

Delivery of the Hearing Community Service Obligation

Department of Health

Department of Human Services

Australian Hearing Services

© Commonwealth of Australia 2014

ISSN 1036-7632

ISBN 0 642 81456 2 (Print)

ISBN 0 642 81457 0 (Online)

Except for the content in this document supplied by third parties, the Australian National Audit Office logo, the Commonwealth Coat of Arms, and any material protected by a trade mark, this document is licensed by the Australian National Audit Office for use under the terms of a Creative Commons Attribution-NonCommercial-NoDerivatives 3.0 Australia licence. To view a copy of this licence, visit

<http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.

You are free to copy and communicate the document in its current form for non-commercial purposes, as long as you attribute the document to the Australian National Audit Office and abide by the other licence terms. You may not alter or adapt the work in any way.

Permission to use material for which the copyright is owned by a third party must be sought from the relevant copyright owner. As far as practicable, such material will be clearly labelled.

For terms of use of the Commonwealth Coat of Arms, visit the *It's an Honour* website at <http://www.itsanhonour.gov.au/>.

Requests and inquiries concerning reproduction and rights should be addressed to:

Executive Director
Corporate Management Branch
Australian National Audit Office
19 National Circuit
BARTON ACT 2600

Or via email:

publications@anao.gov.au.





Canberra ACT
28 May 2014

Dear Mr President
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Health, Department of Human Services and Australian Hearing Services titled *Delivery of the Hearing Community Service Obligation*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament.

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

Yours sincerely

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

Ian McPhee
Auditor-General

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

AUDITING FOR AUSTRALIA

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

For further information contact:

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

Phone: (02) 6203 7505

Fax: (02) 6203 7519

Email: publications@anao.gov.au

ANAO audit reports and information about the ANAO are available on our website:

<http://www.anao.gov.au>

Audit Team

Wendy Michaels
Mary Willett
Donna Burton

Contents

Abbreviations.....	7
Summary and Recommendations	9
Summary	11
Introduction	11
Audit objective, criteria and scope	14
Overall conclusion.....	15
Key findings by chapter.....	18
Summary of agencies' responses.....	22
Recommendations	24
Audit Findings	25
1. Introduction	27
Background	27
Community Service Obligations program	32
Senate inquiry and previous performance audits	37
Audit approach	38
2. Management of the Memorandum of Agreement.....	40
Introduction	40
The Memorandum of Agreement.....	41
Financial management.....	48
Conclusion	53
3. Performance Monitoring and Reporting.....	55
Introduction	55
Key performance indicators	56
Complaint handling and customer feedback.....	61
Evaluating and reporting service delivery outcomes	65
Conclusion	73
4. Agencies' Implementation of Report Recommendations.....	75
Introduction	75
Senate inquiry recommendations	77
Implementation of selected Senate inquiry recommendations	79
Office of Evaluation and Audit recommendations.....	81
Implementation of OEA recommendations	83
Conclusion	84
Appendices	87
Appendix 1: Agencies' Responses.....	89
Appendix 2: CSO Program Eligible Client Groups	93
Appendix 3: Memorandum of Agreement Key Performance Indicators	95

Index.....	97
Series Titles.....	98
Better Practice Guides	102

Tables

Table S 1:	Overview of CSO program 2012–13	13
Table 1.1:	Delivery sites and CSO program services 2010–13	34
Table 1.2:	CSO program: MOU and MOA budget funding 2008–2014.....	35
Table 1.3:	CSO program client numbers 2011–13.....	36
Table 2.1:	Examples of common contract provisions in the MOA.....	43
Table 2.2:	Compliance check for selected key clauses.....	47
Table 2.3:	Summary CSO program delivery costs in 2012–13	50
Table 3.1:	Example MOA key performance indicators	57
Table 4.1:	Categorisation of implementation	76
Table 4.2:	Senate recommendations selected by ANAO	78
Table 4.3:	Overview of DoH’s implementation of Senate inquiry recommendations	79
Table 4.4:	OEA recommendations	82
Table 4.5:	Implementation overview of OEA report recommendations.....	83

Figures

Figure 1.1:	Prevalence of hearing loss	28
Figure 1.2:	Delivery of hearing services	31
Figure 2.1:	Key sections from the Memorandum of Agreement.....	45
Figure 3.1:	Complaints recorded from 2009–10 to 2012–13	63

Abbreviations

Act	<i>Australian Hearing Services Act 1991</i>
AHSPIA	Australian Hearing Specialist Program for Indigenous Australians
ANAO	Australian National Audit Office
CDEP	Community Development Employment Projects
CSO	Community Service Obligations
Determination	<i>Declared Hearing Services Determination 1997</i>
DoH	Department of Health, formerly the Department of Health and Ageing
DTG	Data Technical Group
Human Services	Department of Human Services
KPI	Key performance indicator
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
NDIS	National Disability Insurance Scheme
OEA	Former Office of Evaluation and Audit (Indigenous Programs), in the then Department of Finance and Deregulation
PBS	Portfolio Budget Statements
RJCP	Remote Jobs and Communities Program

Summary and Recommendations

Summary

Introduction

1. In 2005, one in six Australians experienced some form of hearing loss, a condition that is predicted to increase due to an ageing population and unsafe exposure to harmful levels of noise.¹ At a personal level, a hearing impairment can isolate the person from other family members, pose barriers to involvement in the community, as well as present obstacles to educational achievement and employment opportunities.

2. The estimated cost of hearing loss in Australia, in 2005, was \$11.75 billion or 1.4 per cent of gross domestic product.² More than half of this financial cost was attributed to a loss in productivity as people with a hearing impairment found it difficult to secure employment.

Hearing Services Program

3. The Australian Government has subsidised hearing services for eligible people since 1947. The Government's current policy objective for hearing services is to reduce preventable hearing loss and provide access to high quality hearing services and devices (such as hearing aids) for people who have been diagnosed with a hearing loss and referred to a hearing services provider for treatment.

4. The Government's Hearing Services Program has two service delivery components:

- Voucher (Voucher program)—delivered to eligible clients by contracted private service providers and Australian Hearing Services (Australian Hearing). Clients are issued with a voucher for hearing services and devices that they can use at a service provider of their choice; and
- Community Service Obligations (CSO program)—delivered solely by Australian Hearing under a Memorandum of Agreement (MOA)³ with

1 Access Economics Pty Limited, *Listen Hear! The Economic Impact and Cost of Hearing Loss in Australia*, 2006, p. 7.

2 *ibid.*, p. 5.

3 Operating from 2012–15.

the Department of Health⁴ (DoH) to meet the hearing needs of special needs groups, including children, Indigenous Australians and adults with complex hearing needs. The primary goal of the CSO program is to provide clients with access to hearing services and hearing devices that help them to manage their hearing needs and maximise their communication ability in everyday life.⁵

5. Two Australian Government agencies⁶ have defined responsibilities in administering and delivering the Hearing Services Program to eligible people—DoH is responsible for policy and funding for hearing services and administers the CSO program through its Office of Hearing Services⁷, and Australian Hearing delivers hearing services nationally to eligible clients of the program.

6. The Department of Human Services (Human Services) also has responsibility for aspects of hearing service delivery. Human Services and Australian Hearing are part of the Social Services portfolio. Australian Hearing is a Commonwealth statutory authority established by the *Australian Hearing Services Act 1991* (the Act) and subject to the *Commonwealth Authorities and Companies Act 1997*. Its Board of Directors is appointed by the Minister for Human Services. The Minister for Human Services and the Minister for Health share responsibility for administering the Act.⁸

Community Service Obligations program

7. Hearing services provided under the CSO program—the focus of this audit—are intended to contribute to whole-of-government objectives, including educational attainment, workforce participation and social inclusion. The following groups of people are eligible for assistance under the CSO

4 Known as the Department of Health and Ageing before machinery of government changes in September 2013. For simplicity, the department's new name is used throughout this report except where documents produced by the department under its former name are quoted.

5 The *Hearing Services Administration Act 1997* establishes the eligibility and other parameters for the Voucher program and the *Declared Hearing Services Determination 1997* (the Determination) defines eligibility for the hearing CSO program.

6 In this report the term 'agencies' has been used when referring to one or more of the three auditees: DoH, Human Services and Australian Hearing.

7 The Office was established in 1997 for the management and administration of the Hearing Services Program.

8 Responsibilities for the relevant parts of the Act are specified in the Commonwealth of Australia, *Administrative Arrangements Order*, 18 September 2013, pp. 22 and 25. Among other matters, the Act establishes Australian Hearing.

program: young Australians (under 21 years of age); young adults (21–25 years of age inclusive); adults with complex hearing needs; adults residing in designated remote locations; and certain Indigenous Australians (as specified in legislation). Participants in the National Disability Insurance Scheme (NDIS)⁹ under 26 years of age, who have hearing needs, may be referred to the CSO program.¹⁰ Existing CSO program clients, who also access the NDIS, will continue to have access to the CSO program for as long as they remain eligible.

8. Table S 1 shows the CSO program budget, client numbers and services delivered by Australian Hearing in 2012–13 from its permanent, visiting, remote and Indigenous outreach sites (urban and non-urban).

Table S 1: Overview of CSO program 2012–13

Year	Budget \$'000	Clients	Services
2012–13	56 024	56 379	122 048

Source: Australian National Audit Office (ANAO) analysis of DoH and Australian Hearing documents.

9. Under the MOA, the funding required by Australian Hearing to deliver services for the CSO program is estimated by Australian Hearing and then agreed and allocated annually by DoH from within its broader appropriation for the Hearing Services Program.¹¹ The MOA sets out the roles and responsibilities between DoH and Australian Hearing, including the monitoring and reporting arrangements for the CSO program.

10. In the 2011–12 Budget, the Government announced an additional \$47.7 million over four years for the Hearing Services Program to improve access to hearing services under the CSO component of the program. The additional funding was intended to support the delivery of CSO hearing services to an increasing client base over a four-year period from 2011–12 to 2014–15.¹²

9 On 1 July 2013, the NDIS was launched under the *National Disability Insurance Scheme Act 2013* and is being rolled out in stages across Australia.

10 *Declared Hearing Services Determination 1997*, ss. 4, 8, 12, pp. 5–8 and Schedule 1, Part 1, p. 9.

11 Department of Health and Ageing, *Portfolio Budget Statements 2013–14*, Outcome 7 – Hearing Services, Commonwealth of Australia, Canberra, 2013, p. 148.

12 From 2011–12 to 2014–15, an additional 39 600 young Australians and young adults, 18 400 adults with complex hearing needs, and 11 500 Indigenous people were expected to receive hearing services under the CSO program.

Senate inquiry

11. In May 2010, the Senate Community Affairs References Committee inquired into Australia's hearing services. The inquiry's report, *Hear Us: Inquiry into Hearing Health in Australia*, made 34 recommendations. The then Government's response, released in May 2011¹³, accepted 17 recommendations either outright or in principle, with the remaining recommendations considered matters for state and territory governments or non-government organisations.¹⁴

Previous performance audits

12. The ANAO last examined Australian Hearing's program administration and service delivery in Performance Audit Report No.5 1995–96 *Provision of Hearing Services*. However, given the time that has elapsed and subsequent Government reforms to Australia's hearing market in 1997, the audit's three recommendations have been superseded. The former Office of Evaluation and Audit's (OEA)¹⁵ 2008 *Performance Audit of Australian Hearing Specialist Program for Indigenous Australians Report* found that improvements could be made to the specialist program in a number of areas, including planning the delivery of services and measuring program effectiveness. DoH, Human Services and Australian Hearing agreed to the audit's eight recommendations.

Audit objective, criteria and scope

13. The objective of the audit was to assess the effectiveness of DoH's and Australian Hearing's administration of the CSO program for hearing services.

14. To form a conclusion against this objective, the ANAO adopted the following high-level audit criteria:

- formal arrangements between DoH and Australian Hearing effectively support delivery of the CSO program;
- there is adequate monitoring and reporting of CSO program outcomes, including customer feedback and complaints; and

13 The Government's response is available from <<http://www.aph.gov.au>> [accessed 3 February 2014].

14 Recommendation 32 was noted by the Government. Recommendations 20 and 33 were noted as well as being considered matters for consideration by state and territory governments.

15 In December 2009, the Office of Evaluation and Audit (Indigenous Programs) was merged into the ANAO.

- relevant recommendations have been implemented from: the 2010 Senate Community Affairs References Committee report *Hear Us: Inquiry into Hearing Health in Australia*; and the OEA's 2008 *Performance Audit of Australian Hearing Specialist Program for Indigenous Australians Report*.
15. An examination of funding for Australian Hearing's research division (the National Acoustic Laboratories¹⁶), and Australian Hearing's governance arrangements and internal controls, was not included in the audit scope.
16. The ANAO examined records and interviewed staff in DoH, Human Services and Australian Hearing and met with key non-government stakeholders. With client consent, the audit team observed clinical appointments at different Australian Hearing sites for clients of the CSO program.

Overall conclusion

17. Hearing loss affects up to one in six Australians, impacting on their daily family life, social participation and potential for educational and employment achievements, with broader economic costs for the nation as a whole. The Community Service Obligations program (CSO), a component of the Australian Government's wider Hearing Services Program, aims to provide eligible clients with access to hearing services and devices that help them manage their hearing needs and maximise their communication in everyday life. In 2012–13, the \$56 million CSO program provided subsidised hearing services and devices to 56 379 clients.¹⁷ The CSO program is delivered by Australian Hearing under a Memorandum of Agreement (MOA) administered by the Department of Health (DoH).
18. Overall, the CSO program is being effectively administered by Australian Hearing in accordance with an MOA developed jointly with DoH. The MOA reflects relevant legislative and key program requirements, and incorporates a generally effective monitoring and reporting framework that enables the parties to assess progress towards achieving program objectives.

16 The three-year funding agreement (2012–15)—*Research and Development into Hearing Health, Rehabilitation and Prevention*—for research to be undertaken by the National Acoustic Laboratories, is valued at \$12.5 million.

17 In 2013–14, the CSO program's budget was \$59.1 million. ANAO analysis of DoH and Australian Hearing documents.

However, there is scope for DoH to develop a methodology, in consultation with Australian Hearing, to enable reporting on achievement of: new service targets funded by a 2011–12 Budget measure; and other outcomes for the CSO program.

19. Operating since 2004 under a Memorandum of Understanding (MOU), revised program arrangements for the CSO took effect from 2012–13 through a formal MOA, which Australian Hearing and DoH agreed should be legally enforceable.¹⁸ The MOA clearly sets out the key program arrangements including: objectives; roles and responsibilities; services; funding; and reporting requirements. The MOA also reflects the relevant legislative requirements for client eligibility for services and devices under the CSO program.¹⁹ The agencies meet regularly²⁰ to discuss program issues, service planning and priorities, progress against key performance indicators and targets, and to monitor client satisfaction. While the management of program funding requirements under the MOA has been generally effective, there have been minor fluctuations in Australian Hearing's overall annual forecasts of service demand (and associated budget forecasts) compared to actual services provided.²¹ There has also been variability in Australian Hearing's projections of service demand for specific client groups.²² In this context, there is scope for Australian Hearing to work with DoH to further refine the accuracy of its annual client demand and cost projections.

20. The performance management framework under the MOA provides a generally effective basis for DoH and Australian Hearing to monitor program delivery and achievements against the CSO program's objectives for service delivery by Australian Hearing, including the provision of hearing devices, to

18 The development of an MOA was consistent with other DoH Hearing Services Program funding arrangements, for example, those with service providers for the Voucher program. Australian Hearing is a service provider for the Voucher program.

19 Eligibility is defined in the *Declared Hearing Services Determination 1997*.

20 DoH and Australian Hearing formally meet each quarter to monitor the CSO program. The CSO program is also discussed at separate quarterly governance meetings between Human Services and Australian Hearing.

21 Australian Hearing's costs have ranged from 99.85 per cent of the CSO budget allocation in 2008–09 to 101.26 per cent in 2011–12. In 2012–13, when the CSO program was overspent by 1.5 per cent (\$822 000), Australian Hearing decided to fund the budget shortfall from its 2012–13 profits.

22 In 2012–13, for example, Australian Hearing overestimated its projected costs for young adults by 30 per cent while its projected costs for Indigenous Australians were underestimated by 41 per cent. Australian Hearing advised that some of the variability can be accounted for because: the majority of young adults were returning (new) rather than existing clients in that category; and growth in the number of Indigenous clients returning to Australian Hearing for review as well as new referrals for hearing services.

eligible clients. Quarterly reports from Australian Hearing measure performance against a series of quantitative and qualitative key performance indicators (KPIs) for each of the CSO client groups and other service measures, which are tracked and analysed regularly by DoH and Australian Hearing. In 2012–13, Australian Hearing reported that it fully met most of the relevant KPIs.

