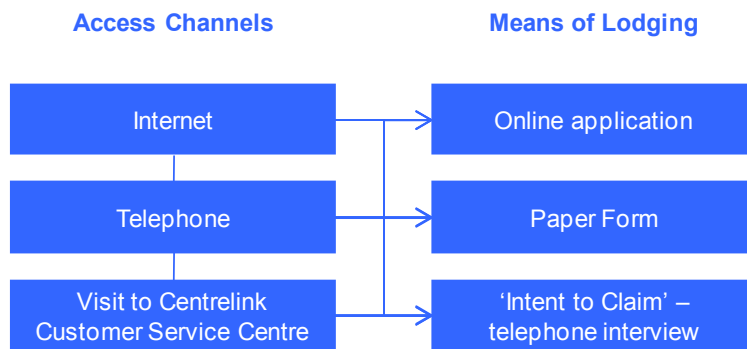
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[39]   Centrelink, Annual Report 2005–06, p. 81.

[40]   Centrelink, Annual Report 2007–08, p. 47.

being lodged online (for students only), by a paper form, or (for jobseekers only) through a telephone interview.

Figure 4.2

YA customer initial contact

Source: ANAO representation

Customer interaction

4.8   YA customers fall into two distinct cohorts — students and jobseekers. For the students group, with a higher usage of technology and the internet, Centrelink has endeavoured to interact online with customers, more so than for other groups. New claimants are encouraged to complete an online application, although more than half of student claimants continue to use a paper form.[41]

4.9   Generally, Centrelink interacts with young jobseekers in the same manner as other jobseekers. Initial contact with Centrelink is often through a call centre or CSC at which time a system macro guides the CSA through a series of scripted questions to elicit basic information. Jobseekers are then scheduled for a separate, face-to-face interview to ascertain their readiness for work.

4.10   Accuracy and timeliness are a focus throughout Centrelink's service delivery chain. In four Student Processing Centres (SPC) visited by ANAO during this audit, SPC managers monitored and assessed the volume of work waiting to be processed and the number of YA claims approaching 21 day

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[41]   From 1 January to 31 October 2008, 52.2per cent of student claims were completed on paper forms, 39.8per cent were online (source: Centrelink online claims statistics).

limit, and then allocated work within their teams to meet the 21 day requirement (Chapter 5 examines monitoring against service delivery KPIs).

4.11 Typical examples of customer interaction with Centrelink are illustrated in Figure 4.3.

Figure 4.3

Examples of typical YA customer interaction
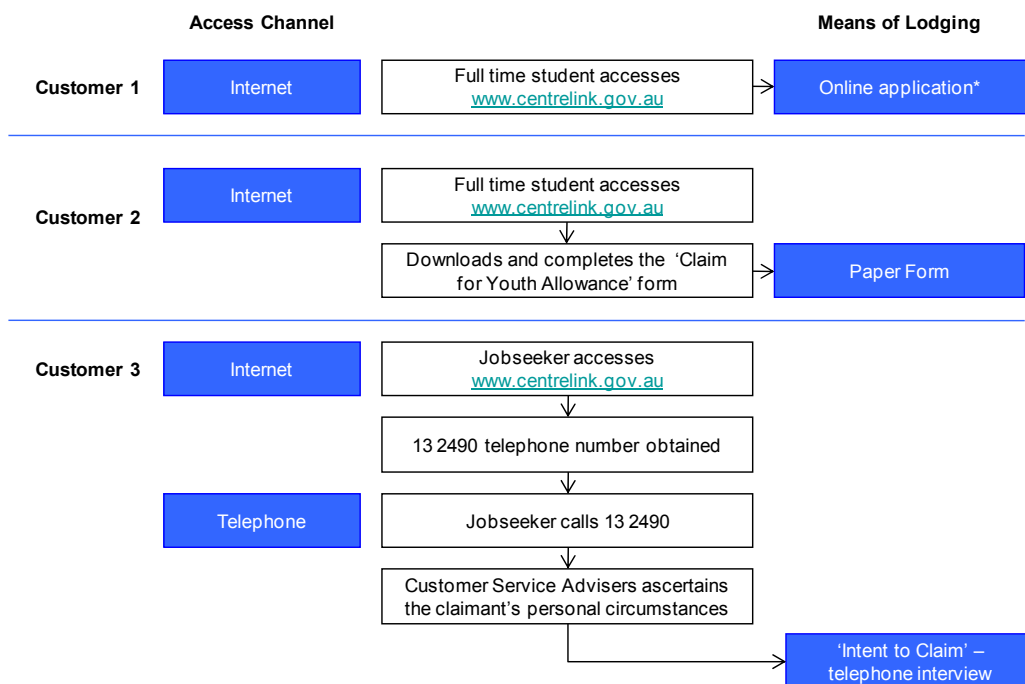
Source: ANAO representation

Operational processes and controls that support compliance with legislative criteria

4.12 Youth Allowance (YA) was introduced on 1 July 1998, through the *Social Security Legislation Amendment (Youth Allowance Consequential and Related Measures) Act 1998;* and amended in 2005 under the *Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Act 2005.* The legislation defines eligibility criteria and sets out the factors that then affect an eligible applicants' payment rate.

4.13 Eligibility for YA is dependent upon applicants being an Australian resident, their age (broadly 16 to 24 year olds) and activity (full time students or jobseekers). Once deemed eligible, there are further criteria that will

determine a recipients' rate of payment including claimant means (access to assets and income) and independence (or otherwise).

4.14   While a claimant may be deemed eligible for YA (based on their age and activity), their payment rate may be $0 as a result of their access to income and assets. Thresholds for income and assets also depend on the claimant's independence status.[42]

Basic rates

4.15   Basic rates of YA payment (as at August 2009) are shown in Table 4.1. These are the maximum fortnightly payments, with the actual rate payable subject to income and assets tests.

Table 4.1

Youth Allowance basic rates

Recipient status	Maximum fortnightly payment ($)
under 18 years and living at home	203.30
under 18 years and not living at home	371.40
18 years and over and living at home	244.40
18 years and over and not living at home	371.40
single with children	486.60
partnered with no children	371.40
partnered with children	407.80

Source: Centrelink website as at 10 August 2009.

Means testing

Personal Income Test

4.16   All YA recipients are subject to a Personal Income Test which assesses gross income. Recipients of YA (other) may earn up to $62 personal income per fortnight before their YA payment rate is reduced, while recipients of YA (student) may earn up to $236 per fortnight. An income bank arrangement

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42   On 12 May 2009, the Australian Government announced a package of reforms to student income support to respond to the recommendations and findings of the Bradley Review of Australian Higher Education. Measures included in the package announced in the Budget include changes to the parental income test, the age of independence personal income test, extension of income support to students enrolled in a master degree by coursework and changes to scholarships.

operates to allow students to accumulate up to $6 000 of any unused portion of their fortnightly income-free area. An equivalent arrangement operates for YA (other)–working credit–which allows recipients to accumulate up to $1 000 before their Centrelink payment is reduced.

Personal Assets Test

4.17   YA recipients who are independent are subject to a Personal Assets Test. Assets may include home contents, vehicles and real estate (other than the principal family home, which is exempt).

Parental Means Test

4.18   YA recipients who are dependent are subject to the Parental Means Test which consists of three separate parts:

- Parental Income Test–which includes parents' taxable income plus maintenance income, fringe benefits, income from outside Australia and net passive business losses;

- Family Assets Test–this examines the assets of the recipient's family, with eligibility for YA ceasing once family assets exceed $547 000; and

- Family Actual Means Test–examines family spending and savings in situations where taxable income alone may not be a reliable indicator of means, such as when one or both parents have an interest in a trust, private company or is self-employed.

Independence

4.19   YA is paid at a dependent rate or at an independent rate, with a sub-set of rates for those living at home or away from home. YA independent claimants must establish that they are independent from their parents through a variety of reasons including:

- they are 25 years or older;

- they are supporting themselves through paid employment; or

- it is unreasonable for them to live at home.

4.20   Independent status may also affect whether the recipient receives rent assistance, whether the Parental Meant Tests are applied and whether or not payments of YA for an under 18 year old should be made to their parents.