21. There has, however, been limited monitoring and reporting on: performance in meeting new service targets funded through a \$47.7 million measure in the 2011–12 Budget²³; and broader program outcomes. In early 2014, during the course of the audit, DoH and Australian Hearing established a joint MOA Data Technical Group (DTG) that DoH advised will be central to DoH's reporting against the outcomes of the Budget measure. Where government policy initiatives have provided additional resources to agencies in the expectation of a measurable return on that investment, the ANAO has previously commented on the desirability of agencies implementing mechanisms to effectively monitor and report on the delivery of those outcomes.²⁴

22. The ANAO also assessed the implementation status of 18 recommendations from two previous reports prepared by a 2010 Senate inquiry and the former OEA in 2008. Of the recommendations assessed, 11 were adequately implemented and five were partially implemented. Many of those recommendations were addressed through the new MOA and the 2011–12 Budget. Two recommendations from the Senate inquiry had been delayed by the need to consider potential changes in policy or to coordinate activity with other levels of government before full implementation could be realised. In this context, the ANAO has previously observed that the value of review activity is only fully realised with the timely and adequate implementation of recommendations.²⁵

23. The ANAO has made one recommendation to support DoH's monitoring and reporting activities under the MOA, in particular to support

23 There is currently no separate monitoring by DoH of Australian Hearing's delivery of additional services under the Budget measure, with the exception of a component relating to young adults.

24 For example, see ANAO Audit Report No.26 2013–14 *Medicare Compliance Audits*, p. 20.

25 ANAO Audit Report No.25 2012–13 *Defence's Implementation of Audit Recommendations*, p. 9, and ANAO Audit Report No.53 2012–13 *Agencies' Implementation of Performance Audit Recommendations*, p. 54.

DoH's reporting on targets achieved through the 2011–12 Budget measure and other outcomes for the CSO program.

Key findings by chapter

Management of the Memorandum of Agreement (Chapter 2)

24. DoH and Australian Hearing have a long-standing and cooperative relationship for the delivery of the hearing CSO program, underpinned by a formal business level agreement. In 2012–13, both parties supported a change in program management arrangements, moving from an MOU to an MOA, to enhance accountability and transparency for the delivery of the CSO program.

25. The MOA reflects key requirements of the hearing services legislation—the Act and the Determination—and contains a detailed set of program objectives. It includes a clear statement of: roles and responsibilities between DoH and Australian Hearing; and services excluded from the CSO program.²⁶ The MOA also clearly sets out the CSO's financial arrangements, KPIs and administrative arrangements, including monitoring and reporting requirements. The clear articulation of key matters within the MOA establishes a sound overall framework for administration of the agreement by both parties.

26. Funding for the CSO program, under the MOA, is allocated annually by DoH from its appropriation under Outcome 7—Hearing Services²⁷ and is based on annual projections provided by Australian Hearing of expected demand for services in each client category and the cost of devices such as aids and appliances.²⁸ Australian Hearing is then required to provide CSO services, according to the defined service standards and largely within that agreed budget. Compared to the previous MOU, these arrangements provide increased transparency and a more reliable basis for DoH to forecast the CSO program's budget.

27. In 2012–13, Australian Hearing met key MOA requirements relating to payments, reporting and quarterly progress meetings. However, there is scope

26 Services excluded are those that are the responsibility of state and territory governments.

27 Department of Health and Ageing, *Portfolio Budget Statements 2013–14*, Outcome 7—Hearing Services, Commonwealth of Australia, Canberra, 2013, p. 148.

28 Aids and appliances include: hearing aids; cochlear speech processor repair and maintenance; and batteries, repair and maintenance.

to further refine the forecasting of future demand for hearing services and their potential cost. In 2012–13, Australian Hearing's total actual CSO costs exceeded its MOA budget of \$56 million by 1.5 per cent (\$822 000), with more significant budget variations experienced between individual client groups. As its CSO budget is largely fixed, Australian Hearing funded the budget shortfall from profits realised from providing commercial services under the (separate but complementary) hearing Voucher program; in effect, a subsidy of the CSO component by the Voucher component of the Hearing Services Program.²⁹ This cross-subsidy arrangement between the two components of DoH's Hearing Services Program (Voucher and CSO) has been operating since 2006. As both the Voucher and CSO components are funded from within the DoH Budget appropriation, the department also relies on accurate budget estimation for the CSO program to support its management of the overall program finances.

28. As the program funds holder, DoH was aware of underlying inaccuracies³⁰ in Australian Hearing's methodology for estimating annual projections; however, DoH has advised it is satisfied that Australian Hearing had addressed these matters in advance of preparing its 2013–14 MOA budget proposal.³¹ There would be value in Australian Hearing and DoH continuing to monitor the demand forecasts and cost estimates to mitigate the risk of any significant cross-subsidisation from Australian Hearing's Voucher program revenue into the future.

Performance Monitoring and Reporting (Chapter 3)

29. The performance measures and reporting requirements in the MOA were developed jointly by DoH and Australian Hearing, including a set of 16 KPIs (14 quantitative indicators, including two for complaints management; and two qualitative indicators). The KPIs are designed to measure the timeliness, quality and/or accessibility of the services being provided by Australian Hearing to CSO program clients. In 2012–13, the first year of the MOA, the relevant KPIs were actively monitored by DoH and reported against by Australian Hearing as being mostly fully met.

29 In 2012–13, Australian Hearing claimed \$8.4 million against services from the Voucher program that were provided to 'complex [adult] clients' of the CSO program.

30 Trends or changes in client demand were not considered when Australian Hearing prepared its 2012–13 CSO budget under the MOA.

31 A final outcome from Australian Hearing's revised budget forecasting was not available before the end of this audit for the ANAO to assess.

30. While the quantitative and qualitative KPIs complement the CSO program objectives—for the delivery of hearing services and hearing devices—the MOA does not contain KPIs that measure the quality of outcomes for clients of the program more broadly, for which DoH is responsible. Measuring rates of access to suitably qualified professionals and the fitting of hearing aids or other assistance are proxy measures for health outcomes and do not, at present, directly measure the beneficial outcomes for an individual client. DoH and Australian Hearing have committed to the further development of KPIs for the CSO program, for example, measuring workforce and education participation rates of clients. To that end, DoH and Australian Hearing established a joint DTG in March 2014 whose terms of reference include consideration of the potential for new KPIs for the CSO program.

31. Complaints recorded over recent years by Australian Hearing have been consistently very low compared to the number of CSO services provided to a diverse national client base. In 2012–13, Australian Hearing reported receiving a total of 24 complaints, with the time taken to resolve complaints being within one day for most complaints. Notwithstanding, DoH monitored and followed-up Australian Hearing’s reporting against the MOA complaints management KPIs. Stakeholder groups interviewed by the ANAO³² also reported generally positive views of Australian Hearing’s professionalism and the quality of service delivery for the CSO program.

32. Throughout 2012–13, DoH and Australian Hearing analysed KPI data quarterly, and at year-end, for ongoing and emerging trends. In June 2013, DoH and Australian Hearing met the MOA requirement to conduct annual high-level service planning for the following year. The local service data collected by Australian Hearing is a potentially valuable source of information on local or regional variations in access and the timeliness of service provision, which merits consideration before it is aggregated for KPI purposes. There would also be benefit in DoH and Australian Hearing considering options for engaging external stakeholders as part of the annual service planning process. Within DoH, CSO program reporting informs broader policy and funding decisions for the Hearing Services Program. In this context, the Office of Hearing Services could also provide succinct information on CSO program

32 The groups interviewed by the ANAO were selected on the basis of their potential to inform the ANAO’s understanding of the operation of the CSO program rather than as a representative sample of stakeholders involved in hearing health matters.

activities and outcomes to other areas of the department, particularly with regard to health outcomes for Aboriginal and Torres Strait Islander Australians.

33. In the 2011–12 Budget, the Government announced an additional \$47.7 million for the Hearing Services Program to improve access to hearing services under the CSO component of the program. In 2012–13, DoH used Australian Hearing's quarterly reports to monitor progress against the MOA annual budget, client numbers seen and services provided, and achievement against the KPIs. However, there is currently no separate monitoring by DoH of Australian Hearing's delivery of additional services under the 2011–12 Budget measure, with the exception of young adults, a new client category that was introduced on 1 January 2012.³³

34. The development of suitable monitoring and reporting arrangements—to assess the outcomes achieved relative to the policy objectives—is expected for Budget measures, and those arrangements operate most effectively when embedded within agencies' business as usual processes. DoH is aware that under the MOA there is largely no visibility or monitoring of the increased client numbers to be funded from the 2011–12 Budget measure and advised that the establishment of the DTG will address this issue before the end of the MOA.³⁴

Agencies' Implementation of Report Recommendations (Chapter 4)

35. The 10 Senate inquiry recommendations selected for assessment by the ANAO were primarily DoH's responsibility. All of the eight OEA report recommendations were assessed by the ANAO and were either independently or jointly implemented by DoH and Australian Hearing. Given the time elapsed since the recommendations were originally made (2008 and 2010), both agencies were considered to have had sufficient opportunity to take action towards their implementation.

36. Of the 10 Senate inquiry recommendations selected for analysis, DoH adequately implemented four of the recommendations and partially

33 A total of 3966 young adult clients received services from Australian Hearing in an 18-month period up to the end of 2012–13, which is more than four times greater than DoH's original estimate for that period.

34 As part of a broader data and reporting strategy for the Hearing Services Program, DoH began work on establishing a DTG in 2013.

implemented another four recommendations. However, two recommendations³⁵ addressed matters that could remain outstanding in the longer term as they would require either a change in Australian Government policy or further consultation (including with other levels of government) for their implementation.

37. The ANAO identified that elements incorporated in the current MOA by DoH and Australian Hearing addressed a number of the OEA recommendations. For the OEA recommendations, seven of the eight recommendations were adequately implemented by DoH and Australian Hearing, with one partially implemented. There is the potential for the remaining recommendation to be adequately implemented by the end of the current MOA.³⁶

Summary of agencies' responses

38. The proposed audit report was provided to DoH, Human Services and Australian Hearing. The three agencies each provided a formal response to the proposed report. The agencies' summary responses to the audit are provided below and formal agency responses are included at Appendix 1.

DoH

39. DoH's summary response to the proposed audit report:

Recommendation 1: The Department agrees the importance of monitoring and reporting.

The Department will take a consistent data analysis approach to reporting across the timeframe of 2011–12 to 2014–15.

Further comments:

In relation to the two Senate Inquiry recommendations that remain outstanding, the Department notes that the implementation or otherwise requires a decision by the Government.

35 To extend eligibility for the Voucher program to include all Australians, subject to eligibility and a means test, and to install hearing loop technology in all (levels of) government service shopfronts.

36 In March 2014, DoH and Australian Hearing agreed to evaluate Australian Hearing's Specialist Program for Indigenous Australians later in 2014 separately, but in conjunction with a broader evaluation of the MOA's performance.

Human Services

40. Human Services' summary response to the proposed audit report:

The Department of Human Services welcomes this report, and considers that implementation of the recommendation by the Department of Health, in consultation with Australian Hearing, will enhance delivery of the hearing Community Service Obligations program.

Australian Hearing

41. Australian Hearing's summary response to the proposed audit report:

In summary, Australian Hearing believes the report to be accurate. The report results reflect the high level of cooperation and dedicated work put into the management and delivery of the program by the Department of Health (DoH) and Australian Hearing.

Recommendations

Recommendation No.1

Paragraph 3.54

To support its monitoring and reporting of outcomes achieved from the 2011–12 Budget measure for the hearing Community Service Obligations program, the ANAO recommends that the Department of Health establish a methodology, in consultation with Australian Hearing, for measuring performance against the projected service targets and other outcomes for eligible client groups from 2011–12 to 2014–15.

DoH's response: *Agreed.*

Australian Hearing's response: *Agreed.*

Audit Findings

1. Introduction

This chapter provides background information about the delivery of the Community Service Obligations program for hearing services, and explains the audit approach and structure of the report.

Background

1.1 The Australian Government has provided subsidised hearing services for eligible people since 1947. These services were originally provided in response to the substantial levels of hearing loss in recently-returned World War II veterans, and children affected by rubella epidemics from 1939–41. Hearing services were delivered to these two groups through the Commonwealth Acoustic Laboratories—now called Australian Hearing Services (Australian Hearing).³⁷ Australian Hearing continues to provide subsidised hearing services to eligible people within the community, under the *Australian Hearing Services Act 1991* (the Act).³⁸

1.2 In 2005, one in six Australians experienced some form of hearing loss, a condition that is predicted to increase due to an ageing population and unsafe exposure to harmful levels of noise.³⁹ At a personal level, a hearing impairment can isolate the person from other family members, pose barriers to involvement in the community, as well as present obstacles to educational achievement and employment opportunities.

1.3 The estimated cost of hearing loss in Australia, in 2005, was \$11.75 billion or 1.4 per cent of gross domestic product.⁴⁰ More than half of this financial cost was attributed to a loss in productivity as people with a hearing impairment found it difficult to secure employment.

37 The organisation was renamed the National Acoustic Laboratories in 1973 and became Australian Hearing Services in 1992. The name National Acoustic Laboratories has been retained as the research division within Australian Hearing.

38 Eligibility is defined in the *Declared Hearing Services Determination 1997*, which is made under the Act.

39 Access Economics Pty Limited, *Listen Hear! The Economic Impact and Cost of Hearing Loss in Australia*, 2006, p. 7.

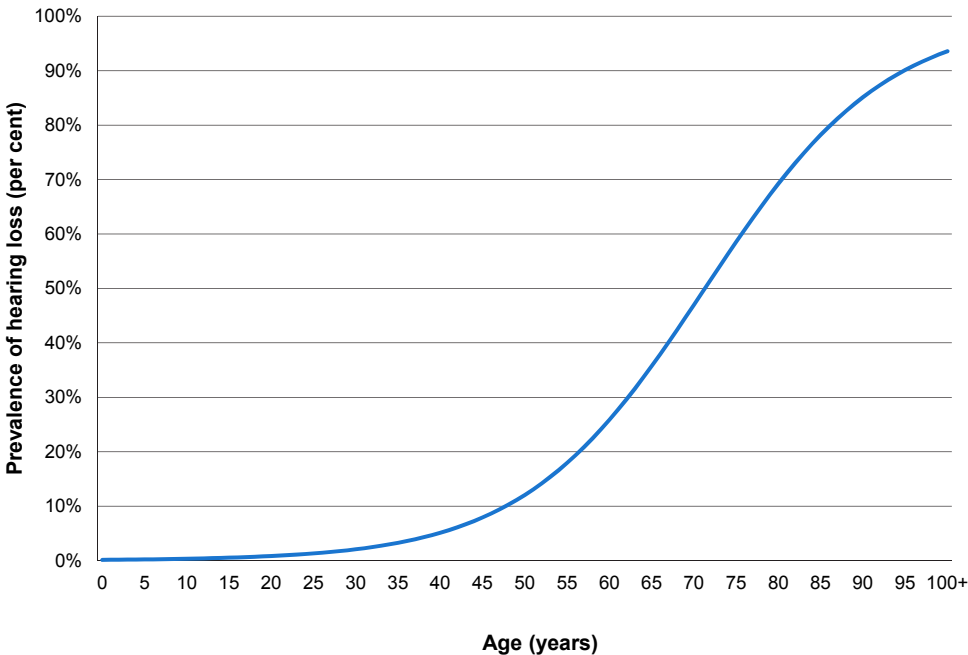
40 *ibid.*, p. 5.

Cause and prevalence of hearing loss

1.4 Hearing loss in an individual can either be: congenital (present at birth); or acquired (developed later in life). The causes of hearing loss are varied, for example, hearing loss can result from ear infections, hereditary conditions, head injuries and excessive exposure to noise.

1.5 Figure 1.1 shows the prevalence of hearing loss relative to a person’s age.

Figure 1.1: Prevalence of hearing loss



Source: Department of Health.

1.6 In Aboriginal and Torres Strait Islander communities the rate of hearing loss is substantially higher than in the non-Indigenous population⁴¹, largely due to the middle ear infection *otitis media*. The Australian Government recognises the burden of chronic disease in Indigenous communities and, as a member of the Council of Australian Governments, has committed to all six

41 Australian Bureau of Statistics, *Australian Aboriginal and Torres Strait Islander Health Survey: First Results, Australia, 2012–13* [Internet], ABS, Canberra, 2013, available from <<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/0BBD25C6FF8BDB06CA257C2F001458BF?opendocument>> [accessed 13 December 2013].

Closing the Gap targets and related national partnership agreements. The Council of Australian Governments' initiative provides a framework for all governments to work in partnership to address key areas of disadvantage faced by Aboriginal and Torres Strait Islander Australians. In addition, a range of complementary government programs, designed to improve ear and hearing health, support Closing the Gap outcomes for education, employment and health.

Government hearing services in Australia

1.7 In Australia, hearing services are delivered by both the public and private sectors. In the public sector, hearing services are administered by state, territory and federal governments.

1.8 State and territory governments are responsible for primary level hearing services, including: screening and monitoring for hearing loss; and arranging diagnosis of a hearing problem and/or providing hearing services when initiated or carried out on behalf of a custodial authority.

1.9 The Australian Government's role is to reduce preventable hearing loss and provide tertiary level hearing services; that is, services for people who have been diagnosed with a hearing loss and referred to a hearing services provider. Through its Hearing Services Program, the Government's aim is: 'to reduce the incidence and consequences of avoidable hearing loss in the Australian community and provide access to high quality hearing services and devices'.⁴²

Hearing Services Program

1.10 The Government's Hearing Services Program has two service delivery components:

⁴² Department of Health and Ageing, *Portfolio Budget Statements 2013–14*, Commonwealth of Australia, Canberra, 2013, p. 147.

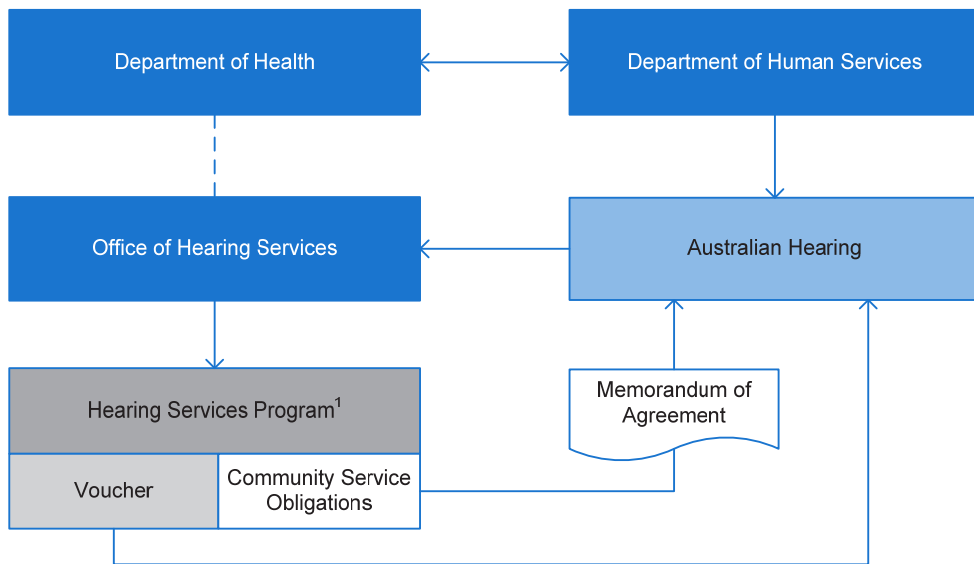
- Voucher (Voucher program)—delivered to eligible clients⁴³ by contracted private service providers and Australian Hearing. Clients are issued with a voucher for hearing services and devices that they can use at a service provider of their choice. For the six months from July–December 2013, there were 233 contracted service providers and 2637 business sites⁴⁴; and
- Community Service Obligations (CSO program)—delivered solely by Australian Hearing under a formal arrangement with DoH (see paragraph 1.21) to meet the hearing needs of special needs groups, including children, certain Indigenous Australians and adults with complex hearing needs. The primary goal of the CSO program is to provide clients with access to hearing services and hearing devices that help them to manage their hearing needs and maximise their communication ability in everyday life.

1.11 Figure 1.2 provides an overview of the relationship between the three Australian Government agencies⁴⁵ involved in delivering hearing services: DoH; Human Services; and Australian Hearing.

43 A person is eligible for the Voucher program if they are over the age of 21 years, meet Australian citizen or Australian permanent resident requirements and are a member of the Australian Defence Force or hold an entitlement card issued by the Commonwealth. Examples of entitlement cards include a Pensioner Concession Card or Repatriation Health Card. More details on eligibility can be found at: *Hearing Services Administration Act 1997*, s. 5, pp. 3–4; and, Department of Health, *Am I eligible to receive free hearing services* [Internet], Commonwealth of Australia, 2013, available from <<http://www.health.gov.au/internet/main/publishing.nsf/Content/hearingprogram-2-1>> [accessed 16 May 2014].

44 Department of Health, *Voucher Program Statistics, 1 July 2013 to 31 December 2013* [Internet], Canberra, 2013, available from <<http://www.health.gov.au/internet/main/publishing.nsf/Content/hearingprogram-1-8#Table%2012>> [accessed 9 April 2014].

45 In this report the term ‘agencies’ has been used when referring to one or more of the three auditees: DoH, Human Services and Australian Hearing.

Figure 1.2: Delivery of hearing services

Source: ANAO analysis.

Note: 1 In addition to the two service delivery components, the Hearing Services Program contains the Hearing Loss Prevention Program, which supports research into hearing loss prevention and management. The National Health and Medical Research Council administers the research program on behalf of the department.

1.12 DoH and Australian Hearing have defined responsibilities in administering and delivering the Hearing Services Program to eligible people—DoH is responsible for policy and funding for hearing services and administers the CSO program through its Office of Hearing Services, and Australian Hearing delivers hearing services nationally to eligible clients of the program.

1.13 Human Services also has responsibility for aspects of hearing service delivery. Human Services and Australian Hearing are part of the Social Services portfolio. Australian Hearing is a Commonwealth statutory authority subject to the *Commonwealth Authorities and Companies Act 1997*, and its Board of Directors is appointed by the Minister for Human Services. The Minister for Human Services and the Minister for Health share responsibility for administering the *Australian Hearing Services Act 1991* (the Act). As defined in

the Act, Australian Hearing's functions include providing government subsidised hearing services and devices to eligible people.⁴⁶

1.14 The Act establishes the eligibility and other parameters for the Voucher program and the *Declared Hearing Services Determination 1997* (the Determination) defines eligibility for the hearing CSO program.⁴⁷

Community Service Obligations program

1.15 Hearing services provided under the current CSO⁴⁸ program—the focus of this audit—are intended to contribute to whole-of-government objectives, including educational attainment, workforce participation and social inclusion. The program was established in 1997 to meet the needs of clients that could not be adequately met through the Voucher program for hearing services—a perceived market failure.⁴⁹ Unlike the Voucher program, Australian Hearing is the sole provider of CSO hearing services and is not required to compete commercially in the provision of this component of the Hearing Services Program.

1.16 In 1994, in response to potential service gaps for Indigenous clients, Australian Hearing introduced a national Australian Hearing Specialist Program for Indigenous Australians (AHSPIA), which is delivered as part of the CSO program. Hearing services delivered to Indigenous clients are clinically the same as those delivered to non-Indigenous clients, however, factors such as culture, geography and the prevalence of *otitis media* require Australian Hearing to deliver a tailored approach to service delivery in meeting Indigenous clients' needs. Through AHSPIA, Australian Hearing audiologists⁵⁰ are expected to work in collaboration with Indigenous

46 Services under the Hearing Services Program are largely subsidised by taxpayers, with the exception of a client contribution fee (hearing aid service charge). Client subsidies, when charged under the CSO program, are less than client subsidies under the Voucher program and are defined in the *Australian Hearing Services Regulations 1992*.

47 Paragraphs 1.17–1.20 detail eligibility for the CSO program.

48 Traditionally, a community service obligation arises when: 'a government specifically requires a public enterprise to carry out activities relating to outputs or inputs which it would not elect to do on a commercial basis'. Steering Committee on National Performance Monitoring of Government Trading Enterprises, *Community Service Obligations: Some Definitional, Costing and Funding Issues*, Industry Commission, Canberra, 1994, p. xi.

49 National Commission of Audit, *Report to the Commonwealth Government*, Commonwealth, Canberra, 1996, Chapter 3, p. 8.

50 An audiologist is a professional with postgraduate qualifications in audiology who treats clients with hearing disorders.

community organisations to address the ear health needs in Aboriginal and Torres Strait Islander communities.

Eligibility

1.17 The Determination sets out specific eligibility criteria for access to the CSO program, including that an individual meets Australian citizenship or permanent residency requirements and a defined level of measurable hearing loss.

Measuring hearing loss

Hearing loss is measured by assessing how high (loud) a person requires a sound's decibels to be before they can hear it, in addition to determining what frequency range (low–high pitch) the person hears, which is measured in hertz.

Under the *Declared Hearing Services Determination 1997*, a profound hearing loss is defined as: 'a hearing loss where the average hearing threshold level for 0.5, 1 and 2 kilohertz (kHz) in the person's better ear is greater than, or equal to, 80 decibels'.⁵¹

A person who is profoundly deaf cannot hear normal conversational speech, even in a quiet environment.

Source: ANAO analysis of Australian Hearing documents and legislation.

1.18 In summary, the following groups of people are eligible for assistance under the CSO program:

- young Australians (under 21 years of age);
- young adults and young NDIS participants (21–25 years of age inclusive);
- adults with complex hearing needs⁵²;
- adults residing in designated remote locations; and
- certain Indigenous Australians (as specified in legislation).

1.19 Appendix 2 details eligibility for each of the client groups.

⁵¹ *Declared Hearing Services Determination 1997*, s. 3(1), p. 4.

⁵² Adults with complex hearing needs are defined in the Determination and referred to in agency documents as 'complex clients'. *Declared Hearing Services Determination 1997*, s. 3(3), p. 5.

1.20 In addition to receiving clinical services from Australian Hearing audiologists, CSO clients are eligible for hearing devices appropriate to their hearing loss, for example, a hearing aid.⁵³

Administration of the program

1.21 A Memorandum of Agreement (MOA) sets out the CSO program objectives and roles and responsibilities between DoH and Australian Hearing for the period 1 July 2012–30 June 2015. The MOA details the different CSO client categories and service delivery outcomes for each of the CSO groups. Furthermore, the MOA defines a number of compliance and reporting arrangements for the CSO program.

1.22 In 2012–13, Australian Hearing reported that it employed 1141 staff and delivered 122 048 CSO program hearing services at 694 sites around Australia.⁵⁴ Table 1.1 presents the number of delivery sites and services delivered for the three years from 2010–13.

Table 1.1: Delivery sites and CSO program services 2010–13

Year (as at 30 June)	Permanent hearing centres	Visiting and remote sites	Indigenous outreach ¹	Number of services delivered
2010–11	111	330	229	102 462
2011–12	115	352	215	109 886
2012–13	117	353	224	122 048

Source: ANAO analysis of Australian Hearing documents.

Note: 1 Indigenous outreach sites are located in urban, rural and remote areas of Australia.

1.23 The location of many of Australian Hearing’s delivery sites is based on a combination of factors, including historical presence, and demand and access to hearing services. In 2012–13, the three most populous states in Australia—New South Wales, Queensland and Victoria—had the largest numbers of permanent and visiting Australian Hearing centres. The Northern Territory had the greatest number of Indigenous outreach sites.

⁵³ Hearing aid costs can vary and can range up to \$10 000 a pair. The aids may need replacing approximately every three to five years. Initial cochlear implants or cochlear speech processor units are not provided under the CSO program. However, replacements, upgrades and maintenance services for cochlear implant speech processors are available under CSO for eligible young Australian and young adult clients.

⁵⁴ Australian Hearing’s national office is located at the Hearing Hub in Macquarie University, Sydney. Australian Hearing, *Annual Report 2012–13*, Australian Hearing, Sydney, 2013, p. 5.

1.24 Australian Hearing also provides home visiting services to clients unable to travel to a centre or other access site. As at 30 June 2013, Australian Hearing also operated two buses that provided mobile screening services at locations around Australia.

Funding

1.25 DoH, as the policy and funding agency, receives administered funds for Australian Government Hearing Services through its Outcome 7—Hearing Services, as a fixed appropriation.⁵⁵ Each year, Australian Hearing provides DoH with its projections of demand for services in each of the CSO client categories and the estimated cost of devices. CSO funding is then agreed and allocated annually by DoH from within its broader appropriation, which also funds the Voucher component.

1.26 Under a Memorandum of Understanding (MOU), from 2008 to 2012, Australian Hearing received \$191.6 million from DoH for the CSO program (an average of \$47.9 million each year).⁵⁶ Total funding for the current three-year MOA (2012–15) was estimated to be \$177.7 million.⁵⁷

1.27 Table 1.2 sets out the MOU and current MOA budget funding details from 2008 to 2014. At the time that audit fieldwork concluded in 2013, a budget had not yet been agreed between DoH and Australian Hearing for the MOA in 2014–15, the final year of the agreement.

Table 1.2: CSO program: MOU and MOA budget funding 2008–2014

Type	Budget 2008–09 \$'000	Budget 2009–10 \$'000	Budget 2010–11 \$'000	Budget 2011–12 \$'000	Budget 2012–13 \$'000	Budget 2013–14 \$'000
MOU ¹	45 912	46 119	46 904	52 699	-	-
MOA	-	-	-	-	56 024 ²	59 067

Source: ANAO analysis of DoH and Australian Hearing documents.

Notes: 1 Funding for the National Acoustic Laboratories is included in the MOU budget.

2 The budget incorporates funding for hearing devices (including batteries, repairs and maintenance). In 2012–13, the expenditure on hearing devices was \$18.9 million or 33.2 per cent of the total (actual) CSO program expenditure.

55 Department of Health and Ageing, *Portfolio Budget Statements 2013–14*, Commonwealth of Australia, Canberra, 2013, p. 148.

56 The MOU included average annual funding for the National Acoustic Laboratories of \$3.9 million.

57 Australian Hearing's research division—the National Acoustic Laboratories—receives annual funding to undertake research activity under a separate agreement with DoH.

1.28 In the 2011–12 Budget, the Government announced an additional \$47.7 million over four years⁵⁸ for the Hearing Services Program to improve access to hearing services under the CSO component of the program. The additional funding was partly in response to a 2010 Senate inquiry into hearing health in Australia⁵⁹, but also recognised the significant growth in the client population for the CSO program and funding pressure created by changes in clinical standards that led to the prescription of more complex and expensive technologies.

1.29 In 2011–12, the total number of Australian Hearing’s CSO program clients was 53 839 and CSO revenue represented 24 per cent of its business.⁶⁰ In 2012–13, the CSO program’s budget of \$56 million (see Table 1.2) was used by Australian Hearing to deliver services to a total of 56 379 CSO clients and represented 30 per cent of the organisation’s total revenue.⁶¹ Table 1.3 presents the CSO program’s client numbers from 2011–13, which includes the first year of the MOA.

Table 1.3: CSO program client numbers 2011–13

Year (as at 30 June)	Young Australians	Young adults	Indigenous eligibility	Complex adults
2011–12	28 260	1349	2551	21 679
2012–13	30 446	2617	2974	20 342

Source: ANAO analysis of Australian Hearing documents and advice.

National Disability Insurance Scheme

1.30 On 1 July 2013, the National Disability Insurance Scheme (NDIS) was launched under the *National Disability Insurance Scheme Act 2013* and is being rolled out in stages across Australia. The Hearing Services Program has been identified as part of the Australian Government’s contribution to the NDIS. Participants in the NDIS under 26 years of age, who have hearing needs, may be referred to the CSO program.⁶² Existing CSO program clients, who also

58 From 2011–12 to 2014–15, an additional 39 600 young Australians and young adults, 18 400 adults with complex hearing needs, and 11 500 Indigenous people are expected to receive hearing services under the CSO program.

59 Senate Community Affairs References Committee, *Hear Us: Inquiry into Hearing Health in Australia*, Commonwealth of Australia, Canberra, 2010 (see paragraph 1.31).

60 Australian Hearing, *Annual Report 2011–12*, Australian Hearing, Sydney, 2012, p. 16.

61 Australian Hearing, *Annual Report 2012–13*, Australian Hearing, Sydney, 2013, p. 14.

62 *Declared Hearing Services Determination 1997*, ss. 4, 8, 12, pp. 5–8 and Schedule 1, Part 1, p. 9.

access the NDIS, will continue to have access to the CSO program for as long as they remain eligible.

Senate inquiry and previous performance audits

Senate inquiry

1.31 In May 2010, the Senate Community Affairs References Committee inquired into Australia's hearing services. The inquiry's report, *Hear Us: Inquiry into Hearing Health in Australia*, made 34 recommendations directed at addressing the Senate committee's priority areas: education and learning; criminal justice; access and services; awareness raising and research; and recreational hearing loss among young people. The then Government's response, released in May 2011⁶³, accepted 17 recommendations either outright or in principle, with the remaining recommendations considered matters for state and territory governments or non-government organisations.⁶⁴

Previous performance audits

1.32 The ANAO last examined Australian Hearing's program administration and service delivery in Performance Audit Report No.5 1995–96 *Provision of Hearing Services*. The audit made three recommendations, however, given the time that has elapsed and subsequent Government reforms to Australia's hearing market in 1997, the recommendations have been superseded. The former Office of Evaluation and Audit's (OEA)⁶⁵ 2008 *Performance Audit of Australian Hearing Specialist Program for Indigenous Australians Report* found that improvements could be made to AHSPIA in a number of areas: planning the delivery of services; service delivery; monitoring and reporting arrangements; and measuring program effectiveness. DoH, Human Services and Australian Hearing agreed to the audit's eight recommendations.