4.21 Legislative criteria for YA eligibility and payment rate are summarised in Figure 4.4, which also identifies the operational controls that Centrelink has in place against these legislative requirements.

Figure 4.4

YA key legislative criteria and operational controls
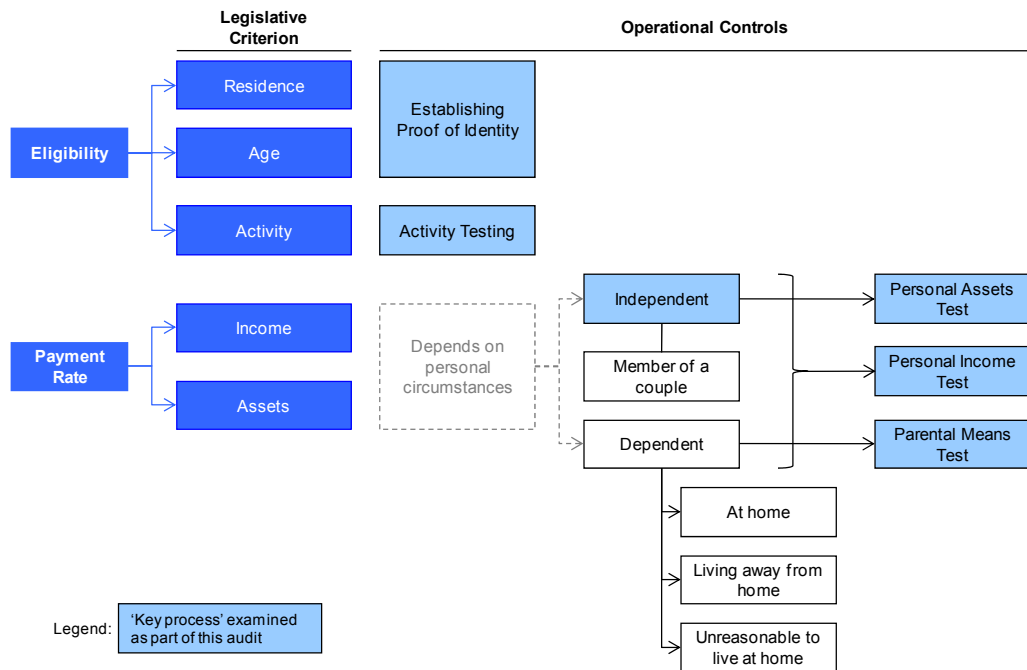
Source: ANAO representation

Alignment between relevant legislation and Centrelink operational processes

4.22 Effective management of government policies and programs requires a clear line-of-sight between legislation, operational policy and program administration. The alignment that exists between legislative requirements for YA and the delivery of YA services is supported by the development and maintenance of:

- the Guide to Social Security Law; and

- Centrelink's e-Reference tool.

4.23 The operational policies and processes put in place by Centrelink to promote consistency between legislative requirements for YA and YA service delivery are illustrated in Figure 4.5.

Figure 4.5

Desired line-of-sight for effective implementation

GENERIC   YA SPECIFIC

GENERIC	YA SPECIFIC
Legislation	*Social Security Act 1991* Part 2.11 – Youth Allowance
↓	↓
Operational Policy	Guide to Social Security Law
↓	↓
Operational Processes	Centrelink service delivery processes
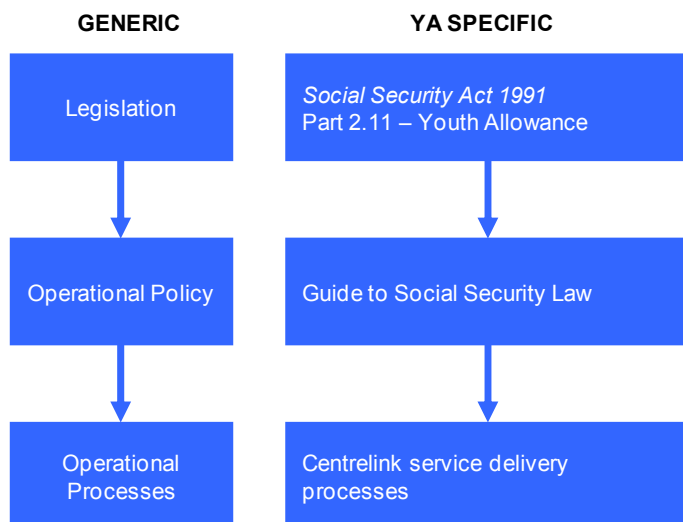
Source: ANAO representation.

The Guide to Social Security Law

4.24 The Guide to Social Security Law (the Guide) is a publicly available[43] resource and aims to assist understanding of social security legislation and its application. The Guide is maintained by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and contains information relating to the *Social Security Act 1991*; *Social Security (Administration) Act 1999*; *Social Security (International Agreements) Act 1999*; and *A New Tax System (Family Assistance) Act 1999*.

4.25 Content is provided by FaHCSIA and DEEWR, as it relates to the policies and legislation they administer, and is updated monthly. Within DEEWR, there is a central area that is responsible for coordinating departmental content of the Guide. Amendments to content can be initiated by:

- FaHCSIA, which has a review schedule and standard set of release dates for each calendar year;

- DEEWR program or policy areas, who own specific 'topics' in the Guide; and/or

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43 <http://www.facsia.gov.au/Guides_Acts/ssg/ssg-rn.html>.

- Centrelink, working through the relevant DEEWR program management area.

4.26 Content review initiated by DEEWR or Centrelink can be prompted by their own use of the Guide which might highlight an area needing clarification, or external review action such as case findings of the Social Security Appeals Tribunal or Federal Court. (Case decision review and appeal are examined further below.) DEEWR also alters content to reflect legislative and policy changes.

4.27 The content of the Guide relating to YA supports the understanding of those sections of the Social Security Act relevant to YA, makes appropriate linkages to the legislation, and outlines processes that operationalise key elements of the legislation. The Guide is also used to provide information to customers and service providers.

Centrelink's e-Reference tool

4.28 e-Reference is Centrelink's online encyclopaedia of customer reference information, which is endorsed for use by Customer Service Advisers (CSA). It contains information on and links to Centrelink processes and procedures, policy guidance and legislation.

4.29 The content of e-Reference is coordinated by a specific Centrelink team, with business owners contributing relevant process and policy information. For YA, the relevant business owners reside within the Education, Employment and Disability Programs (EEDP) branch–specifically, the student payments team (for YA (student)) and the jobseeker team (for YA (other)).

4.30 The material within e-Reference is presented by 'Life Event', which is consistent with Centrelink's service delivery model,[44] which in turn supports alignment between the customer's perspective of service requirements and CSAs' view of service provision.

4.31 The ANAO examined e-Reference content relating to the identified key elements for YA. The information provided within e-Reference is sufficiently current and provides appropriate and working links to relevant pages of the Guide and sections of legislation. e-Reference is used to provide information to

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[44] Centrelink's website is a good example of how this is applied in practice. The site takes a customer-centric view, with clients prompted to seek assistance based on their personal situation–or activity, such as 'looking for work' or 'studying or training'.

customers through CSAs and compliance with e-Reference is compulsory for CSAs.

4.32 Centrelink has a process in place that seeks to ensure that information in the Guide to Social Security Law and e-Reference is kept up to date and accurate, reflecting the services and options that are available to customers. Responsibility for the content of individual e-Reference pages and brochures is allocated to program management areas, with a central coordinating area then responsible for integrating the information and publishing it.

Other Centrelink Information for Customers

4.33 The ANAO examined the range of other information[45] available to Centrelink customers relating to key YA elements. This included internet based information and printed forms and brochures.[46] Centrelink encourages YA (student) claimants and recipients to use online means of communication, as they are a cohort with high levels of access to and usage of the internet.

4.34 Online information relating to key YA elements is based around a YA–specific page, and contains links to relevant cross-payment information and guides on issues such as proof of identity and activity testing. The information clearly conveys the key requirements to customers, and is aligned with related e-Reference, Guide and legislative requirements. The legislative and policy detail is effectively hidden from the customer view, with Centrelink information appropriately focussing on explaining the requirements.