63 The Government's response is available from <<http://www.aph.gov.au>> [accessed 3 February 2014].

64 Recommendation 32 was noted by the Government. Recommendations 20 and 33 were noted as well as being considered matters for consideration by state and territory governments.

65 In December 2009, the Office of Evaluation and Audit (Indigenous Programs) was merged into the ANAO.

Audit approach

Audit objective, criteria and scope

1.33 The objective of the audit was to assess the effectiveness of DoH's and Australian Hearing's administration of the CSO program for hearing services.

1.34 To form a conclusion against this objective, the ANAO adopted the following high-level audit criteria:

- formal arrangements between DoH and Australian Hearing effectively support delivery of the CSO program;
- there is adequate monitoring and reporting of CSO program outcomes, including customer feedback and complaints; and
- relevant recommendations have been implemented from: the 2010 Senate Community Affairs References Committee report *Hear Us: Inquiry into Hearing Health in Australia*; and the OEA's 2008 *Performance Audit of Australian Hearing Specialist Program for Indigenous Australians Report*.

1.35 An examination of funding for Australian Hearing's research division (the National Acoustic Laboratories⁶⁶), and Australian Hearing's governance arrangements and internal controls, was not included in the audit scope.

Audit methodology

1.36 The audit was conducted by:

- examining records and interviewing staff at DoH, Human Services and Australian Hearing;
- with client consent, the audit team observing clinical appointments at different Australian Hearing sites for the client groups: young Australians (paediatric) and young adults; adults with complex hearing needs; and Indigenous Australians;
- meetings with key non-government stakeholders; and

66 The three-year funding agreement (2012–15)—*Research and Development into Hearing Health, Rehabilitation and Prevention*—for research to be undertaken by the National Acoustic Laboratories, is valued at \$12.5 million.

- assessing the implementation status of selected recommendations from a recent Senate inquiry and performance audit.

1.37 Fieldwork for this audit was primarily conducted from August 2013 to November 2013.

1.38 The audit was conducted in accordance with the ANAO's auditing standards at a cost to the ANAO of approximately \$353 000.

Structure of the report

1.39 The remaining chapters in the report are:

- Chapter 2—Management of the Memorandum of Agreement;
- Chapter 3—Performance Monitoring and Reporting; and
- Chapter 4—Agencies' Implementation of Report Recommendations.

2. Management of the Memorandum of Agreement

This chapter examines how effectively the Memorandum of Agreement between DoH and Australian Hearing supports the delivery of the CSO program.

Introduction

2.1 Officials from different government entities routinely work across organisational boundaries to deliver government services. While not mandated, formal written agreements are frequently used to clarify agency responsibilities and facilitate productive cross-agency relationships.⁶⁷

2.2 The CSO program arrangements are set out in a Memorandum of Agreement (MOA) between DoH and Australian Hearing. The MOA commenced on 1 July 2012, for a three-year term, and is due to expire on 30 June 2015.

2.3 Prior to the current MOA, the CSO program was administered using a Memorandum of Understanding (MOU).⁶⁸ The first MOU between the then Department of Health and Ageing and Australian Hearing operated from 2004 to 2008; and the second MOU from 2008 to 2012.

2.4 To assess the effectiveness of the MOA arrangements, the ANAO examined:

- the new MOA program management arrangements; and
- financial management for the MOA.

2.5 Performance monitoring and reporting, which is a central part of the MOA, is examined in Chapter 3.

67 ANAO Audit Report No.41 2009–10 *Effective Cross-Agency Agreements* examined whether agreements between Australian Government agencies reflected sound administrative practices.

68 An MOU is: 'A written agreement between two or more parties that defines the working relationship, expectations and responsibilities. MOUs are usually not legally binding on the Parties'. *ibid.*, p. 8.

The Memorandum of Agreement

Major differences between the MOU and MOA

2.6 The MOA between DoH and Australian Hearing contains elements of a standard government funding agreement and contract for services as well as a series of schedules tailored to the CSO program. There are two fundamental differences between the previous CSO program management arrangements and the new arrangements established in 2012:

- funding for the National Acoustic Laboratories, the research division of Australian Hearing, is a separate agreement; and
- the parties intended that the MOA create legally binding obligations on DoH and Australian Hearing.⁶⁹

2.7 The MOA also sets out a number of other administrative changes (compared to the MOU), including to the financial arrangements and key performance indicators (KPIs). Under previous MOUs, Australian Hearing's funding to deliver the CSO program was combined—for the provision of services and research activities. However, in 2012, Australian Hearing signed the MOA and a separate three-year funding agreement for *Research and Development into Hearing Health, Rehabilitation and Prevention* to be undertaken by the National Acoustic Laboratories. The main aim of the latter agreement is to support research and development activities that complement the Government's Hearing Services Program, including identifying best-practice and technological breakthroughs for hearing health and rehabilitation. The total funding for the research and development agreement is \$12.5 million, however, the agreement was not examined as part of the audit.

2.8 Before developing the MOA, DoH sought advice from the then Department of Finance and Deregulation and its own Legal Services Branch about the feasibility of establishing a legally enforceable contract with Australian Hearing for the provision of CSO program services. DoH established that the department (a Department of State, operating under the *Financial Management and Accountability Act 1997*) and Australian Hearing (a Commonwealth authority, in accordance with the *Commonwealth Authorities and Companies Act 1997*) were separate legal entities and, therefore, could negotiate a legally enforceable contract.

69 MOA, Part 1 – Services and Funds, clause 3.1, p. 11.

2.9 Furthermore, DoH determined that the CSO program funding represented a (legislated) entitlement, rather than a grant, and was not subject to the Commonwealth Grant Guidelines.⁷⁰ DoH also determined that the CSO program arrangements were not a contract to procure services and did not need to comply at that time with the Commonwealth Procurement Guidelines.

Reason for the change in arrangements

2.10 The MOA was developed in the context of the then Government's May 2011 response to the Senate Community Affairs References Committee Report, *Hear Us: Inquiry into Hearing Health in Australia*, and 2011–12 Federal Budget. The Budget included additional funding of \$47.7 million over four years to support extended age eligibility for young adults and significant growth in the client population for the CSO program.

2.11 In addition, the move from an MOU to a legally enforceable arrangement was intended to enhance accountability and transparency for the delivery of the CSO program. DoH identified that changes to the data and reporting arrangements would better support it—as the agency responsible for funding and policy direction for the CSO program—to project future trends in service demand and cost, which would lead to improved planning and delivery for the program.

2.12 Australian Hearing supported the change to an MOA. It anticipated that the new arrangement would be beneficial, including more clearly articulating the Government's expectations for the delivery of the CSO program and management of program funds.

2.13 The development of an MOA was also consistent with other DoH Hearing Services Program funding arrangements, for example, those with service providers for the Voucher program, which includes Australian Hearing.

2.14 Based on the ANAO's analysis of Australian Hearing's 2012–13 end of year report to DoH under the new MOA, the change in the CSO program arrangements—to include an increased level of detail in the MOA—should, if fully implemented, contribute to improved transparency and accountability for

⁷⁰ In accordance with *Finance Circular No. 2009/03, Grants and other common financial arrangements*, p. 5, issued by the then Department of Finance and Deregulation and in place at the time the advice was given.

the CSO program over the life of the agreement. To date, there are signs of improvement in key areas of the MOA such as arrangements to prospectively seek agreement on a detailed annual budget and reporting requirements that measure Australian Hearing's performance in delivering specified hearing services and devices to eligible client groups. These developments are discussed further in paragraphs 2.45–2.46 and Chapter 3, paragraphs 3.10–3.13.

Common contract provisions

2.15 The ANAO compared the MOA to the more common provisions that are generally included in standard form government contracts⁷¹ to determine whether key elements of better practice were incorporated in the MOA and represented fit for purpose arrangements between the parties. Table 2.1 shows some of the provisions included in the MOA.

Table 2.1: Examples of common contract provisions in the MOA

Example of a more common provision	Description	Memorandum of Agreement
Termination and contract end dates	A provision that allows the acquiring entity to terminate a contract for convenience and a specified end date is included in the contract.	Clauses 3.3, 22 and 24
Funds	Quantum and timing of payments, as well as any conditions that must be met before payments are made.	Clause 6
Intellectual property rights	Various classes of rights protected by legislation, including copyright, also confidential information protected under common law or by contract.	Clause 13
Contract variation	Formal procedure to be used if the contract needs to be varied.	Clause 26.5

Source: ANAO Better Practice Guide—*Developing and Managing Contracts*, February 2012, Canberra, and MOA.

2.16 Consistent with DoH's intention to enhance accountability and transparency for the CSO program, the MOA contains clauses that address funding, reporting and KPIs, which are discussed in later sections of this chapter and in Chapter 3.

71 ANAO Better Practice Guide—*Developing and Managing Contracts*, February 2012, Canberra, pp. 38–48.

2.17 While the MOA is not a traditional outsourcing arrangement by the Commonwealth, overall, the MOA contains most of the more common provisions that would be expected to contribute to establishing sound administrative arrangements between DoH and Australian Hearing.

Legislated requirements

2.18 Both the MOA and the operation of the CSO program need to accurately reflect program-specific legislation that establishes client eligibility for services and devices.

2.19 Australian Hearing has the following functions under the Act:

- to provide declared hearing services to young Australians; and
- to provide declared hearing services to designated persons.⁷²

2.20 The Minister for Health administers the Determination, which specifies declared hearing services and designated persons able to receive those services.

2.21 The MOA, signed in 2012, references both the Act and the Determination. The *Declared Hearing Services Amendment Determination 2013 (No. 1)* includes references to the NDIS and Remote Jobs and Communities Program, and commenced on 1 July 2013.⁷³ In July 2013 and December 2013, the MOA was varied to include the NDIS and Remote Jobs and Communities Program respectively.

2.22 The MOA states:

If there is inconsistency between this Agreement and the AH Services Act or the Determination, the AH Services Act or the Determination (as the case may be) will prevail to the extent of the inconsistency.⁷⁴

2.23 While this clause recognises that the Act and the Determination will prevail, and helps alert readers of the MOA to the risk of possible inconsistencies, it is also desirable for DoH and Australian Hearing to periodically review the MOA for consistency with relevant legislation.

⁷² *Australian Hearing Services Act 1991*, ss. 8(1)(aa) and (ad), p. 4.

⁷³ The Remote Jobs and Communities Program was a new Australian Government initiative introduced on 1 July 2013 to improve employment in remote regions for both Indigenous and non-Indigenous Australians. For eligibility details, refer to Appendix 2 of this report: CSO Program Eligible Client Groups.

⁷⁴ MOA, Part 1 – Services and Funds, clause 2(a), p. 11.

Agency responsibilities

2.24 A clear statement of objectives, and the roles and responsibilities of each party, can contribute to the effective administration of an arrangement and also complements the inclusion of common contract provisions in an agreement. Figure 2.1 summarises key sections from the MOA that set out how DoH and Australian Hearing are to manage the CSO program.

Figure 2.1: Key sections from the Memorandum of Agreement

Principles

There are four principles that guide the relationship between the parties:

- transparency;
- access;
- collaboration and openness; and
- standards of quality.

Roles

Key responsibilities of the Office of Hearing Services include:

- ensuring that the services provided match Commonwealth policy and priorities; and
- managing the overall funding and general policy changes.

Key responsibilities for Australian Hearing include:

- the effective and efficient delivery of appropriate services; and
- providing advice about clinical issues and specific service delivery to clients or communities.

Business rules

The business rules aim to clearly articulate the parameters under which the CSO program is delivered and detail the **program objectives**, including:

- the need for services to be flexible to respond to change; and
- identifying services that are the responsibility of state and territory governments and are not resourced or provided under the CSO program.

Business processes

Australian Hearing is to maintain a comprehensive suite of internal policies and procedures that underpin the delivery of its services under the CSO program.

The business processes are to include a:

- quality framework;
- customer care charter and consent protocols; and
- complaints management system.

Source: ANAO analysis of the MOA.

2.25 The MOA contains a detailed set of program objectives. It also identifies a number of services that are the responsibility of state and territory governments to resource and deliver, and are excluded from the CSO program. The agreement highlights the separation of DoH's role, in respect to hearing services policy and funding, from Australian Hearing's delivery of hearing

services in accordance with the Act and the Determination. This clear separation of roles informs the implementation, monitoring and evaluation arrangements established under the MOA.

2.26 The new MOA also includes a set of Business Rules, jointly drafted by DoH and Australian Hearing that had not existed previously. The Business Rules are intended to:

- provide DoH, Australian Hearing staff, and its consumers, with improved clarity about the services included in the CSO program; and
- increase the transparency of clinical decision-making under the CSO program by Australian Hearing staff, including for:
 - the selection and/or fitting of hearing aids and/or hearing devices;
 - refitting devices;
 - activities for implantable devices (such as cochlear implant speech processors); and
 - other assistive technology (such as remote microphone technology to enable clients to hear a teacher, carer or other individual speaker in a variety of listening environments).

2.27 The Business Rules are publicly available on DoH's and Australian Hearing's websites.⁷⁵

Management plans

2.28 The agency resources dedicated to managing a contract or other formal agreement need to be commensurate with the size, complexity and assessed risk profile of the arrangement and its importance in supporting the agency's goals.⁷⁶ There can be benefits from contract managers having in place formal contract management plans that assist with meeting all of the internal and external management and reporting requirements in a cost-effective manner.⁷⁷ Depending on the contract, the plan could be a checklist or a formal plan.⁷⁸

75 The respective websites are: <<http://www.health.gov.au>> and <<http://www.hearing.com.au>> [accessed 14 November 2013].

76 ANAO Better Practice Guide—*Developing and Managing Contracts*, February 2012, Canberra p. 72.

77 *ibid.*, p. 72.

78 *ibid.*, p. 85.

2.29 DoH and Australian Hearing differ in this aspect of their management of the MOA. While Australian Hearing has not documented a contract management plan for the MOA, DoH has established a high-level contract management plan that is not designed for the day-to-day management of the MOA, but rather refers to a milestone summary table to assist with tracking activities under the MOA—the CSO Milestone and Payment Summary 2012–15. The summary table is updated by DoH on a regular basis.

2.30 While neither DoH nor Australian Hearing rely on contract management plans for the day-to-day management of the MOA, nonetheless, routine monitoring, reporting and payment requirements for the MOA were met by the parties in 2012–13.

Implementation of selected key clauses

2.31 Some MOA requirements merit more regular compliance review by DoH given their contribution to reducing the overall risk profile of the agreement. Table 2.2 highlights two such requirements relating to: community concern about people who work in positions of trust with children; and ensuring quality service delivery.

Table 2.2: Compliance check for selected key clauses

Reference	Requirement
Schedule 2, paragraph 2.2(c)	Services providers: Australian Hearing must ensure that practitioners who provide Services to children have current working with children police checks.
Schedule 2, paragraph 2.7(a)	Quality assurance: Australian Hearing must have a quality assurance framework in place to ensure that all clinical and administrative standards specified in this Agreement for the delivery of the Services are met throughout its network of Outlets. Australian Hearing will review the quality assurance framework on an annual basis.

Source: MOA, pp. 37–38.

2.32 Australian Hearing is responsible for ensuring its staff comply with the organisational policy *Guidelines: Working with Children* (Australian Hearing Human Resources Policy, December 2013). The policy contains the requirements for the conduct of working with children background checks. DoH advised that the department was satisfied that, during the drafting of the MOA, Australian Hearing had appropriate police check processes in place to meet the requirements of the MOA and, if required, would be able to provide

evidence of the checks having been undertaken.⁷⁹ DoH further advised that a planned future audit by DoH of elements of Australian Hearing's obligations under the MOA could include verifying Australian Hearing's compliance with the requirement for working with children police checks. There is also the potential for the audit to confirm that Australian Hearing has in place an appropriate quality assurance framework, which has been reviewed annually by Australian Hearing.

Financial management

Background

2.33 Historically, funding provided by DoH to Australian Hearing for the CSO program was based on a fixed allocation that was not adjusted for population growth or other factors. In 2011–12 the Government agreed to rebase the funding to take account of significant growth in the CSO program's client population and changes in clinical standards.⁸⁰ The additional funding was to ensure that special needs groups—such as young Australians and young adults, Indigenous Australians and adults with complex hearing needs—can access Australian Hearing services in a timely manner.

MOA funding

2.34 The total funding available from DoH for Australian Hearing to deliver the CSO program from 2012 to 2015, under the MOA, was estimated to be \$177.7 million over three years.

2.35 Currently, MOA funding is allocated by DoH annually from Outcome 7—Hearing Services, Program 7.1: Hearing Services. The allocation is approved by DoH based on advice provided before the start of each financial year from Australian Hearing on the expected demand for services in each of the CSO client categories and cost of devices, such as aids and appliances.⁸¹ Compared to the MOU, the arrangement provides increased transparency and a more reliable basis for DoH to forecast the CSO program's budget.

⁷⁹ Letter from the Secretary, DoH to the ANAO dated 13 March 2014.

⁸⁰ The changes in clinical standards had led to the prescription of more complex and expensive technologies, such as cochlear implants in children (rather than hearing aids) and cochlear speech processor upgrades. A cochlear speech processor costs approximately \$8000 to \$10 000 per ear and, for an adult, an upgrade is generally required about every five years.

⁸¹ Aids and appliances include amounts for: hearing aids; cochlear speech processor repair and maintenance; and batteries, repair and maintenance.

2.36 During negotiations for the MOA, DoH and Australian Hearing established indicative funding allocations for each of the three years. As well as an itemised budget for the year, the MOA sets out a table of 12 monthly instalments and invoicing requirements for Australian Hearing. Australian Hearing is then required to provide CSO services, according to the defined service standards (see discussion in Chapter 3 on KPIs), largely within that agreed budget.⁸²

2012–13 invoices and payments

2.37 The ANAO reviewed DoH records of Australian Hearing invoices and DoH payments made for the MOA in 2012–13, compared to the requirements in Part 1, clause 6 (Funds), and Schedule 4 (Funding), in the MOA.

2.38 The monthly payments made by DoH to Australian Hearing corresponded to the 2012–13 budget in the MOA and monthly instalment schedule, which is not linked to any monthly performance targets. With one minor exception, Australian Hearing submitted invoices for monthly payments in advance and DoH made payments within 30 days after receiving an invoice, in accordance with the instalment schedule.

2012–13 financial performance

2.39 Table 2.3 shows a summary of the budget funds, actual costs and associated variances for key client categories under the CSO program in 2012–13.

82 Australian Hearing can obtain a subsidy from the Voucher program for services to complex clients (see paragraph 2.47).

Table 2.3: Summary CSO program delivery costs in 2012–13

Category	Budget \$'000	Actual \$'000	Variance %
Young Australians (under 21 years)	22 652	26 630	(17.6)
Young adults (21–under 26 years)	4083	2853	30.1
Adults with complex rehabilitation needs	17 850	14 918	16.4
Indigenous eligibility group ¹	2637	3718	(41)
Australian Hearing Specialist Program for Indigenous Australians	3431	3165	7.8
Cochlear implant upgrades and repairs and maintenance	5372	5563	(3.6)
Total	56 025	56 847	(1.5)

Source: ANAO analysis of Australian Hearing's CSO Monitoring Report, Quarter 4 report 2012–13, p. 2.

Note: 1 The Indigenous eligibility groups refers to Aboriginal and Torres Strait Islander persons over 50 years of age or who meet Community Development Employment Program criteria for eligibility to access the CSO program.

2.40 Australian Hearing provided the following advice for the most notable overspends and underspends in 2012–13, according to the categories in Table 2.3:

- 'Young Australians' was overspent by 17.6 per cent, partly due to changes in the operation of state funded diagnostic audiology services that resulted in pressure on Australian Hearing to provide screening services that are not part of the MOA⁸³;
- 'Young adults' was underspent by 30.1 per cent because the majority of young adults were returning (new) rather than existing clients in the category. Therefore, the final number of clients was determined by an individual's need for a hearing service and their awareness of the change in legislation to allow them to either: access services from Australian Hearing from 1 January 2012; or continue with a private hearing services provider;

83 In some jurisdictions, the demand for state funded diagnostic audiology services is greater than their availability. Some private hearing providers are delivering those services, however, Australian Hearing will also assist people when no other options are available by providing access to a hearing assessment test, which is not funded under the CSO program. Australian Hearing and DoH are monitoring the impact of this unfunded activity on the CSO program's KPIs and Australian Hearing raised the matter with the relevant local jurisdictions.

- ‘Adults with complex rehabilitation needs’ was underspent by 16.4 per cent due to the effect of a subsidy arrangement for complex clients that is estimated at the beginning of each year (see paragraphs 2.47–2.49 for details of the operation of the subsidy); and
- the ‘Indigenous eligibility group’ was overspent by 41 per cent due to growth in the number of clients returning to Australian Hearing for review as well as new referrals for hearing services.

2.41 Previously under the MOU, the percentage of the CSO program’s budget allocation spent by Australian Hearing ranged from 99.85 per cent (2008–09) of the allocated budget to 101.26 per cent (2011–12) of the allocated budget in the final year of the MOU. This indicates that there have been minor fluctuations over the long term in Australian Hearing’s overall annual forecasts of service demand (and associated budget forecasts) compared to actual services provided. Paragraph 2.40 shows there was also variability in 2012–13 in Australian Hearing’s projections of service demand for specific client groups.

2.42 DoH, as the program funds holder, was aware that Australian Hearing expected overspends and underspends for the client categories in 2012–13. There were underlying inaccuracies in the methodology used to calculate the estimates for hearing services and Australian Hearing also had not incorporated trends or changes in client demand in the methodology. The outcome was that inaccuracies in the budget allocations were perpetuated in 2012–13, which Australian Hearing acted to rectify for 2013–14 (see paragraph 2.46).

2.43 Overall, the CSO program budget for 2012–13 was overspent by 1.5 per cent (\$822 000). As its CSO budget is largely fixed, Australian Hearing funded the budget shortfall from profits realised from providing commercial services under the (separate but complementary) hearing Voucher program.

2.44 Australian Hearing will need to continue to monitor CSO program expenditure to ensure a sustainable approach for the provision of CSO services under the MOA in future years, to avoid any significant subsidisation from other sources of revenue. In this context, there is scope for Australian Hearing to work with DoH to further refine the accuracy of its annual client demand and cost projections.

2013–14 MOA budget

2.45 In July 2013, DoH approved the draft MOA budget for 2013–14 proposed by Australian Hearing for the CSO program; a total of \$59.1 million, representing an increase of \$3.1 million from 2012–13.

2.46 In the course of approving the budget, DoH indicated that it was satisfied that the systemic issues with budget estimates for client categories, which were evident in 2012–13, had been resolved by Australian Hearing for the purposes of calculating the 2013–14 budget estimate. DoH compared the budgeted 2013–14 funding levels for each client category with the actual 2012–13 expenditure in the first three quarters of the year before approving the new budget, to satisfy itself that Australian Hearing's 2013–14 budget would be a more accurate forecast of the demand within each client category and expected expenditure. In general, estimating budget forecasts is challenging when client cohorts are variable from year to year.⁸⁴

Voucher program subsidy

2.47 For adults with complex rehabilitation needs (complex clients) who are also voucher-holders, the MOA states that Australian Hearing can charge the equivalent value of a voucher service to the Voucher program, providing certain specified criteria are met.⁸⁵ Funds allocated under the CSO program for complex clients can be used for the provision of higher level technology or additional service delivery. The MOA reflects a decision made by the then Department of Health and Ageing in 2006 to recognise that eligible clients could receive standard services under the Voucher program before accessing specialised, targeted services under the CSO program. In 2012–13, Australian Hearing claimed \$8.4 million against services from the Voucher program that were provided to complex clients. The subsidy contributes to Australian Hearing's overall revenue, part of which may be used to subsidise any funding shortfall for the CSO program.

84 A final outcome from Australian Hearing's revised budget forecasting was not available before the end of this audit for the ANAO to assess.

85 MOA, Schedule 2 – Statement of Requirements, paragraph 4, p. 39.

2.48 In effect, Australian Hearing's access to funds from the Voucher program for complex clients is a cross-subsidy arrangement between the two components of the Hearing Services Program. However, CSO clients of the Hearing Services Program are not disadvantaged by the subsidy arrangement—eligible individuals can choose to access either the Voucher program from their preferred hearing services provider (including Australian Hearing) or the CSO program from Australian Hearing.

2.49 While funds for both the Voucher and CSO programs are sourced from DoH's Hearing Services Program appropriation, the annual allocations are administratively separate and reflect the differing appropriation conditions for each program. The CSO program's budget model is based on a fixed appropriation and the Voucher program's budget model is based on an annual appropriation, which can be varied to respond to fluctuations in client demand. However, the department needs to manage the overall program finances within the available Budget appropriation for hearing services, which requires accurate budget estimation for the CSO program.

Conclusion

2.50 DoH and Australian Hearing have a long-standing and cooperative relationship for the delivery of the hearing CSO program, underpinned by a formal business level agreement. In 2012–13, both parties supported a change in program management arrangements, moving from an MOU to an MOA, which the parties agreed should be legally enforceable. A key driver for the revised arrangements was the desire to enhance accountability and transparency for the delivery of the CSO program.

2.51 The MOA reflects key requirements of the hearing services legislation—the Act and the Determination—and there is a clear separation of roles and responsibilities in the MOA between DoH and Australian Hearing. The MOA also sets out clearly the CSO's financial arrangements, KPIs, and administrative arrangements intended to support its operation. The clear articulation of key matters within the MOA establishes a sound overall framework for administration of the agreement by both parties.

2.52 In 2012–13, Australian Hearing met key MOA requirements relating to payments, reporting and quarterly progress meetings. However, there is scope to further refine the forecasting of future demand for hearing services and their potential cost. There have been minor fluctuations in Australian Hearing's overall annual forecasts of service demand (and associated budget forecasts)

compared to actual services provided. There has also been variability in Australian Hearing's projections of service demand for specific client groups.

2.53 In 2012–13, Australian Hearing exceeded its CSO program budget of \$56 million by 1.5 per cent (\$822 000). Australian Hearing funded the budget shortfall from its profit achieved in providing commercial services under the (separate but complementary) Voucher program in 2012–13; in effect, a subsidy of the CSO component by the Voucher component of the Hearing Services Program. There would be value in Australian Hearing and DoH continuing to monitor the demand forecasts and cost estimates to mitigate the risk of any significant cross-subsidisation from Australian Hearing's Voucher program revenue into the future. The department also relies on accurate budget estimation for the CSO program to support its management of the overall program finances—both Voucher and CSO—within the Budget appropriation for hearing services.

3. Performance Monitoring and Reporting

This chapter examines the performance monitoring and reporting arrangements for the CSO program.

Introduction

3.1 Establishing an effective performance management framework in arrangements such as the CSO MOA will support the parties' ability to monitor the achievement of program objectives. The framework will usefully include provisions for monitoring the service provider's progress; assessing performance; and specifying: who is responsible for collecting and analysing data; the frequency of monitoring activities; and the reporting arrangements.⁸⁶ Mechanisms to obtain customer and stakeholder feedback as well as regular liaison forums between the parties support good communication and timely identification of emerging issues. Evaluating and reporting achievements against the program objectives are also key elements of effective program management.

3.2 The ANAO examined DoH's and Australian Hearing's arrangements for performance monitoring and reporting of outcomes for the CSO program including:

- key performance indicators (KPIs) in the MOA;
- complaint handling and customer feedback; and
- evaluating and reporting service delivery outcomes.

MOA arrangements

3.3 The MOA, between DoH and Australian Hearing, contains a section on monitoring progress that sets out the requirements for:

- liaison and meetings—including a requirement for quarterly progress meetings to be held between the two parties;

86 ANAO Better Practice Guide—*Developing and Managing Contracts*, February 2012, Canberra, p. 35.

- provision of data and reports—most importantly, Australian Hearing is required to submit quarterly progress reports, which must include qualitative and quantitative reporting; and
- evaluation.

Liaison and meetings

3.4 In 2012–13, quarterly progress meetings for the MOA, to review Australian Hearing’s progress under the CSO program, largely coincided with quarterly governance meetings held between Human Services and Australian Hearing.⁸⁷ At the governance meetings, Human Services and Australian Hearing review the quarterly report for the CSO program and Human Services staff attend as observers at the quarterly progress meeting held between DoH and Australian Hearing. These arrangements are a cost-effective means for keeping stakeholder agencies informed about Australian Hearing’s delivery of the CSO program as well as maximising the benefit of reporting under the MOA.

Key performance indicators

3.5 The inclusion of KPIs in a contract, or other arrangement, enables information to be collected about performance that can be used to maintain or improve delivery performance over time.⁸⁸

3.6 It is important that the performance information collected for monitoring and reporting purposes directly relates to the program’s objective. The primary goal of the CSO program is to:

[p]rovide Clients with access to hearing services and devices that help the Clients to manage their hearing needs and maximise communication ability. This may include:

- a. Providing hearing devices and communication skills assessment and training to maximise their ability to communicate in daily life;
- b. Educating Clients and their families and carers about the implications of the hearing loss and benefits and limitations of technology;

⁸⁷ Separate meetings were held one month apart in the first quarter of 2012–13.

⁸⁸ ANAO Better Practice Guide—*Developing and Managing Contracts*, February 2012, Canberra, p. 30.

- c. Working with other professionals to ensure Clients are supported in the management of their hearing loss; and
- d. Providing services in an environment that encourages participation in the program.⁸⁹

New KPIs

3.7 The performance measures and reporting requirements in the MOA were developed jointly by DoH and Australian Hearing. The revised suite of KPIs is designed to measure the timeliness, quality and/or accessibility of the services being provided. Appendix 3 contains the full set of sixteen MOA KPIs.

3.8 The previous MOU for the CSO program contained a set of 13 KPIs (10 clinical; two complaints management; and one outcome measure survey). The MOA contains a set of 16 KPIs (14 quantitative indicators, including two for complaints management; and two qualitative indicators). Approximately half of the MOA KPIs (seven) form part of the quarterly reporting regime and the remainder (nine) are assessed retrospectively and reported annually, or three yearly (as relevant), to DoH.⁹⁰

3.9 Table 3.1 shows a range of KPIs from the MOA that measure the timeliness, quality and/or accessibility of the services being provided by Australian Hearing.

Table 3.1: Example MOA key performance indicators

Key performance indicator	Timeliness measure	Quality measure	Accessibility measure
Quantitative indicators			
Young Australians (0–20) and young adults (21–25)			
Greater than 75 per cent of children aged 0–12 years who have been referred with the diagnosis of a permanent hearing loss have an interval between first contact and first Australian Hearing appointment of less than or equal to two weeks.	✓		✓
≥ 95 per cent of aided young Australian and young adult clients who attend for an appointment are seen by an audiologist with specialised training.		✓	✓

⁸⁹ MOA, Schedule 1 – Business Rules, paragraph 1.5, p. 33.

⁹⁰ There are separate reporting tables in the MOA for recording the number of clients and services provided (including by gender, location and Indigenous status (self-identification)) for the different client categories in the CSO program. The tables are completed by Australian Hearing and reported to DoH quarterly and annually.

Key performance indicator	Timeliness measure	Quality measure	Accessibility measure
Complex adults			
≥ 80 per cent of aided complex adult clients are seen by an audiologist at least once in a 12 month period.			✓
Indigenous eligibility (IE) and AHSPiA			
≥ 80 per cent of IE clients seen by an audiologist at least once during the three year funding period.			✓
≥ 90 per cent of IE clients seen by an audiologist with specialist training.		✓	
Qualitative indicator			
Appropriate staff levels, training and rotation are maintained to ensure expected service provision at permanent hearing centres, visiting and outreach sites.		✓	✓

Source: ANAO analysis of MOA.

2012–13 KPI results

3.10 At the end of 2012–13, Australian Hearing reported achieving the following results for the sixteen KPIs under the MOA:

- met—nine out of 14 quantitative indicators;
- partially met—two out of 14 quantitative indicators;
 - a KPI measuring if greater than 95 per cent of children with a moderate or greater bilateral, permanent hearing loss of >40 dBHL in the better ear—detected through Newborn Hearing Screening Programs—have a hearing aid fitted by 12 months of age was reported at 94.6 per cent due to:
 - 12 children having been referred from newborn hearing screening, but not fitted for a variety of reasons, including parents declined the services on offer or cancellation of a number of appointments; and
 - a KPI measuring average time spent per client per year for young Australians and young adults (Indigenous and non-Indigenous clients) was partially met due to:

- most Indigenous children are seen at outreach sites where the service provision must be flexible to meet the needs of the child and family, but this can result in reduced appointment times for individuals⁹¹; and
- children with a cochlear implant, in one or both ears, receive services from both their implant clinic and Australian Hearing, which reduces the overall time spent with Australian Hearing;
- not reported—one of the 14 quantitative indicators cannot be reported against until the third year of the agreement (for Indigenous eligibility and AHSPIA, as shown in Table 3.1);
- both complaints management quantitative indicators were reported against (see paragraph 3.20 onwards); and
- comments were reported against both qualitative indicators.

3.11 DoH monitors Australian Hearing's reporting against the KPIs, including at scheduled quarterly meetings. These meetings have also been used to discuss strategies to improve performance. For example, DoH and Australian Hearing discussed the KPI measuring average time spent per client per year for young Australians and young adults, and the strategies that are being, or will be, implemented by Australian Hearing to improve performance in the average time spent with Indigenous children up to three years of age.

3.12 Under the previous MOU (2008–12), the full set of KPIs was not reported against, particularly in the early years while the reporting requirements for some indicators were being settled. By 2011–12, the final year of the MOU, most of the KPIs were reported by Australian Hearing as fully met.