Management arrangements and controls

4.35 In order to ensure that on-ground service delivery meets legislative objectives, it is important that operational processes are appropriately managed and controlled. The ANAO examined Centrelink's management arrangements and its controls for operational processes central to YA service delivery:

- means testing;

- establishing proof of identity;

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[45] That is, information other than CSA verbal advice, based on e-Reference.

[46] Brochures include *A Guide to Australian Government Payments* (covering all payments and benefits) and the *Youth Payment Rates Factsheet*.

- activity testing;[47] and

- determining independence (or otherwise).

4.36   In particular, for these four operational processes central to YA service delivery the ANAO examined whether Centrelink had:

– defined these key processes and associated requirements;

– controlled these key processes through appropriate procedural documentation;

– established reliable measures of performance; and

– assigned responsibility for monitoring and improving these key processes.[48]

Defined key processes and associated requirements

4.37   Centrelink's identification of key processes is typically done with process flowcharts that identify the scope (including boundaries) of the process and how it relates to other Centrelink processes. This information is important in supporting quality processes as it documents a shared and accurate understanding of individual processes and how they interact.

4.38   e-Reference is Centrelink's key tool used to define processes, and their associated requirements. e-Reference entries for the processes examined contain descriptions of process workflows, incorporating system links to relevant policy and procedural guidance and details of relevant system coding and data entry requirements. Figure 4.6 illustrates the workflow information provided within e-Reference to apply the means test for YA.
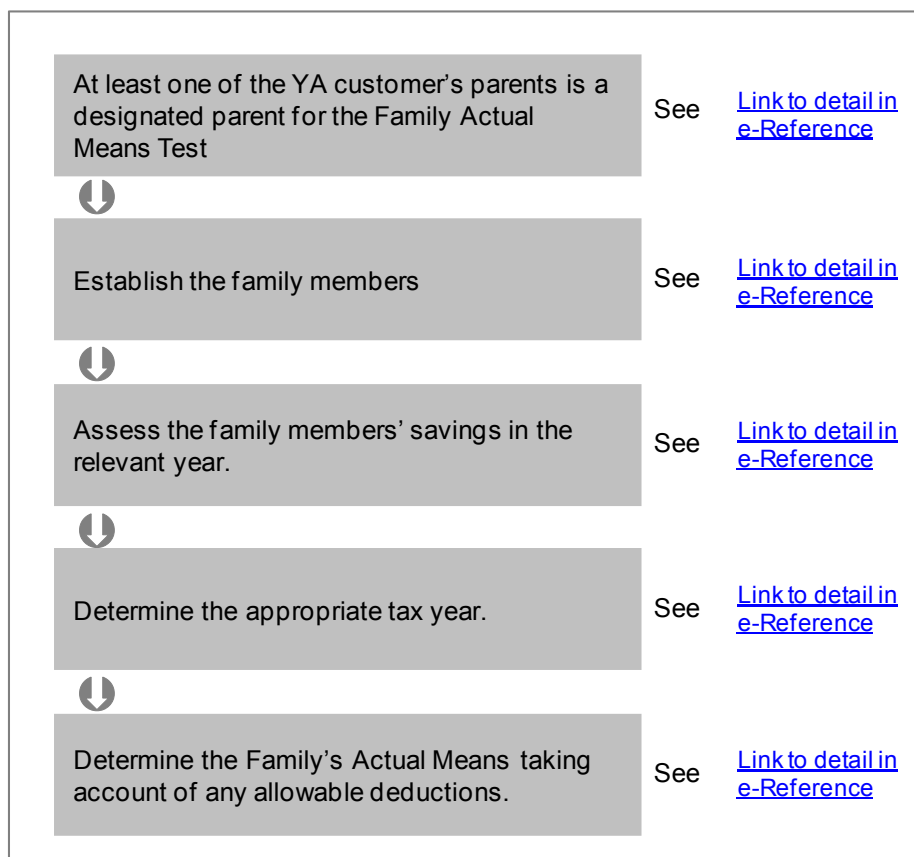
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47   A young person can satisfy the YA activity test if they are: an Australian Apprentice; or studying an approved course full-time; or actively seeking, and willing to undertake, suitable paid work or participating in activities that will improve the chances of finding work.

48   These criteria were drawn from AS/NZS ISO 9001:2000 Quality Management Systems–Requirements.

Figure 4.6

Family actual means test - workflow

At least one of the YA customer's parents is a designated parent for the Family Actual Means Test	See	Link to detail in e-Reference
⬇		
Establish the family members	See	Link to detail in e-Reference
⬇		
Assess the family members' savings in the relevant year.	See	Link to detail in e-Reference
⬇		
Determine the appropriate tax year.	See	Link to detail in e-Reference
⬇		
Determine the Family's Actual Means taking account of any allowable deductions.	See	Link to detail in e-Reference

Source: ANAO representation of Centrelink e-Reference Applying the Family Actual Means Test (FAMT), Workflow.

4.39   Workflow and related information seeks to ensure that the activities that make up the process are clear for Customer Service Advisers (CSA), and are applied consistently between customers.

Controlled key processes through appropriate procedural documentation

4.40   Consistency of application of processes is further enhanced by the development and use of process control documents. These are formal procedures that describe key steps in the process, including associated IT system activity. e-Reference contains the procedural documentation for each of the processes examined.

4.41   As Centrelink's online encyclopaedia of customer reference information, use of e-Reference is compulsory for CSAs. Detailed e-Reference content is available for each of the processes examined (means testing,

establishing proof of identity, activity testing, and determining independence), that provides an overview of the process, workflow information, and links the Centrelink process to relevant policy and legislative references.

Established reliable measures of performance

4.42 It is important that the performance of operational processes for administering YA service delivery, such as establishing proof of identity and activity testing are monitored to enable as assessment as to whether the process is being implemented and working as intended. For service-related processes, such as those for YA, performance measures are generally qualitative.

4.43 There are various mechanisms in place that allow Centrelink to monitor the performance of operational processes central to YA service delivery and to identify any need for improvement. Centrelink's monitoring of processes for establishing proof of identity and activity testing are illustrated in Table 4.2.

Table 4.2

Example process monitoring arrangements

Proof of identity	Activity testing
Centrelink uses a quality monitoring process know as Quality Online (QOL), where an experienced CSA reviews the decisions of staff which results in staff learning needs being identified. The POI process 'owner' monitors QOL outcomes to identify any trends or issues relating to POI.	A young person can satisfy the YA activity test if they are: an Australian Apprentice; or studying an approved course full-time; or actively seeking, and willing to undertake, suitable paid work or participating in activities that will improve the chances of finding work. The Activity Testing process 'owner' monitors data around the frequency of use of activity exemption categories and the demographics of those undertaking the various types of activities. This information is used to inform analysis of process effectiveness and efficiency.

Source: ANAO analysis.

Assigned responsibility for monitoring and improving key processes

4.44 The identification of a process 'owner' assigns responsibility for process management and improvement. For the YA processes examined (means testing, establishing proof of identity, activity testing, and determining independence), allocation of process 'ownership' by Centrelink is by a variety of means. For some teams it is in their Branch business plans, while in some cases ownership is related to the subject matter. This can mean that 'ownership' of the processes is not always clear, with some sharing of ownership based on policy area (students versus jobseekers, for example) or along Centrelink's service delivery chain (between front office/customer

service activities and 'back office' activities within a process). Centrelink's assignment of responsibility for means testing, and determining independence for YA are illustrated in Table 4.3.

Table 4.3

Example of assignment of responsibility for key processes

Means Testing		Independence	
Component	Area responsible	Component	Area responsible
Parental Income Test	Centrelink YA (student) and YA (other) program management teams	Independence testing for students	Centrelink YA (student) program management team
Personal Assets Test	Centrelink YA (student) and YA (other) program management teams	Independence testing for jobseekers	Centrelink YA (other) program management team
Parental Means Test	Centrelink YA (student) program management team		

Source: ANAO analysis.

4.45 While the assignment of responsibility for YA processes involves many teams within Centrelink, the approach being taken is sensible from a customer service perspective as it allows those 'front-end' elements of Centrelink's service delivery chain (see Figure 4.1) to take a customer-centric view and manage processes accordingly.

YA customer feedback

4.46 YA customer feedback comes in a variety of forms including through the work of Centrelink's Customer Relations Units (CRU), formal decision review processes, Ministerial correspondence and the Commonwealth Ombudsman.[49] Customer feedback can not only address an individual customer's issues, but can also be an important driver for program review such as review of legislation, policy and operational processes.

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[49] One YA-specific complaint made to the Ombudsman is detailed in report Number 01/2008, Centrelink – Payment of Independent Rate of Youth Allowance to a Young Person, February 2008.

Centrelink Customer Relations Units

4.47 The Centrelink Customer Relations Units (CRU) are located in four of the 25 Centrelink call centres and are contact points for customer feedback including complaints, compliments and suggestions.[50]

4.48 Customer feedback is recorded in the Integrated Customer Feedback Database (ICFD). As shown in Figure 4.7, for the first Quarter of 2008–09, the ICFD recorded 2 537 complaints for the YA payment type, with the majority of these being for YA (student).

Figure 4.7

YA complaints – first Quarter 2008–09
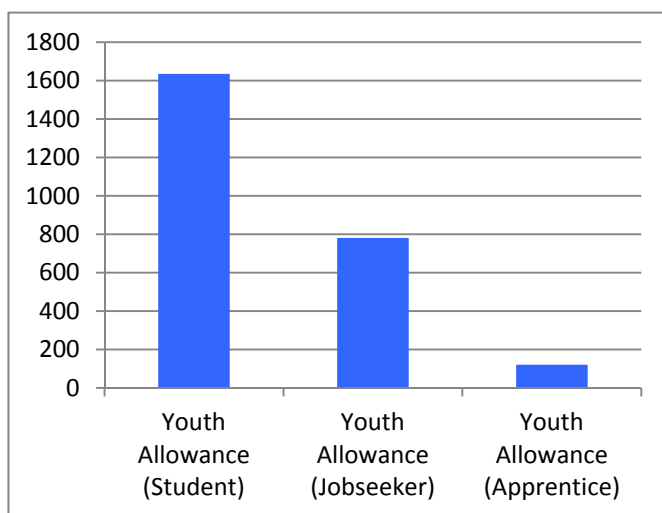
Source: Centrelink ICFD extract.

4.49 Centrelink's complaints handling system was the subject of a recent ANAO audit which found that the system 'demonstrates, the characteristics of better practice such as accessibility, responsiveness and objectivity'. [51,]

4.50 Reporting of customer feedback takes place through a number of mechanisms including weekly *Customer Feedback Analysis* reports, which break results down by payment type. For example, the *Customer Feedback Analysis* report for the week ending 27 February 2009 showed that:

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[50]   CRUs also receive general enquiries. During 2007–08 70 per cent of customer contacts to CRUs were general enquiries. There are also Area Service Recovery Teams which operate out of Area Offices and action the more complex complaints.

[51]   ANAO Audit Report No.22 2008–09, *Centrelink's Complaints Handling System*.

- of the 1 292 complaints to Call Centres about access (those callers who had received a busy signal when phoning): 26 per cent of complaints related to youth and students (including YA Student), and 27 per cent of complaints related to employment services (including YA other);

- of the 279 complaints that related to decision-making by CSAs, 9 per cent related to YA (student); and

- of the 264 complaints that related to staff knowledge/practice, 11 per cent related to YA (student).

4.51   For YA, the relevant Education, Employment and Disability Network portfolio managers receive customer feedback reports and related data, and examine these to identify systemic issues that may be addressed through service delivery processes. Issues that require amendment to operational policy are forwarded to Education, Employment and Disability Programs, which liaises with DEEWR in this regard. An analysis of Centrelink customer complaints over the three financial years (2005–06, 2006–07 and, 2007–08) is provided in Table 4.4.

Table 4.4

YA complaints

Financial Year	YA complaints as a % of all complaints	YA Service Delivery complaints (%)	YA Non-Service Delivery Related complaints (%)
2005–06	12.6	89.7	10.3
2006–07	9.6	90.3	9.7
2007–08	9.7	83.2	16.8

Source: Centrelink

4.52   As shown in Table 4.4, from 2005–06 to 2007–08, there was a decline in the percentage of YA complaints compared to all complaints. Of the total number of YA complaints received each year, non-service delivery related complaints increased in 2007–08.

4.53   Centrelink advised that care should be exercised when analysing YA complaints data as Centrelink used three different (and non-linked) databases to record customer feedback over the three financial years and the categorisations in these databases (used to determine 'service delivery' or 'non-service delivery' complaints) are different. Detailed analysis of each complaint may indicate that a different categorisation is warranted.

Decision review

4.54   Review of Centrelink decisions regarding individual claimants and recipients is a source of customer feedback and a key driver of program review. There are five levels of decision review, as shown in Figure 4.8, each of which leads to different forms of program review.

Figure 4.8

Review drivers
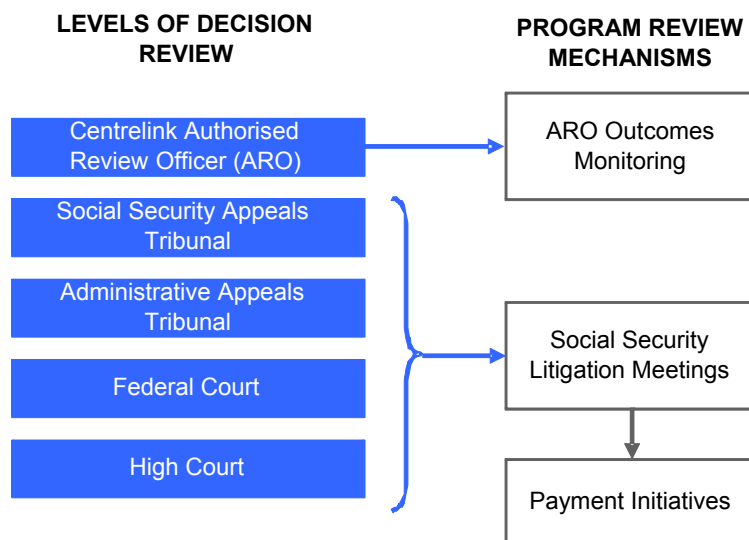
Source: ANAO representation.

Authorised Review Officer outcomes monitoring

4.55   An Authorised Review Officer (ARO) is a senior and expert Centrelink officer who undertakes the first formal review of a Centrelink decision, having regard to the facts and the correct application of the policy and the relevant legislation.[52] Centrelink's Customer Service Charter commits to providing an ARO review result to the applicant within 28 days of lodgement. During 2007–08 Centrelink undertook 55 761 ARO reviews, with 70 per cent of those being completed within 28 days.

4.56   Centrelink's Legal Services and Procurement Branch is responsible for maintaining the policy and procedure for ARO reviews, and for monitoring review outcomes. The Branch provides quarterly reports of decision review

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[52]   Centrelink e-Reference 109.11000 Steps in the review and appeals system.

activity, including that relating to ARO reviews and those undertaken by the Social Security Appeals Tribunal (SSAT) and Administrative Appeals Tribunal (AAT).

4.57 The quarterly reports[53] include details of:

- the number of applications for ARO review, by payment type, over time (separating out YA (student) and YA (other));

- ARO review outcomes, being either: affirmed, set aside, varied or withdrawn/dismissed;

- timeliness of reviews; and

- the top five reasons, by payment type, for a decision being appealed.

4.58 ARO outcomes contribute to review of program policy as a result AROs providing feedback, through Centrelink's internal helpdesk system, to the relevant Centrelink program area. This in turn can lead to reviews of e-Reference content or discussion with policy departments about amendments to the Guide.

Social Security Litigation Meeting

4.59 The Social Security Litigation Meeting (SSLM) is DEEWR's key mechanism for examining decisions of the SSAT, AAT and Federal and High Court in order to identify any impact on working age (including student payments) programs. The SSLM seeks to:

- ensure the integrity of the social security system is being upheld;

- identify trends in working age payment appeals; and

- identify patterns or changes in tribunal decision making.