3.13 In the first year of the MOA, the relevant KPIs were reported against and most were fully met. Compared to the MOU, most of the KPI results were accompanied by a more detailed narrative intended to help DoH better understand the context surrounding performance against the KPIs.

91 Australian Hearing further noted that the small numbers of Indigenous children in some categories could disproportionately skew the reported aggregate result.

Alignment between CSO objectives and KPIs

3.14 DoH and Australian Hearing advised that experience gained under the MOU formed the basis for the development of new KPIs for the MOA. This approach meant that the KPIs were informed by Australian Hearing's long-term operational experience, and that existing systems would be relied on for collecting data and accurately reporting against targets.

3.15 The KPIs report on: access to hearing services; and selected quality indicators that are intended to measure how Australian Hearing contributes to helping clients manage their physical hearing needs and maximise their communication ability. There is separate reporting on the number of clients, services delivered and cost.

3.16 While the quantitative and qualitative KPIs complement the CSO program objectives—for the delivery of hearing services and hearing devices—the MOA does not contain KPIs that measure the quality of outcomes for clients of the program more broadly, for which DoH is responsible. Measuring rates of access to suitably qualified professionals and the fitting of hearing aids or other assistance are proxy measures for health outcomes and do not, at present, directly measure the beneficial outcomes for an individual client.

3.17 DoH and Australian Hearing have committed to the further development of KPIs for the CSO program, for example, measuring workforce and education participation rates of clients. The development of new KPIs may also require the collection of new data. The MOA provides for the establishment of a Data Technical Group (DTG), comprised of DoH and Australian Hearing staff, which would meet three times a year during the period of the MOA.

Data Technical Group

3.18 As part of a broader data and reporting strategy for the Hearing Services Program, DoH began work on establishing a DTG for the MOA in 2013. The DTG was established in March 2014 and scheduled to report at the next quarterly progress meeting between DoH and Australian Hearing.

3.19 The terms of reference for the DTG include: quantify the prevalence rates for each client group in the Hearing Services Program; investigate opportunities for data sharing; and consider potential future KPIs for the CSO program. DoH advised that research into the prevalence rates of hearing loss

for people eligible for the Hearing Services Program can be used to inform forecasts of future need for the program.⁹²

Complaint handling and customer feedback

3.20 For a client service organisation such as Australian Hearing, providing services to disadvantaged customers under a (largely) monopolistic arrangement, there is value in establishing mechanisms for customer complaints and feedback on service provision.

3.21 Complaints management forms an integral part of monitoring and reporting on agency performance, and can contribute to improved service delivery. Two key elements of complaint handling that can be measured and reported are timeliness and client satisfaction.⁹³

MOA requirements

3.22 The MOA requires Australian Hearing to: have in place a complaints management system for handling complaints made by clients of the CSO program; and to report to DoH on a quarterly basis on the operation of the system.

3.23 Australian Hearing's *Customer Care Charter*—another requirement under the MOA— includes a section on making suggestions, compliments and complaints. Australian Hearing has established a number of channels where individuals, or others on their behalf, can provide feedback and complaints to Australian Hearing about their experience with the CSO program:

- in person, by telephone or in writing to a local hearing centre manager;
- by contacting the National Customer Care Manager at head office;
- by telephone call to 1300 360 355; or
- by completing an online feedback form on the website.

3.24 Clients of the CSO program can also contact the Minister for Human Services or DoH with any feedback or complaints about the services or devices they have received. Australian Hearing's advice to the public is that

92 Letter from the Secretary, DoH to the ANAO dated 13 March 2014.

93 Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling*, Commonwealth Ombudsman, Canberra, 2009, pp. 27–28.

complaints will be responded to in writing within 10 working days after their receipt.

3.25 Details of any complaints received by Australian Hearing are recorded in a client database, which is used to generate data for the MOA quarterly reports.

In the MOA, the quarterly reporting of complaints management for the CSO program is based on three KPIs:

- two quantitative KPIs:
 - number of complaints received during the reporting period; and
 - average time taken to resolve complaints received during the reporting period; and
- one qualitative KPI:
 - continuous improvement activities within Australian Hearing, including:
 - nature of complaints received during the reporting period and any systemic changes made by Australian Hearing resulting from the complaints;
 - number and type of internal audits conducted, non-compliance identified and action taken to remedy and/or promote compliance; and
 - changes to policies and procedures as a result of continuous quality improvement activities.⁹⁴

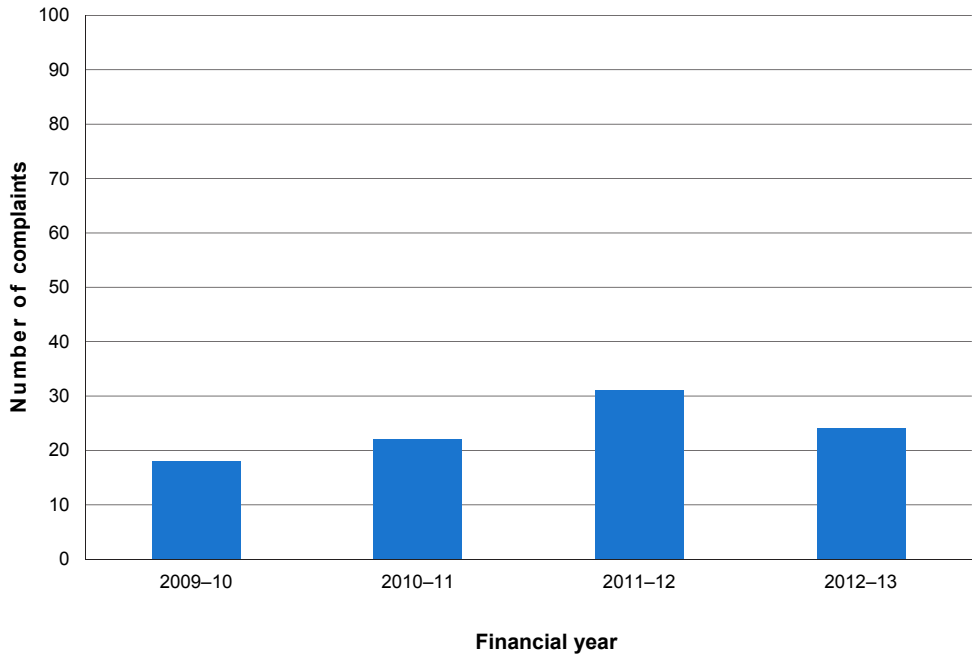
Complaints received

3.26 Australian Hearing provides services to a range of clients whose contact with Australian Hearing varies depending on their hearing loss, age and physical location. For example, if a child has been diagnosed with a hearing loss, Australian Hearing aims to offer an appointment with an audiologist specialising in paediatric audiology within 10 working days of receiving the referral. The child's initial appointment can then be followed by: a hearing aid fitting appointment; follow-up appointment; further follow-up appointments; and a review program. A number of factors influence the likelihood of a complaint being made to Australian Hearing, including the client's expectations about the timeliness and quality of service delivery.

3.27 The level of complaints recorded in 2012–13 for the CSO program was low compared to the number of services provided (122 048) at 0.02 per cent, especially given the diversity of clients and the geographical spread of Australian Hearing's operations. Figure 3.1 shows that the low level of reported complaints is consistent with the three previous years' reporting.

94 MOA, Schedule 5 – Key Performance Indicators 13–15, p. 53.

Figure 3.1: Complaints recorded from 2009–10 to 2012–13



Source: ANAO analysis of Australian Hearing documents.

3.28 In 2012–13, Australian Hearing reported the following results for the three complaints management KPIs:

- 24 complaints were received in total for the year;
- the minimum time taken to resolve complaints was within one day for most complaints and the maximum time taken for a single complaint was one month; and
- commentary was provided about the nature of complaints and corresponding system changes subsequently made by Australian Hearing.

3.29 Australian Hearing categorises the complaints received into seven types, for example, client relations, products or repair service. Given the small number of complaints, there is insufficient data to identify any clear trends in the type of complaints made in 2012–13. However, Australian Hearing’s reporting against the complaints management KPIs is monitored by DoH and follow-up questions were asked by DoH at quarterly meetings.

Customer surveys

3.30 The purpose of a customer survey is to produce robust, consistent and relevant data that can be used to monitor service delivery performance. Under the earlier MOU, there was a requirement for Australian Hearing to conduct outcome measure surveys annually to assess client satisfaction and identify areas for service improvement.⁹⁵

3.31 While the MOA does not include any requirement for a customer satisfaction survey, Australian Hearing continues to undertake client survey work, which is reported in its annual report.⁹⁶ As part of a planned evaluation in 2014 of the MOA's performance, DoH advised that the department proposes to review the need for client outcome surveys to be included in the MOA.

Stakeholder feedback

3.32 During audit fieldwork, the ANAO met with a number of key non-government peak organisations who represent the interests of people accessing hearing services from Australian Hearing and private service providers.⁹⁷

3.33 The stakeholder groups interviewed commented positively about the professionalism and dedication of Australian Hearing staff and their ability to deliver services to a diverse range of people in the community. Other comments included:

- at times, a particular stakeholder group will advocate on behalf of an individual or family in order to resolve a clinical or service delivery issue;
- not all of these stakeholder groups however were familiar with the options available for making a complaint to Australian Hearing; and
- some stakeholder groups reported an uneven response from Australian Hearing to a complaint, while others were satisfied with outcomes from the complaints process.

⁹⁵ MOU, Key Performance Indicators 2008–09 to 2011–12, Attachment D, p. 23.

⁹⁶ Australian Hearing, *Annual Report 2012–13*, Australian Hearing, Sydney, 2013, p. 19.

⁹⁷ The groups interviewed by the ANAO were selected on the basis of their potential to inform the ANAO's understanding of the operation of the CSO program rather than as a representative sample of stakeholders involved in hearing health matters.

3.34 Overall, stakeholders were aware of the work of DoH and Australian Hearing and valued the Government's Hearing Services Program.

New Paediatric Program Advisory Committee

3.35 In 2013, Australian Hearing established a Paediatric Program Advisory Committee to provide guidance on the services delivered by Australian Hearing to paediatric (young Australian) and young adult clients. The inaugural committee members were announced in September 2013 and will serve a three-year term.⁹⁸ While it is too early to comment on the success of the initiative, the new advisory committee provides Australian Hearing with an additional means of receiving feedback from clients and stakeholders on those aspects of the CSO program.

Evaluating and reporting service delivery outcomes

Evaluating performance

3.36 Provision has been made in the MOA for DoH to gain assurance about the integrity of the information reported by Australian Hearing for the CSO program. In particular, the MOA provides for:

- monitoring—liaison, meetings, data and reports, evaluation;
- audit and access;
- financial reports; and
- an itemised annual budget.

3.37 DoH does not have in place any mechanisms to directly assess the integrity of the data or accuracy of reporting generated from Australian Hearing's client database. Australian Hearing demonstrated the operation of the client database at a quarterly meeting with DoH in 2012–13. During audit fieldwork meetings with the ANAO, Australian Hearing advised that the database has a range of controls in place to promote data integrity such as access controls for system changes and mandatory fields to limit data entry errors by staff.

98 See Australian Hearing's website <<http://www.hearing.com.au>> for member details.

3.38 In 2012–13, after receiving a quarterly monitoring report from Australian Hearing, DoH routinely prepared a detailed assessment report. The reports compare the most recent results to previous performance. Identified follow-up questions for Australian Hearing were asked at the quarterly meetings held shortly afterwards, and the meeting minutes recorded the responses from Australian Hearing. DoH assessed that Australian Hearing's reporting in 2012–13 was consistent with the MOA requirements. However, it will only be at the end of the MOA, in 2014–15, that value for money and other effectiveness outcomes become fully measurable, including a three-year quantitative KPI for Indigenous clients' access to an audiologist.

3.39 One of the qualitative KPIs is reporting on the number and type of internal audits conducted by Australian Hearing, and any remedial action arising from the reports.⁹⁹ For example, in 2011–12, Australian Hearing reported that ISO 9001 external audits against its Quality Management System were conducted at six hearing centres and its national office, and these audits included interviews with clients. Overall, the audit results were positive in 2012–13, with some areas for improvement suggested for the handling of hearing aids that required external repair.

3.40 In 2014, in accordance with the MOA¹⁰⁰, DoH proposes to conduct an evaluation of the MOA's performance.

Annual service planning

3.41 In May each year, the MOA requires DoH and Australian Hearing to agree: 'high level priorities of Services and approaches to Service delivery for the next financial year'.¹⁰¹ The planning process also considers the funding levels required for each CSO client category and the expected service delivery numbers.¹⁰² The annual service planning is complemented by a standing agenda item for horizon scanning and discussion of government policy at quarterly meetings.

3.42 In June 2013, DoH and Australian Hearing noted four high level service priorities for the next financial year:

⁹⁹ See Appendix 3 of this report, MOA KPI 15.

¹⁰⁰ MOA, Part 1 – Services and Funds, clause 10.3, p. 17.

¹⁰¹ *ibid.*, Schedule 2 – Statement of Requirements, paragraph 2.3, p. 37.

¹⁰² *ibid.*, Schedule 4 – Funding, paragraph 3(b), p. 48.

- future arrangements for device management within the Program;
- implementation of the National Disability Insurance Scheme;
- Senate Estimates ongoing interest in the Senate Inquiry Report; and
- the pressure on AH to provide screening services, even though it's a state government responsibility.¹⁰³

3.43 A draft program budget for 2013–14 was also discussed at the June 2013 meeting as a separate item. The arrangements for implementation of the NDIS had previously been discussed at quarterly meetings.

3.44 At present, detailed planning for the location of Australian Hearing service delivery sites is separately determined by Australian Hearing without direct DoH oversight. Australian Hearing advises that it takes into consideration a number of factors, including historical reasons for the location of established permanent sites. In selecting a new location for a permanent hearing centre, demographics and demand for hearing services are assessed. Other factors include: the level of accessibility for clients, such as disability access, parking and transport options. Outreach and visiting sites are similarly based on demographic data, but are also determined by geographic factors. Government policy or consultation with stakeholder organisations may also influence the location of outreach sites.

3.45 Planning for service delivery can be a complex process with multiple factors to consider, including changing demographics and the mobility of individuals or groups in the client population. Australian Hearing aggregates local service data to report on the national KPIs in the MOA, which can then be analysed quarterly and annually by DoH and Australian Hearing for ongoing and emerging trends. The local service data collected by Australian Hearing is also a potentially valuable source of information on regional or local variations in access and the timeliness of service provision, which merits consideration before it is aggregated for KPI purposes. DoH considers that the establishment of the DTG in 2014 will enable the sharing of such data and expertise between DoH and Australian Hearing.¹⁰⁴

3.46 Engaging with external stakeholders and clients can also inform Australian Hearing's planning for service delivery. While not a representative

103 MOA Quarterly Meeting Minutes, June 2013, Item 7(ii), p. 3.

104 Letter from the Secretary, DoH to the ANAO dated 13 March 2014.

sample of organisations, the ANAO was informed that access to hearing services is a significant and ongoing concern, including issues such as physical access to appropriate parking near hearing centres, accessing loan equipment (such as hearing aids) and access to timely appointments. Stakeholders interviewed by the ANAO were not aware of Australian Hearing engaging their organisations on planning for the delivery of hearing services.

3.47 DoH, as the hearing services policy and funding agency with responsibility for administering the MOA, also has a role in ensuring access and quality of services is maintained. DoH advised that the department proposed to include options for engaging external stakeholders as part of a 2014 evaluation of the MOA's performance.¹⁰⁵ There would also be benefit in DoH and Australian Hearing considering options for engaging external stakeholders as part of the annual service planning process.

Reporting on increased Budget funding

3.48 In the 2011–12 Budget, the Government announced an additional \$47.7 million over four years for the Hearing Services Program to improve access to hearing services under the CSO component of the program.¹⁰⁶ Over a four-year period (2011–12 to 2014–15), an additional 39 600 young Australians and young adults, 18 400 adults with complex hearing needs, and 11 500 Indigenous people are expected to receive hearing services under the CSO program.

3.49 The quarterly monitoring reports by Australian Hearing and the quarterly assessment reports produced by DoH in 2012–13 record progress against the MOA annual budget, client numbers seen and services provided, and achievement against the KPIs. In the final monitoring report for 2012–13, Australian Hearing concluded that: 'At the end of the financial year, significantly higher numbers of clients were seen in all client categories compared with the previous year'.¹⁰⁷ In 2012–13, 56 379 clients were seen by Australian Hearing, which was an increase of 4.7 per cent from the 53 839 clients seen in 2011–12.

¹⁰⁵ *ibid.*

¹⁰⁶ The Government also announced reforms to the Voucher component of the Hearing Services Program to deliver more responsive and better targeted services, which would result in a net save of \$122.3 million over four years.

¹⁰⁷ Australian Hearing, CSO Monitoring Report, Quarter 4 report 2012–13, p. 2.