4.60 The SSLM meets fortnightly and examines the program implications of a selection of decisions, makes decisions on matters to be appealed, facilitates feedback to Centrelink and other stakeholders on issues arising from cases and recommends action to review and improve legislation, policy and guidelines.

4.61 The ANAO examined SSLM Minutes, its Action Plan and a selection of cases reviewed by the SSLM. These documents demonstrate that the SSLM is working effectively to identify issues such as: legislation is not clear; the Guide

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53 Centrelink DEEWR Appeals, Quarterly Report December 2008.

is not consistent with legislation or is insufficient; the Guide wording is not clear; or supporting documentation (such as letters and notifications to payment recipients) are insufficient to meet the legislation, policy or good administrative practice.

4.62 SSLM discussions and agreed outcomes are resulting in changes, both minor and substantial, to operational policy, the way in which it is administered and services delivered. Much of this work takes place through Payment initiatives.

Payment initiatives

4.63 Payment initiatives are projects designed to simplify and improve the detail of income support rules, guidance and delivery. This work includes coordination of changes to Centrelink letters and forms, and results largely from outcomes of the SSLM. The DEEWR team that is responsible for providing secretariat services to the SSLM, takes a coordinating role in regard to payment initiatives. This includes assigning responsibility for projects to the relevant program area and retaining responsibility for projects that cut across payment types, seeking input from the relevant areas.

4.64 In reviewing a sample of SSLM cases, the ANAO noted the use of payment initiatives as a mechanism for reviewing program elements such as policy, policy interpretation, legislation and, importantly, the alignment between all of these elements. The responsible DEEWR team maintained appropriate oversight of project progress against agreed timeframes and coordinated the more complex issues that affect multiple working age payments.

Ministerial correspondence

4.65 Ministerial correspondence is all mail (including emails), addressed to ministers from any source, that is related to portfolio issues. It does not include party political, personal or electorate matters. In these cases agencies do not prepare a response to the correspondence. Ministers accord ministerial correspondence a high priority. It is therefore expected that agencies establish appropriate mechanisms to address ministerial correspondence in a timely and efficient manner.[54]

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[54] *ANAO Better Practice Guide – Agency Management of Parliamentary Workflow*, May 2008.

4.66   During 2007–08 DEEWR responded to some 20 000 items of ministerial correspondence.[55] Within the department's Parliamentary Document Management System (PDMS), responsibility for drafting responses to ministerial correspondence is allocated to the relevant program area. The PDMS provides a system-based alert to the responsible officer that new correspondence has been registered for their attention.

4.67   The two DEEWR program areas responsible for YA (other) and YA (student) are assigned ministerial correspondence relating to their respective program elements. These areas estimated that they receive around 10 to 15 items of ministerial correspondence each week.

4.68   In September 2008, DEEWR's YA (student) program area undertook a detailed examination of ministerials relating to student income support. This identified 339 ministerials, with 172 (or 51 per cent) of these relating to YA. The most frequent issues raised[56] were the adequacy of support for students and support for rural and regional students and those living away from home.

4.69   The ANAO examined a sample of YA–related ministerial correspondence and the extent to which such correspondence resulted in program review. In the ten month period from 1 January 2008 to 31 October 2008, 136[57] items of ministerial correspondence relating to YA were actioned.[58]

4.70   While ministerial correspondence can be a driver for program review, it is often related to individual constituents' circumstances. The majority of the ministerial correspondence examined by the ANAO related to an individuals' in-eligibility for YA, resulting from the thresholds for personal and parental income and assets. For example, for dependent students, only those whose parents' combined income is $32 800[59] or less during 2008–09 will receive the maximum rate of YA.

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[55]   DEEWR, Annual Report 2007–08, p. 254.

[56]   The DEEWR examination did not segregate issues by payment type – these issues were raised across all student income payment types.

[57]   The PDMS does not allow categorisation of ministerials by program type. As such, in order to identify YA-related ministerials, the ANAO interrogated the system to identify that correspondence with the words 'Youth Allowance' in the subject field.

[58]   This number relates to ministerials 'closed' in the PDMS during that period.

[59]   Plus additional amounts for each dependent child other than the YA recipient. <www.centrelink.gov.au>.

4.71 Overall, both the YA (other) and YA (student) program teams monitored trends in issues emerging from ministerials, and combined that feedback with other program information to identify potential areas requiring clarification or improvement.

5. Monitoring of Service Delivery through KPIs

The arrangements in place to track the performance of Youth Allowance service delivery and Centrelink's performance are examined in this chapter.

The Evolution of DEEWR–Centrelink Agreements

5.1   DEEWR is not the direct provider of Youth Allowance (YA) services. Centrelink, as the Australian Government statutory agency responsible for delivering income support and benefit payments, is the principal service delivery agency for DEEWR's social security programs. DEEWR purchases services from Centrelink on behalf of the Government, with purchaser–provider terms agreed through a DEEWR–Centrelink Business Partnership Agreement (BPA).

5.2   Since 1998, there have been several Business Partnership Agreements (BPAs) between relevant policy agencies and Centrelink relating to the delivery of income support and benefit payments, including those for YA.

5.3   At the time this audit commenced, in September 2008, BPAs of particular relevance to YA were in place between Centrelink and: the former Department of Education, Science and Training (including YA–student for the period 2005–08); and the former Department of Employment and Workplace Relations (including YA–other for the period 2006–09). In December 2007, DEST and DEWR were amalgamated into DEEWR, and an Interim BPA between DEEWR and Centrelink (for the period 2008–09) was signed on 31 December 2008.

5.4   As part of the 2009–10 Commonwealth Budget the Government announced that, from 1 July 2009, Centrelink will receive all of its departmental funding directly from the budget. This funding decision has lead to changes in the DEEWR-Centrelink purchaser/provider relationship and the requirement to develop new arrangements for 2009–12. As a consequence, the BPAs reviewed as part of this audit have been in transition.

5.5   However, the YA–related Key Performance Indicators (KPIs) for the DEST–Centrelink (2005–08) BPA, the DEWR–Centrelink (2006–09) BPA, and the DEEWR–Centrelink Interim (2008–09) BPA have remained relatively constant and were the focus of the ANAO's assessment.

5.6 Taking the relative stability of the KPI's into account, the ANAO examined:

- specific YA-related key performance indicators;

- Centrelink's level of performance against specified KPIs; and

- reporting arrangements for YA under the DEEWR-Centrelink BPA.

Key performance indicators

5.7 Under recent BPAs, Centrelink has been and remains responsible for YA service delivery including payment to recipients of over $2.5 billion annually. In addition to defining the nature and quantity of service delivery to be provided, the recent BPAs identified requirements in relation to service delivery monitoring and reporting.

5.8 Performance measures are defined in the recent BPAs as KPIs, within five groups: assessment, payment, participation, referrals and compliance, and debt. These KPIs were designed to monitor the accuracy and timeliness of service delivery, including the provision of debt management services.

5.9 For the YA program, the KPIs in recent BPAs separately identified YA-specific results in regard to: timeliness of claims processing; accuracy of payments; fraud and compliance activity (for YA (other) only); service profiling activity (for YA (other) only); debt raising; and debt recovery. Reporting against the KPIs and associated issues are examined in the following sections.

Centrelink's level of performance against specified KPIs

5.10 At the time of the audit, the most recent BPAs identified 8 KPIs with direct relevance to YA. Table 5.1 summarises service delivery performance against these KPIs, based on performance information available from DEEWR and Centrelink. [60]

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[60] The ANAO did not validate the underlying client data, relying upon DEEWR's monthly KPI reports as provided.

Table 5.1

Service delivery performance against Youth Allowance Key Performance Indicators contained in recent DEEWR-Centrelink BPAs

KPI for Youth Allowance	Target[a]	KPI No.	Results for: 2008–09	
Timeliness of new claims for income support – processed within 21 days	70%	2.1	YA (other)	85%
		5c	YA (student)	78%
Timeliness of continuation claims for income support – processed within 2 days for YA (other)	95%	2.1	YA (other)	100%
	—	—	YA (student)	Not measured
Correctness of Outlays[b]	95%	3.1	YA (other)	90%
		6c	YA (student)	97%
Fraud and compliance activity – average savings per review	$1 561[c]	3.2	YA (other)	$1 474
		—	YA (student)	Not measured
Service profiling activity – percentage of planned service profiling reviews completed	100%	3.3	YA (other)	105%
		—	YA (student)	Not measured
Debt raising – debts determined as a percentage of the undetermined debt base	70%	7.1	YA (other)	78%
		7a	YA (student)	72%
Debt under management – value of debts under recovery as a percentage of the debt base	65%	7.2a	YA (other)	56%
	58%	7b	YA (student)	61%
Debt recovered – value of total recoveries as a percentage of new debt raised	77.5%	7.2b	YA (other)	84.3%
	72%	7c	YA (student)	79%

(a) The targets for KPIs 2.1, 5c, and 6c are directly applicable to Youth Allowance. The other targets are listed as a guide only as they are generally not formal targets for YA (other) or YA (student). In most cases, the target listed is applied at the national level across either all the working age payment types or the student payment types and does not specifically apply to individual payment types.

(b) For YA (other), the correctness of outlays refers to payment accuracy. For YA (student), correctness of outlays refers to payment correctness.

(c) The target for the fraud and compliance activity was not a formal savings target, but was an indicative figure used to calculate the overall national formal savings target that applies across all the working age payments.

Source: DEEWR Key Performance Indicator Report, June 2009.

KPI 2.1 and 5c: Timeliness of claims processing

5.11 DEEWR KPI reports indicated good performance against this timeliness of claims processing KPI on an ongoing basis.[61] Centrelink student processing centres in particular maintained a close watch on performance against this KPI (daily or hourly during peak processing periods). In addition, Centrelink's Education, Employment and Disability Network (EEDN) Branch also monitored this KPI and analysed results to individual Centrelink Areas or Customer Service Centres (CSC), if necessary, to identify the causes of any processing backlogs.

5.12 There has been a different approach taken to the performance targets for the processing of continuation claims,[62] for YA (other) and YA (student). The target for YA (other) is 95 per cent of continuation claims processed within two days, while no formal target has been set for YA (student).

5.13 There is no reference to targets for completing YA (student) continuation claims in either the DEST-Centrelink (2005–08) BPA or the DEEWR–Centrelink Interim BPA. However, a less stringent target of 70 per cent of YA (student) continuation claims being processed within 21 days is referred to in the monthly DEEWR KPI report.

5.14 In part, this reflects the policy requirement that students are only required to report fortnightly if they have variable fortnightly personal income/earnings. Recipients of YA (other) are required to report their employment income to Centrelink every two weeks.[63] There are, however, no significant processing differences for YA (student) and YA (other) that would warrant a less stringent target for YA (student) continuation claims.

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[61] The results provided are for the year to date to November 2008.

[62] Continuation claims are a form (SU19) that must be submitted fortnightly by recipients of specified payments including Youth Allowance and Newstart Allowance. They allow Centrelink to check if the recipient is complying with the activity test or participation requirements, that no notifiable events have occurred and also allow the recipient to inform Centrelink of income earned in the fortnightly period.

[63] Continuation claims for YA (other) are completed by customers and include looking for work detail (where necessary). These forms are processed by customer service advisers. YA (students) report their income online and customer service advisers are not generally involved in the assessment. Students do not need to report their income when it is nil unless they are already on a reporting cycle (that is, they have declared income previously).

KPI 3.1 and 6c: Correctness of outlays

5.15   A key element of the strategy used by purchaser departments to assure the integrity of the significant Australian Government outlays on the various Centrelink payments for which they are respectively responsible is the Random Sample Survey Program (RSS). The RSS is a point in time analysis of sampled customers' circumstances, designed to establish whether customers are being correctly paid.

5.16   In the case of YA, RSS selects recipients at random from the population of each payment type, including YA (other) and YA (student). Payment recipients' circumstances are reviewed, generally through a face-to-face interview, following which the reviewer compares the information provided by the recipient with the data held by Centrelink. If the review uncovers an error, it may result in a cancellation or variation of the customer's payment and may also identify a debt or under payment.

5.17   A distinction is made in the RSS between correctness and accuracy of benefit payments, where correctness relates to decision making processes within Centrelink's control that are required for a correct payment outcome; and accuracy, which includes this, but also recognises the obligation of the customer to advise of changes in circumstances that may affect their payment entitlements over time.

5.18   Under the DEEWR–Centrelink Interim (2008–09) BPA, the correctness of outlays target for YA (other) is: '*95% of outlays paid <u>accurately</u> (in $ terms) as measured through the RSS*'. Progress against this target is monitored via KPI 3.1. The employment KPI 3.1 is relevant for all working age payments including YA (other) and measures payment accuracy. While KPI 3.1 is monitored at the payment level, the target (of 95% of outlays paid accurately, in $ terms) is measured at the total working age payment level.

5.19   In the same BPA, the payment correctness target for YA (student) is: '*95% of customers are paid <u>correctly</u>*'. Progress against this target is monitored via KPI 6c. The education KPI 6c is specifically relevant for YA (student) with a target of 95% payment correctness.

5.20   RSS reviews are conducted in three periods for YA (other) and two periods for YA (student) for each financial year, with the KPI result focussing on the overall financial year result. Figures in Table 5.1 relate to 2008–09 and show that:

- for YA (other)— against the target of 95 per cent accuracy, the RSS results were 90 per cent payment accuracy;[64] and

- for YA (student)— against the target of 95 per cent correctness, the RSS results were 97 per cent correctness of outlays [65].

5.21 DEEWR advised the ANAO that the RSS analysis and the associated data is being investigated with a view to informing and refining measures to address the risks related to improving the accuracy of YA payments.

5.22 ANAO's 2005–06 audit of the role of the RSS program stated that:

> The ANAO considers that it is important that agencies use the accuracy of outlays figure calculated from RSS data as an indicative measure of the level of accuracy of outlays on Centrelink payments, recognising its inherent limitations.

5.23 The inherent limitation here was that 'not all customers will disclose all of their circumstances and/or all of the changes in their circumstances, even when asked in a face-to-face inter view'.[66]

KPI 3.2 Fraud and compliance activity

5.24 The target for the fraud and compliance activity KPI identified in Table 5.1 ($1561 per review) was not a formal savings target for YA (other), but was an indicative figure used to calculate the overall national formal savings target that applies across all the working age payments. The 2008–09 result for YA (other) was an average saving of $1474 per review. While there was no YA (other) specific target, the performance against the indicative target was

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[64] To determine the level of accuracy of outlays for YA (other), DEEWR has to first identify 'total payment inaccuracy'. That is, the percentage of RSS reviews for YA (other) that have errors which have a dollar impact on payments, irrespective of the source of the error (that is customer error or Centrelink administrative error). Payment accuracy for YA (other) is then measured by dividing the sum of fortnightly dollar amounts of variations (upwards, downwards and cancellations/suspensions) by the sum of the fortnightly payments to all sampled customers, measured as a percentage. This result is then subtracted from 100 per cent to give the accuracy of outlays.

[65] The term payment correctness is defined as 'the percentage of RSS without a dollar impact error based on information provided by the customer'. It is a measure of the correctness of Centrelink's decision making and is determined by expressing the number of surveys with a Centrelink administrative error with a dollar impact as a percentage of the total number of surveys completed, and subtracting that number from 100. The payment correctness figure does not account for customer error or Centrelink errors that do not impact on a customer's payment. It reflects the impact of Centrelink error on government outlays, rather than the proportion of customers correctly paid.

[66] ANAO Audit Report No.42 2005–06, *Assuring Centrelink Payment—The Role of the Random Sample Survey Programme.*

reasonable. Fraud and compliance activity for YA (student) was not measured in 2008–09, as it was not part of the former DEST-Centrelink (2005–08) BPA.