3.50 Previously, under the MOU, annual client cohort targets were established between DoH and Australian Hearing for the CSO program. Under the MOA, the performance measures changed from annual targets to measuring the agreed growth in costs by function (Australian Hearing's direct service delivery and administration of the CSO program) and revised KPIs. The new model also means that there is currently no separate monitoring by DoH of Australian Hearing's progressive delivery against the increases for individual client groups that were included in the 2011–12 Budget measure.

3.51 The exception is young adults (21–25 years of age inclusive), a new client category that was introduced on 1 January 2012. DoH estimated that 327 young adults clients would receive CSO program services from Australian Hearing in the remaining six months of 2011–12 (1 January 2012 to 30 June 2012) and 534 clients would receive services in 2012–13: a total of 861 new clients. In the first six months, from January to June 2012, Australian Hearing provided services to 1349 new young adult clients and a further 2617 young adult clients in 2012–13. A total of 3966 young adult clients received services from Australian Hearing in an 18-month period up to the end of 2012–13, which is more than four times greater than DoH's original estimate for that period. However, these are early results and a final outcome will not be available until the end of the MOA in 2014–15.

3.52 DoH is aware that under the MOA there is largely no visibility or monitoring of the increased client numbers to be funded from the 2011–12 Budget measure and broader program outcomes, and advised that the establishment of the DTG will address this issue before the end of the MOA. The DTG is to be a forum for discussing ways to increase and improve the data management and reporting capabilities for the Hearing Services Program, including the CSO program, and contributing to an evaluation of the MOA's performance.

3.53 Where government policy initiatives have provided additional resources to agencies in the expectation of a measurable return on that investment, the ANAO has previously commented on the desirability of agencies implementing mechanisms to effectively monitor and report on the delivery of those outcomes.¹⁰⁸ The development of suitable monitoring and reporting arrangements—to assess the outcomes achieved relative to the policy

108 For example, see ANAO Audit Report No.26 2013–14 *Medicare Compliance Audits*, p. 20.

objectives—is expected for Budget measures, and those arrangements operate most effectively when embedded within agencies’ business as usual processes. The establishment of the DTG enables DoH to embed the monitoring of client numbers (from the 2011–12 Budget) and measurement of broader program outcomes, in the routine management of the MOA. Progress can then be monitored at the quarterly management meetings held between DoH and Australian Hearing.

Recommendation No.1

3.54 To support its monitoring and reporting of outcomes achieved from the 2011–12 Budget measure for the hearing Community Service Obligations program, the ANAO recommends that the Department of Health establish a methodology, in consultation with Australian Hearing, for measuring performance against the projected service targets and other outcomes for eligible client groups from 2011–12 to 2014–15.

DoH’s response:

3.55 *The Department of Health agrees with this recommendation.*

Australian Hearing’s response:

3.56 *Australian Hearing agrees with the recommendation made by the report. Australian Hearing has commenced working with the Office of Hearing Services, through the Data Technical Group to establish an effective methodology for measuring performance against the projected service targets and other outcomes for eligible clients groups from 2011–12 to 2014–15. Work by this group is considering a variety of measures e.g. financial, service data and client change in quality of life measures.*

DoH internal reporting arrangements

3.57 In DoH’s Office of Hearing Services, the reporting produced by Australian Hearing for the CSO program is used for routine program management activity and informs broader policy and funding decisions for the Hearing Services Program.

3.58 The Office of Hearing Services also collects data sets on services provided to meet the hearing health needs of Aboriginal and Torres Strait Islanders and works with other areas of the department that have responsibility for Indigenous health. In the past, sharing information from the CSO program has occurred informally, and to date, there has not been a routine exchange of ideas, information and available research data between the

Office of Hearing Services and other areas in the department for the purpose of effectively planning and integrating service delivery to improve health outcomes for Aboriginal and Torres Strait Islander Australians.

3.59 Given the barrier that poor hearing can play to achieving several of the 2009 Council of Australian Governments' Closing the Gap targets, the Office of Hearing Services could also provide succinct information on CSO program activities and outcomes to other areas of the department, particularly with regard to health outcomes for Aboriginal and Torres Strait Islander Australians.

External reporting for the CSO program

3.60 Annual reports are a mechanism for reporting on performance externally and are an opportunity to promote and demonstrate, to the Parliament and the community, achievements with programs and services that are identified in Portfolio Budget Statements (PBS)¹⁰⁹ and Portfolio Additional Estimates Statements.¹¹⁰

3.61 For the CSO program, the MOA reports provided by Australian Hearing to DoH are not public documents. There is however public reporting about the CSO program in the annual reports published by DoH, Human Services and Australian Hearing, and there was previously reporting in DoH's PBS for Outcome 7—Hearing Services.

Department of Human Services

3.62 Australian Hearing is not reported in Human Services' PBS or Portfolio Additional Estimates Statements as it is a non-General Government Sector entity and is not consolidated into the Commonwealth general government sector fiscal estimates. In 2012–13, the department included a brief description of the CSO program in its annual report.¹¹¹

109 The PBS: 'provide information (financial and non-financial) at the portfolio and agency level about the on-going policy and program delivery initiatives of the Government'. See Department of Finance and Deregulation, *Guidance for the Preparation of the 2013–14 Portfolio Budget Statements*, Attachment A, March 2013, p. 3.

110 ANAO Better Practice Guide—*Better Practice in Annual Performance Reporting*, April 2004, Canberra, p. 4.

111 Department of Human Services, *Annual Report 2012–13*, Human Services, Canberra, 2013, p. 19.

Department of Health

3.63 In 2011–12, DoH's PBS included a qualitative KPI for the CSO program, which was reported as having been met in the department's annual report for that year. The following year, DoH reviewed all of the PBS deliverables and KPIs to ensure more targeted performance reporting and this resulted in the removal of the CSO program's KPI among others.

3.64 The department's annual report for 2012–13 included a description of the CSO program and the statement: 'The timeliness and quality of service delivery under the CSO Program was consistent with the agreed standards in the Memorandum of Agreement between the Department and Australian Hearing'.¹¹² There have been no further changes to the performance information for Outcome 7—Hearing Services since 2012–13.

3.65 Although reporting in 2011–12 and 2012–13 by DoH was positive about the KPI target and MOA outcomes respectively, the PBS and annual report changes mean that readers cannot easily compare the CSO program's performance over time. Therefore, reporting on the CSO program by Australian Hearing has become the primary source of external reporting about the program.

Australian Hearing

3.66 An analysis of Australian Hearing's annual reports, from 2009–10 to 2012–13, shows that the following information is routinely provided for the CSO program:

- a brief description; and
- program information about:
 - client numbers;
 - services delivered to paediatric, Indigenous and complex clients; and
 - the centres delivering services.

¹¹² Department of Health and Ageing, *Annual Report 2012–13*, DoHA, Canberra, 2013, p. 126.

3.67 The program information is not presented in a consistent format that facilitates direct comparisons between years. However, the commentary accompanying the presentation of data gives the reader useful context for interpreting the results.

3.68 There can be discrepancies between the data presented by Australian Hearing in the end-of-year MOA report and the annual report due to the timing of data cleansing activities performed by Australian Hearing. However, both DoH and Australian Hearing are aware of the potential for inconsistent data and Australian Hearing has advised it is seeking to ensure consistent internal and external reporting in the future.

Conclusion

3.69 DoH and Australian Hearing have made provision under the MOA for monitoring performance against a suite of quantitative and qualitative indicators—for the delivery of hearing services and hearing devices—that complement the program objectives. However, these KPIs are chiefly output focussed and do not, at present, directly measure the beneficial outcomes for an individual client. DoH and Australian Hearing have committed to the further development of KPIs for the CSO program, for example, measuring workforce and education participation rates of clients. To that end, DoH and Australian Hearing established a joint DTG in March 2014 whose terms of reference include consideration of the potential for new KPIs for the CSO program.

3.70 Consistent with the MOA requirements, Australian Hearing has established a complaints management system for handling complaints made by clients of the CSO program and reports to DoH on a quarterly basis. Complaints recorded over recent years have been consistently very low compared to the number of services provided to a diverse national client base. Notwithstanding, DoH monitored and followed-up Australian Hearing's reporting against the MOA complaints management KPIs. Stakeholder groups interviewed by the ANAO also reported generally positive views of Australian Hearing's professionalism and the quality of service delivery for the CSO program.

3.71 The MOA quarterly monitoring reports by Australian Hearing and the quarterly assessment reports produced by DoH, for internal departmental use, record progress against the key MOA performance elements—budget, client numbers seen and services provided, and achievement against the KPIs.

However, under the MOA there is largely no visibility or monitoring of the increased client numbers to be funded from the 2011–12 Budget measure and broader program outcomes. The development of suitable monitoring and reporting arrangements—to assess the outcomes achieved relative to the policy objectives—is expected for Budget measures, and those arrangements operate most effectively when embedded within agencies’ business as usual processes. The establishment of the DTG provides an opportunity for DoH and Australian Hearing to address this issue before the end of the MOA.

3.72 DoH regularly assesses the CSO program’s performance and, in June 2013, DoH and Australian Hearing met the MOA requirement to conduct annual high-level service planning for the following year. The local service data collected by Australian Hearing is a potentially valuable source of information on local or regional variations in access and the timeliness of service provision, which merits consideration before it is aggregated for KPI purposes. There would also be benefit in DoH and Australian Hearing considering options for engaging external stakeholders as part of the annual MOA service planning process, and as part of a planned 2014 evaluation of the MOA’s performance.

3.73 Within DoH, CSO program reporting informs broader policy and funding decisions for the Hearing Services Program. In this context, the Office of Hearing Services could also provide succinct information on CSO program activities and outcomes to other areas of the department, particularly with regard to health outcomes for Aboriginal and Torres Strait Islander Australians.

3.74 Limited public reporting about the program is available in annual reports published by DoH and Human Services. Australian Hearing is the primary source of external reporting about the program. While Australian Hearing’s annual report information is not presented in a consistent format that facilitates direct comparisons between years, the commentary accompanying the presentation of data gives the reader useful context for interpreting the results.

4. Agencies' Implementation of Report Recommendations

This chapter examines a selection of recent public recommendations about hearing services in Australia and assesses their implementation by the Department of Health, Department of Human Services and Australian Hearing.

Introduction

4.1 Hearing services in Australia have previously been reviewed through the 2010 Senate Community Affairs References Committee inquiry (Senate inquiry) *Hear Us: Inquiry into Hearing Health in Australia*, and a 2008 performance audit by the former Office of Evaluation and Audit (Indigenous Programs) (OEA) *Performance Audit of Australian Hearing Specialist Program for Indigenous Australians Report*. The Senate inquiry made 34 recommendations and the OEA audit made a total of eight.

Audit approach

4.2 The ANAO selected 10 recommendations from the Senate inquiry and all eight OEA recommendations for an assessment of their implementation by DoH, Human Services and/or Australian Hearing. All of the recommendations selected for assessment were agreed in the reports by the relevant agency.

4.3 In the then Government's 2011 response to the Senate inquiry, DoH undertook a coordinating role in preparing a whole-of-government response to the inquiry.¹¹³ The recommendations were primarily categorised as: accepted; accepted in principle; or, considered matters for state and territory governments or non-government organisations.¹¹⁴ The Government accepted 17 recommendations either outright or in principle. Of the 17 recommendations accepted by the Government, the ANAO assessed that 10 were relevant to the CSO program or the Hearing Services Program more

¹¹³ Where recommendations related to their respective portfolios, input to the response was provided by the departments of the: Attorney-General; former Families, Housing, Community Services and Indigenous Affairs; former Education, Employment and Workplace Relations; former Innovation, Industry, Science and Research; and Human Services.

¹¹⁴ Recommendation 32 was noted by the Government. Recommendations 20 and 33 were noted as well as being considered matters for consideration by state and territory governments.

broadly. All of the recommendations selected required DoH to take a leading role in their implementation.

4.4 To inform the ANAO’s assessment of the extent to which implementation of the 18 recommendations (Senate inquiry and OEA) had been achieved, DoH, Human Services and Australian Hearing were each provided with guidance and a template and requested to: indicate their assessment of a recommendation’s implementation status; and provide documents or other evidence supporting the assessment.

4.5 In assessing each recommendation’s implementation status, the ANAO:

- considered the original intended outcome for that recommendation;
- reviewed the documentation provided by the agencies; and
- interviewed key staff where necessary.

4.6 The ANAO did not examine the governance arrangements in place to monitor and oversee the implementation of recommendations or further assess the implementation status of recommendations beyond the evidence provided by each agency in support of their assessment and any necessary clarification of that information.

4.7 Table 4.1 shows the method used by the ANAO to assess the extent of implementation of the 18 recommendations.

Table 4.1: Categorisation of implementation

Category	Explanation
Implementation adequate	The action taken met the intent of the recommendation, and sufficient evidence was provided to demonstrate action taken.
Partial implementation	<p>This category encompasses two considerations:</p> <ul style="list-style-type: none">• Action taken was less extensive than recommended by the Senate inquiry or OEA. Action either fell short of the intent of the recommendation, or only addressed some of the identified risks to an agency’s successful delivery of its outcomes.• The agency may have established a process or procedure to address an issue, however, the specific action noted in the recommendation was not complete at the time of this assessment.

Category	Explanation
Not adequate implementation	<p>This category encompasses two considerations:</p> <ul style="list-style-type: none"> • There is no supporting evidence that action has been undertaken. • The action taken does not address the recommendation.

Source: Adapted from ANAO Audit Report No.25 2012–13 *Defence's Implementation of Audit Recommendations*, Table 3.6, p. 78, and ANAO Audit Report No.53 2012–13 *Agencies' Implementation of Performance Audit Recommendations*, Table 3.2, p. 44.

Note: Table 4.3 reports on implementation of the 2010 Senate inquiry recommendations using these categories. A further category of 'Other' was included in the ANAO's final assessment of recommendations four and 13, as discussed in paragraph 4.14.

Senate inquiry recommendations

Background

4.8 The topic of hearing health services in Australia was referred by the Senate for inquiry in 2009. The inquiry was in response to a 2006 Access Economics report, *Listen Hear! The economic impact and cost of hearing loss in Australia*, and: 'personal representations by a number of hearing impaired people'.¹¹⁵ The Senate inquiry received 184 public submissions from interested individuals and organisations. The report was tabled in the Parliament in May 2010 and the Government responded in May 2011.¹¹⁶

4.9 The inquiry considered an array of issues relating to hearing health services in Australia. The terms of reference for the inquiry made particular reference to:

- the extent, causes and costs of hearing impairment in Australia;
- the implications of hearing impairment for individuals and the community;
- the adequacy of access to hearing services, including assessment and support services, and hearing technologies;
- the adequacy of current hearing health and research programs, including education and awareness programs; and
- specific issues affecting Indigenous communities.¹¹⁷

115 Senate Community Affairs References Committee, *Hear Us: Inquiry into Hearing Health in Australia*, Commonwealth of Australia, Canberra, 2010, p. 2.

116 The Government's response is available from <<http://www.aph.gov.au>> [accessed 3 February 2014].

117 Senate Community Affairs References Committee, *Hear Us: Inquiry into Hearing Health in Australia*, Commonwealth of Australia, Canberra, 2010, p. 2.

Recommendations selected for assessment

4.10 The committee made 34 recommendations. The implementation of the report recommendations has previously received Parliamentary interest. Since 2011, during Senate estimates, DoH provided the Senate Community Affairs Legislation Committee (the committee) with advice on action taken towards implementation. At the time of this audit, the most recent update from DoH was provided to the committee in June 2013.

4.11 The ANAO identified 10 recommendations from the Senate inquiry for follow-up with DoH, including one for follow-up with both Human Services and DoH (Recommendation 13). As noted earlier, the recommendations examined are those relevant to the CSO program or the Hearing Services Program more broadly. Table 4.2 shows the recommendations selected for assessment of their implementation status.

Table 4.2: Senate recommendations selected by ANAO

Recommendation	Description
No.4	The committee recommends that eligibility for the Australian Government Hearing Services Voucher Program be extended to include all Australians, subject to eligibility and a means test.
No.5	The committee recommends that former child clients of Australian Hearing remain eligible for Australian Hearing support until the age of 25. This eligibility is to be subject to a means test. Former child clients of Australian Hearing who do not meet the means test are to have the option to access Australian Hearing support on a fee-for-service basis until the age of 25.
No.12	The committee recommends that the Office of Hearing Services review its policy with regard to the replacement of damaged, lost or obsolete cochlear implant speech processors for eligible clients over 21 years of age, and if possible align it with the replacement policy for eligible clients less than 21 years of age.
No.13	The committee recommends that the public counters in all government service shopfronts be accessible to people with a hearing impairment through the provision of hearing loop technology. The committee recommends that the Office of Hearing Services coordinate a project which sets targets toward that end for all government agencies, at all levels of government, and that these be publicly reported upon.
No.15	The committee recommends that the Australian Government fund the National Acoustic Laboratory to undertake longitudinal research into the long-term impacts of recreational noise, particularly exposure to personal music players.
No.17	The committee recommends that Australian Governments prioritise and fund research into the reasons for the under use of hearing aids, and develop practicable strategies for hearing health practitioners to help overcome the under use in the community.