5.25 In a recent audit of Centrelink's Tip-off System the ANAO noted that there is a risk associated with prioritising quantitative outcomes, such as the amount of savings identified and number of fraud cases processed, because qualitative indicators such as adherence to guidelines and processes may be compromised.[67]

KPI 3.3 Service profiling activity

5.26 Service profiling reviews involve checks of selected customer records to provide more targeted services and assistance to customers who need more assistance or support to meet their obligations. For example, a YA (other) recipient who has incurred multiple debts due to non-declaration of earnings may be profiled to receive additional one-on-one service from a Customer Service Adviser (CSA) to prevent further debts. As for the previous KPI, service profiling activity for YA (student) was not being measured at the time of the audit fieldwork as it was not part of the former DEST-Centrelink (2005–08) BPA.

KPI 7.1 Debt raising

5.27 The KPI for debt raising measured the total number of working age payment debts determined during the relevant period, as a percentage of the total number of working age payment debts identified but not determined during the period. Centrelink reported that the target of 70 per cent was met for 2008–09.

KPI 7.2a Debt under management

5.28 The debt under management KPI measured the value of debts under recovery as a percentage of the debt base.[68] The performance reported by Centrelink and shown in Table 5.1 is for the year 2008–09. Performance results for YA (other) were below target (56 per cent against a target of 65 per cent); while results for YA (student) exceeded the lower target of 58 per cent, but

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[67] ANAO Audit Report No.7 2008–09, *Centrelink's Tip-off System.*

[68] Debt under recovery is the total value of working age payment debts where a debtor has made a repayment in the reporting period. The debt base is the total value of outstanding working age payment debt at the beginning of the reporting period plus new working age payment debt raised for recovery during the period.

would not have met the YA (other) target had it been applied to both components.

5.29 DEEWR advised the ANAO that the department has completed its initial analysis of the drivers of debt for the value and profile of its debt base, as foreshadowed in the response to Recommendation 1 of ANAO Report No. 42 of 2007-2008 – Management of Customer Debt – Follow-up Audit, and is working with Centrelink, FaHCSIA and DHS on initiatives to address the underlying drivers.

5.30 The Department of Human Services (DHS) has been tasked with leading a whole of Government response to fraud and non-compliance across social, health and welfare payments. This response includes more efficient and effective management of debt. DEEWR analysis of the drivers of debt is being considered within the context of this response. DEEWR continues to work with the interdepartmental committee chaired by DHS.

5.31 DEEWR advised that KPIs have been reviewed within the context of new bilateral management arrangements with Centrelink. A revised set of Key Performance Measures relating to management of debt are currently being negotiated with Centrelink.

KPI 7.2b Debt recovered

5.32 The debt recovered KPI measured the value of recoveries as a percentage of the value of new debt raised. The performance reported by Centrelink and shown in Table 5.1 was for 2008–09. Performance results for YA (other) and YA (student) met the identified targets.

KPIs Relating to YA jobseekers

5.33 The DEWR–Centrelink (2006–09) BPA contained four KPIs relating to jobseekers, for which performance results are not identified by program. While it is not possible to identify YA specific indicators, as shown in Table 5.2, DEEWR reported that Centrelink was meeting aggregated performance standards.

Table 5.2

Service Delivery Performance: Jobseeker key performance indicators – 2008-09

KPI no.	Key Performance Indicator (KPI)	Target (%)	Result[69] (%)
1.1	**Accuracy of Job Seeker Classification Instrument (JSCI)[70]**		
	90% of JSCIs result in an appropriate referral	90	96
1.2	**Timeliness of JSCI Completions**		
	90% of job seekers have a JSCI completed within 2 work days	90	100
	80% of Centrelink Service Centres (CSCs) achieve or exceed the national standard (i.e. the 90% target)	80	100
	90% of CSCs achieve or exceed 70% of all jobseekers having a JSCI completed within two work days	90	100
4.1a	**Timeliness of initial referral to Job Network**		
	80% of appointments will be made within two working days of jobseeker registration	80	94
	80% of CSCs achieve or exceed the national target (i.e. the 80% target)	80	100[71]
	90% of CSCs achieve or exceed 70% of appointments within two days	90	100
4.1b	**Timeliness of reconnection to Job Network**		
	80% of reconnection appointments will be made within two work days	80	90
	80% of CSCs achieve or exceed the national target (i.e. the 80% target)	80	92
	90% of CSCs achieve or exceed 70% of reconnection appointments within two days	90	100

Source: DEEWR, Key Performance Indicator Report, June 2009.

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[69]   All results are for the 2008-09 financial year, except for KPI 1.1 which is for 2007–08 (the year in which the last survey was conducted).

[70]   The JSCI identifies an individual's risk of becoming long-term unemployed, based on his or her individual circumstances and provides an objective measure of a job seeker's labour market disadvantage.

[71]   The proportion of Centrelink Service Centres (CSCs) achieving monthly targets is not an annual measure and the results for 2008–09 reflect monthly performance results accumulated over the course of the year.

Reporting arrangements for YA under the BPA

5.34   The DEWR–Centrelink (2006–09) BPA specified 14 KPIs and stated that 'reporting will be undertaken in monthly KPI reports'.[72] Under the BPA's business assurance arrangements[73] Centrelink was required to provide management information and assurance as detailed in Assurance Expectation Matrices (AEM).[74] The AEMs identified that this should include the provision (by Centrelink) of 'monthly reports on performance' against education KPIs, that is, those relevant to YA (other) payments.

5.35   Under the DEST–Centrelink (2005–08) BPA, Centrelink was obliged to report against employment KPIs, that is, those relevant to YA (student) payments, on a quarterly basis.

5.36   When the DEEWR–Centrelink Interim (2008–09) BPA was put in place in December 2008, it was agreed to align the monthly reporting requirements for employment and education KPIs. The Interim BPA states that: 'reporting on performance will be undertaken in monthly KPI reports' and that 'over the course of the BPA, DEEWR will continue to independently report on Employment KPIs. At the same time, Centrelink will continue to be responsible for reporting on performance against agreed Education KPIs.'[75]

5.37   Centrelink advised[76] that, over time, DEEWR indicated a preference to develop its own reports against those KPIs for which DEEWR could access data. Monthly KPI reports were produced by DEEWR for both YA (other) and YA (student) payments. DEEWR advised that it undertook this approach to ensure the development of a robust reporting system for education related KPIs, including those for YA (Student). At the same time, Centrelink continued to provide monthly reports for student income support, including YA (student), although DEEWR incorporated some of this information in its monthly KPI reports.

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[72]   DEWR-Centrelink BPA 2008–09, Protocol 04 Key Performance Indicators, p. 62.

[73]   Detailed in Protocol 05 Business Assurance.

[74]   The BPA included an AEM for each of three high level risks – payment integrity, service delivery and business continuity. The AEMs listed expectations about the level of assurance and management information to be provided by Centrelink, as well as areas in which DEWR conducted independent validation to test the assurance supplied.

[75]   DEEWR–Centrelink Interim (2008–09) BPA, Protocol 4, Key Performance Indicators.

[76]   Centrelink email dated 26 February 2009.

5.38   Separately, Centrelink continued to record all, and analyse much, of the same data set for internal use by its CSCs, Processing Centres, Area Management and National Office program management teams – to assist Centrelink to monitor service delivery. This activity took place within a cascading framework of corporate measurement, summarised in Table 5.3.

5.39   Centrelink's policy was to monitor KPI–related performance because it is good business practice to do so. Regardless of whether DEEWR or other client departments assume control of responsibility for producing formal KPI reports, Centrelink maintained that it had a business requirement to monitor performance.

Table 5.3

Centrelink corporate performance measurement

Level	Description	Key Relevant Content
Statement of Expectations (SOE)	The Government's expectations of Centrelink as set out by the Minister for Human Services	Make further improvements in the area of compliance, reducing fraud, errors and overpayments to customers. Build confidence in the way Centrelink conducts its business.
Statement of Intent	Centrelink CEO's response to the SOE	
Centrelink Strategy Map	Identifies high level strategies to meet each aspect of the SOE.	2008–09 strategies include building internal capability to deliver Government's priorities and ensuring effective and efficient delivery of services.
Centrelink Balanced Scorecard	Identifies a suite of corporate performance measures to monitor performance and achievement of strategies.	Two of the dozens of indicators are 'new claim timeliness' by finalised site, and 'new claims outside standard' by finalised site.[77]

Source: ANAO analysis of Centrelink information

Use of monthly KPI reports

5.40   Discussions with DEEWR and Centrelink program managers for YA (other) and YA (student), suggested that monthly KPI reports were not being used as a management tool. Within DEEWR this was associated with uncertainty around the sharing of risks associated with YA program management (a DEEWR responsibility), and on-ground YA service delivery (a

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[77]   That latter allows Centrelink to isolate under-performance and target corrective measures directly at the relevant CSC or Area.

Centrelink responsibility). DEEWR's approach to managing YA-related risks is examined in Chapter 3.

5.41 Within Centrelink, the lack of use of KPI reports appeared to relate largely to timing, in that the reports were not provided until at least 14 days after the end of the month – when Centrelink managers (at various levels) needed, and could access internally, more timely performance data.

5.42 At the time of the audit, monthly KPI reports were being used as a compliance tool that served primarily to identify whether performance standards were met or not met. Such monthly KPI reports would be more valuable if used as a management tool. Taking a longer term perspective, it would be prudent to minimise any ongoing duplication of effort and ensure that monthly KPI reports effectively support program management.

5.43 The BPAs reviewed as part of this audit were undergoing transition to the 2008–09 Interim BPA prior to new arrangements for 2009–12. Since the audit was undertaken, new funding arrangements have been implemented resulting in changes to the purchaser/provider relationship. In particular, from 1 July 2009, Centrelink has been directly appropriated departmental funding including for YA. This initiative provides an opportunity for DEEWR and Centrelink to better focus their bilateral arrangements for the delivery of YA services.

5.44 In Chapter 3, the ANAO made a recommendation that DEEWR places greater emphasis on its role in oversighting YA program outcomes, thereby allowing direct service delivery tasks to be managed by Centrelink. In implementing this recommendation, there would be benefit in DEEWR reviewing existing arrangements for extracting data for YA analysis and reporting. Such a review would assist in minimising any ongoing duplication of effort and ensure that monthly KPI reports effectively support YA program management.

Ian McPhee   Canberra ACT

Auditor-General   19 November 2009

Appendices

Appendix 1:   Agency Response to the Audit

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

The Department of Education, Employment and Workplace Relations (DEEWR) welcomes the ANAO's overall conclusion that there are effective administrative arrangements in place for Centrelink to deliver Youth Allowance (YA) consistent with the relevant legislation and DEEWR's service delivery requirements. DEEWR notes that the ANAO's findings and recommendations primarily relate to enhancing the existing effective program management practices.

At the time of the audit, DEEWR purchased delivery services from Centrelink for the provision of YA on behalf of the Government in the form of a purchaser-provider agreement. In the 2009–10 Federal Budget, the Government announced that from 1 July 2009 Centrelink will receive all of its departmental funding directly from the budget.

This change means that operational elements will no longer be the focus of DEEWR's reporting on the effectiveness of YA-related programs. Service delivery matters will be the subject of reporting between the Department of Human Services and Centrelink.

In this context, DEEWR will be focusing on Centrelink's delivery of policy outcomes and program performance. With all of the existing Key Performance Indicators under review in the development of the replacement arrangements to the Interim Business Partnership Agreement 2008–2009, DEEWR has undertaken extensive consultation with internal program owners in relation to the design of future YA measures.

DEEWR has noted the Report's examination of practices, including the acknowledgement of the role of risk based approaches in assuring the operation and oversight of the current program. DEEWR recognises the relevance of the recommendation in the spirit of continuous improvement and ways to ensure continued value for money while at the same time ensuring effective and efficient, good practice approaches.

DEEWR's response to each of the audit's recommendations is as follows.

Recommendation No. 1

To better able DEEWR to report on the effectiveness of YA-related programs that focus on providing support to the main group of YA recipients, students, the ANAO recommends that DEEWR develops and uses effectiveness indicators to identify and measure the achievement of these programs in providing appropriate income support and promoting education and training.

DEEWR agrees to this recommendation.

DEEWR will investigate development of the above mentioned effectiveness indicators, taking into account:

- the complexity of the issues surrounding an individual's choice to participate in, and remain in, study;

- that any indicators developed must promulgate the SMART criteria (specific, measurable, attainable, realistic and time-sensitive goal setting); and

- the availability of appropriate management information or survey data.

Recommendation No. 2

To provide the information and capability to provide more meaningful and complete measurement of the performance of YA against its program intent, the ANAO recommends that DEEWR:

a) establishes an evaluation strategy for YA-related programs that it administers; and

b) places greater emphasis on its role in oversighting YA program outcomes, thereby allowing direct service delivery tasks to be managed by Centrelink.

DEEWR agrees, with qualification, to this recommendation.

DEEWR is currently developing its research and evaluation plan with consideration being given to an evaluation strategy for the coverage of YA-related programs in this context. The DEEWR Research, Analysis and Evaluation Group (RAEG) provides the evidence-base for program and policy development by conducting, and advising on, evaluations and performance reviews of the department's programs, policies and associated trials in relation to education and training, workforce participation and income support.

In relation to part b) of the recommendation, the changed departmental appropriation arrangements relating to Centrelink necessitate a shift from purchaser–provider model to a partnership and an outcomes-focussed approach to a range of services delivered by Centrelink.

Appendix 2: Service delivery responsibilities

Centrelink Business Area	Responsibilities	YA Example
Education, Employment & Disability Programs (EEDP) Branch	EEDP interfaces with DEEWR program management areas in regard to implementation of new policy and related initiatives, refinement of existing policy and service delivery arrangements. This work includes representing service delivery issues to inform policy development and implementation.	EEDP manages a project to implement a Budget Measure resulting from legislative change affecting YA recipients (see Program implementation in Chapter 2).
Education, Employment & Disability Network (EEDN) Branch	EEDN is an NSO team with staff based across the network, with specific geographic (Centrelink Area) and portfolio responsibilities. YA related portfolios include 'student payments' and 'participation and employment'.	EEDN representative works with EEDP in developing business processes that will give effect to the Budget Measure.
Area Management	There are 15 geographic areas across Australia, responsible for supporting consistency of service delivery (in their area) and providing a range of corporate support and services to Area staff.	Area management assists a Student PC by identifying and re-allocating suitable staff to student processing during the peak processing period.
Processing Centres (PC)	Processing Centres (PC) were established under the SSDM, and involved the consolidation of processing functions related to allowances and assistance, reviews and data-matching programs. PCs have been established in each Centrelink Area for a range of processing functions including Students, Disability Support Pension new claims and Mature Age Allowance new claims.	There are 15 Student PCs,[78] with a total of around 270 staff responsible for processing Youth Allowance and Austudy claims[79] and some associated claims and reviews.
Call Centres (CC)	Centrelink operates 25 Call Centres (CC) that provides a virtual national network – essentially, a single 'virtual' call centre, that has staff sitting in 25 locations support by an NSO-based management and support team.	An unemployed young person calls a CC, and the CSA seeks information on the individual's circumstances and determines that they are eligible for YA.

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[78] One in each Centrelink Area.

[79] During 200 –08 Student Processing Centres processed 209 308 YA (student) claims and 35 394 Austudy claims.

Centrelink Business Area	Responsibilities	YA Example
Customer Service Centres (CSC)	CSCs are the Centrelink offices visiting by customers.	The unemployed young person then attends a CSC for an interview with a Centrelink CSA to ascertain their readiness for work.
Access Support Centre (ASC)	ASCs were rolled out nationally following a trial in early 2008, in response to an identified need to provide Customer Service Advisers with real-time support during customer interactions. Support is provided through a virtual national network of specialist staff – for specific areas of expertise. ASC's have been established for Disabilities and Students, with others to be rolled out by end June 2009.	During the interview, the CSA has a policy related query, cannot find the right information in e-Reference and calls the ASC for advice.

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