Recommendation	Description
No.21	The committee recommends that the Department of Education, Employment and Workplace Relations and Department of Health and Ageing jointly establish a task force to work across portfolios and jurisdictions on a plan to systemically and sustainably address the educational needs of hearing impaired Indigenous Australian children.
No.26	The committee recommends that the Department of Health and Ageing make the changes to Medicare necessary to enable specialists and practitioners to receive public funding support for ear health services provided remotely via ear telehealth.
No.29	The committee recommends that the Department of Health and Ageing: <ul style="list-style-type: none"> a) provide funding and resources to manage a national biennial Indigenous ear health conference; and b) make the outcomes of those conferences publicly available to assist researchers and practitioners in the field of hearing health.
No.30	The committee recommends that the Department of Health and Ageing work with state and territory health agencies to provide funding to support the continuation, promotion and expansion of the Ear Health Infonet.

Source: Senate Community Affairs References Committee, *Hear Us: Inquiry into Hearing Health in Australia*, Commonwealth of Australia, Canberra, 2010, pp. xvi–xxii.

Implementation of selected Senate inquiry recommendations

4.12 The ANAO's assessment of DoH's implementation of Senate inquiry recommendations is summarised in Table 4.3.

Table 4.3: Overview of DoH's implementation of Senate inquiry recommendations

Recommendation	Implementation adequate	Partial implementation	Not adequate implementation	Other
No.4				✓
No.5	✓			
No.12		✓		
No.13 ¹				✓
No.15		✓		
No.17		✓		
No.21		✓		
No.26	✓			

Recommendation	Implementation adequate	Partial implementation	Not adequate implementation	Other
No.29	✓			
No.30	✓			
Total number	4	4	0	2

Source: ANAO analysis of DoH documents and advice.

Note: 1 In 2011, Centrelink and Medicare Australia were referred to in the then Government's response to Recommendation 13 of the Senate inquiry. In 2013, while not being the lead portfolio for implementing the recommendation, Human Services provided background commentary to the ANAO about the department's activities in support of the recommendation.

4.13 Table 4.3 shows that DoH adequately implemented four of the ten selected Senate inquiry recommendations and partially implemented four. For the recommendations assessed as adequately implemented, action taken by DoH met the intent of the recommendations and sufficient evidence was provided to the ANAO to demonstrate the action taken. For the four recommendations assessed as partially implemented, action taken by DoH was less extensive than recommended by the Senate inquiry; or, a process had been established by DoH, but the specific action noted in the recommendation was not complete at the time of the ANAO's assessment.

4.14 The implementation of two of the 10 Senate inquiry recommendations was categorised as 'Other' for the following reasons:

- recommendation four—extending eligibility (for the Voucher program) under the Hearing Services Program is a policy and resourcing matter for Government. At the time of the audit, there was no Government policy or Budget measure that would enable implementation of the recommendation; and
- recommendation 13—a project affecting all levels of government, was accepted in principle by the then Australian Government in 2011. DoH received advice from other agencies about relevant building standards and awareness raising activities connected with the provision of hearing loop technology. In 2013, the department's advice to the Committee included that the: 'Commonwealth has no mandate to

require other levels of government to provide this or any other hearing technology'.¹¹⁸

4.15 The information provided by DoH, in responding to the ANAO's request, was consistent with the department's advice to the Senate during the estimates process in June 2013.

Office of Evaluation and Audit recommendations

Background

4.16 The OEA published the *Performance Audit of Australian Hearing Specialist Program for Indigenous Australians Report* in 2008. The OEA focused on one method of service delivery for hearing health—the delivery of Indigenous outreach services through Australian Hearing's Specialist Program for Indigenous Australians (AHSPIA). The objective of the audit was: 'to assess the efficiency and effectiveness of Australian Hearing's management and delivery of AHSPIA to improve access to hearing services for Indigenous Australians'.¹¹⁹

4.17 Australian Hearing, DoH and Human Services were all included in the audit's scope. At the time of the OEA audit, AHSPIA was included in the Memorandum of Understanding (MOU) between DoH and Australian Hearing for management of the CSO program.

4.18 In assessing the management and delivery of AHSPIA, the audit scope involved coverage of Australian Hearing's: 'planning activities, service delivery arrangements and monitoring of program performance associated with the delivery of AHSPIA services'.¹²⁰ OEA concluded that:

[W]hile AHSPIA is achieving its objective of providing a more flexible model of service delivery to Aboriginal and Torres Strait Islander people, some refinements to the program's administration could increase its effectiveness in reducing the impact of hearing loss through Australian Hearing's prevention and rehabilitation services.¹²¹

118 Commonwealth, *Questions on Notice*, Senate, 6 June 2013, Department of Health and Ageing, available from <http://www.aph.gov.au/~media/Estimates/Live/clac_ctte/estimates/bud_1314/DoHA/tailed_docs/25_060613_TracyDuffy_HearUsRecommendations.ashx> [accessed 8 January 2014].

119 Office of Evaluation and Audit, *Performance Audit of Australian Hearing Specialist Program for Indigenous Australians Report*, Commonwealth of Australia, Canberra, 2008, p. 4.

120 *ibid.*, p. 19.

121 *ibid.*, p. 7.

Report recommendations

4.19 The audit made eight recommendations, all of which the ANAO followed-up with DoH, Human Services¹²² and Australian Hearing. Table 4.4 shows the OEA recommendations.

Table 4.4: OEA recommendations

Recommendation	Description
No.1	OEA recommends that OHS [Office of Hearing Services] and Australian Hearing agree on a set of targets and revised reporting arrangements against each CSO category, service delivery category (for example: aided and unaided), as well as qualitative reporting on the levels of service provision.
No.2	OEA recommends that, in planning AHSPIA services, Australian Hearing review the range of information required to prioritise services, including referral information from secondary service providers and information about those factors which create a higher need for Outreach Services.
No.3	OEA recommends that Australian Hearing review the roles and effectiveness of the Indigenous Liaison Officer and AHSPIA Coordinator positions. This should include their contribution to improving Indigenous accessibility to services, taking account of geographic coverage and location (that is, remote, regional and urban areas).
No.4	OEA recommends that Australian Hearing improve monitoring of service delivery arrangements and outcomes in AHSPIA Outreach Sites by: <ul style="list-style-type: none"> c) clarifying requirements as to the role and negotiation of Service Level Agreements, including ensuring consistency as to requirements between the Protocols and the Quality Plan; d) determining and documenting access and outcomes of service delivery arrangements agreed with communities, including the communities' responsibility and contribution to the success of their respective hearing programs; and e) monitoring the negotiation, operation and outcomes from Service Level Agreements or other agreements in all existing and new AHSPIA Outreach Sites.
No.5	OEA recommends that OHS and Australian Hearing ensure consistency between organisational documentation and the <i>Declared Hearing Services Determination 1997</i> in terms of the definition of Indigenous eligibility for people aged over 50.

¹²² In 2008, Human Services agreed to all eight of the recommendations made in the OEA report, noting that two of the recommendations were the responsibility of DoH. In 2013, Human Services advised the ANAO that the department was not subsequently involved in the implementation of any of the recommendations as they were considered matters for DoH and Australian Hearing to implement.

Recommendation	Description
No.6	OEA recommends that OHS and Australian Hearing improve transparency in reporting on the expenditure of AHSPIA funding by: <ul style="list-style-type: none"> a) ensuring the new reporting template provides for disclosure of the number of AHSPIA clients from each CSO category; b) clarifying the definition of an 'Outreach Site'; and c) providing information on the number of operational AHSPIA sites, including the annual number of site visits.
No.7	OEA recommends that OHS determine the relevant level of service hours expected for Indigenous clients, where service hours are expected to fall below the national average as a consequence of providing services in remote locations. OHS should separately monitor Australian Hearing's service delivery for this group against these expectations including the numbers of remote clients affected.
No.8	OEA recommends that, in order to measure the overall effectiveness of AHSPIA Outreach Sites in reducing the impact of hearing loss through the provision of tertiary hearing services, Australian Hearing in consultation with OHS establish a formal evaluation strategy for AHSPIA that covers accessibility to and effectiveness of services relative to need, as well as the preventative role of the program.

Source: Office of Evaluation and Audit (Indigenous Programs), *Performance Audit of Australian Hearing Specialist Program for Indigenous Australians Report*, Commonwealth of Australia, Canberra, 2008, pp. 10–11.

Implementation of OEA recommendations

4.20 The ANAO's assessment of DoH's and Australian Hearing's implementation of OEA recommendations is summarised in Table 4.5.

Table 4.5: Implementation overview of OEA report recommendations

Recommendation	Implementation adequate	Partial implementation	Not adequate implementation
No.1	✓		
No.2	✓		
No.3	✓		
No.4	✓		
No.5	✓		
No.6	✓		
No.7	✓		
No.8		✓	
Total number	7	1	0

Source: ANAO analysis of DoH and Australian Hearing documents and advice.

4.21 The ANAO's analysis shows that DoH and Australian Hearing adequately implemented seven of the eight recommendations from the OEA's report on the AHSPIA program. This means that the action taken by the agencies met the intent of the recommendations and sufficient evidence was provided to the ANAO to demonstrate the action taken. The seven recommendations that were adequately implemented addressed three major areas of findings in the report: planning for the delivery of services; service delivery; and the program's monitoring and reporting arrangements.

Conclusion

4.22 The 10 Senate inquiry recommendations selected for assessment by the ANAO were primarily the responsibility of DoH to implement. All of the eight OEA report recommendations were assessed by the ANAO and were either independently or jointly implemented by DoH and Australian Hearing. Given the dates the recommendations were originally made (2008 and 2010), both agencies were considered to have had sufficient opportunity to take action towards their implementation. The ANAO has previously observed that the value of a performance audit is fully realised with the timely and adequate implementation of recommendations.¹²³

4.23 Of the 10 Senate inquiry recommendations selected for analysis, DoH adequately implemented four of the recommendations and partially implemented another four recommendations. However, two recommendations¹²⁴ addressed matters that could remain outstanding in the longer term as they would require either a change in Australian Government policy or further consultation (including with other levels of government) for their implementation.

123 ANAO Audit Report No.25 2012–13 *Defence's Implementation of Audit Recommendations*, p. 9 and ANAO Audit Report No.53 2012–13 *Agencies' Implementation of Performance Audit Recommendations*, p. 54.

124 To extend eligibility for the Voucher program to include all Australians, subject to eligibility and a means test, and to install hearing loop technology in all (levels of) government service shopfronts.

4.24 Elements included in the former MOU and current MOA by DoH and Australian Hearing address a number of the OEA recommendations. For the OEA recommendations, seven of the recommendations were adequately implemented by DoH and Australian Hearing, with one recommendation partially implemented. There is the potential for the remaining recommendation to be adequately implemented by the end of the current MOA. In March 2014, DoH and Australian Hearing agreed to evaluate AHSPiA later in 2014 separately, but in conjunction with a broader evaluation of the MOA's performance (refer to Chapter 3).



Ian McPhee
Auditor-General

Canberra ACT
28 May 2014

Appendices

Appendix 1: Agencies' Responses

19 MAY 2014
9.30



Australian Government
Department of Health

SECRETARY

Dr Tom Ioannou *8/15*
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Dr Ioannou

PERFORMANCE AUDIT ON THE DELIVERY OF THE HEARING COMMUNITY SERVICE OBLIGATIONS

Thank you for your letter of 22 April 2014, providing an opportunity for the Department to comment on the proposed Australian National Audit Office (ANAO) report of the above audit.

The Department appreciated the professionalism of the auditors and the collaborative nature of the audit.

As requested in your letter, please find attached the Department's comments on the proposed audit report (**Attachment A**).

If you have any questions about this matter, please contact Mr Colin Cronin, Assistant Secretary, Audit and Fraud Control Branch, on (02) 6289 7877.

Yours sincerely

Jane Halton PSM
Secretary

15 May 2014



Australian Government
Department of Human Services

Kathryn Campbell CSC
Secretary

GED
6 MAY 2014
9.30

Ref: EC14/142

Dr Tom Ioannou *8/5*
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Tom
Dear Dr Ioannou

Thank you for the opportunity to comment formally on the proposed audit report on *Delivery of the Hearing Community Service Obligation*, dated 22 April 2014.

The Department of Human Services (the department) notes that the Australian National Audit Office's recommendation is for implementation by the Department of Health in consultation with Australian Hearing.

Attachment A to this letter details our overall response to the proposed report and to the ANAO's recommendation.

If you would like to discuss the department's response, please do not hesitate to contact Jake Winter, A/g National Manager, Portfolio Agency Advice Branch, on (02) 6223 4540.

Yours sincerely

Kathryn Campbell

4 May 2014



T (02) 9412 6800

Australian Hearing
Australian Hearing Hub
Level 5, 16 University Avenue
MACQUARIE UNIVERSITY NSW 2109
AUSTRALIA
www.hearing.com.au

15 May 2014

Dr Tom Ioannou *TJ n/s*
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Dear Dr Ioannou

Response to ANAO Audit report on the Delivery of the Hearing Community Service Obligation

Thank you for your comprehensive report and the opportunity to comment. As requested we suggest the following be incorporated into your final report:

1. Response to Recommendation (To be inserted at page 19, dot point 41)

Australian Hearing agrees with the recommendation made by the report. Australian Hearing has commenced working with the Office of Hearing Services, through the Data Technical Group to establish an effective methodology for measuring performance against the projected service targets and other outcomes for eligible clients groups from 2011-12 to 2014-15. Work by this group is considering a variety of measures e.g. financial, service data and client change in quality of life measures.

2. Response to Report (To be inserted at Appendix 1: Agencies' Responses)

Australian Hearing

In summary, Australian Hearing believes the report to be accurate. The report results reflect the high level of cooperation and dedicated work put into the management and delivery of the program by the Department of Health (DoH) and Australian Hearing.

Other Comments

1. *Summary point 32 and Chapter 3 Performance Monitoring, Stakeholder feedback 3.32-3.35.*
 - Australian Hearing has put in place a Paediatric Advisory Committee to engage external stakeholders as is detailed by the report (3.35).
 - Australian Hearing has commissioned independent research to conduct Stakeholder consultations which engage other stakeholder groups. The results of this research will further strengthen the direction of our services.
 - Australian Hearing will also look to run further CSO specific stakeholder activities in the coming year to inform broader policy and assist with funding decisions.

Registered trademark of Australian Hearing Services
ABN 80 308 797 003
Australian Hearing is a quality certified organisation (AS/NZS ISO 9001:2008)

2. *Summary point 33 and Chapter 3 Reporting on increased Budget funding 3.48 -3.53*

- Through the Data Technical Group, Australian Hearing will assist DoH by providing the data required to monitor the program effectively. This work is already progressing.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Bill Davidson', with a stylized flourish extending to the right.

Bill Davidson
Managing Director

Appendix 2: CSO Program Eligible Client Groups

Under the *Declared Hearing Services Determination 1997* (the Determination), young Australians, including young NDIS participants from 1 July 2013, are eligible for government-subsidised hearing services from Australian Hearing (as a sole provider through the CSO program). Should a family elect to receive hearing services from a private provider (other than Australian Hearing), they are responsible for the cost of services and devices.

Eligibility for CSO hearing services was extended to young adults on 1 January 2012, as part of the then Government's response to a 2010 Senate inquiry on hearing services.¹²⁵ Previously, eligibility for CSO services for young Australians ended at 21 years of age. The new eligibility category was created in recognition of the important role hearing plays in communication development, education and employment opportunities for young people. Alternatively, young adults can elect to receive subsidised hearing services from a DoH contracted service provider other than Australian Hearing if they are eligible through the Voucher program.

A person is classified as a 'complex client' in the Determination if they have a profound hearing loss or a hearing loss combined with severe communication impairment. Under the Determination, a severe communication impairment is a: 'significant physical, intellectual, mental, emotional or social disability' that causes or aggravates communication problems or a communication difficulty that prevents a person: 'from communicating effectively in his or her daily environment'.¹²⁶ For example, a client's hearing needs may be treated as complex if their hearing loss is less than profound, but they are diagnosed with autism, Down syndrome or dementia. Many clients with complex hearing needs live in supported accommodation and more than 50 per cent of people in this client group are over 80 years of age.

¹²⁵ The 2010 Senate inquiry found that there was a considerable financial burden for young adults with a hearing loss, associated with the need to periodically replace hearing devices, which could disadvantage them when pursuing education, training and employment aspirations. Community Affairs References Committee, *Hear Us: Inquiry into Hearing Health in Australia*, Commonwealth of Australia, Canberra, 2010, p. 91.

¹²⁶ *Declared Hearing Services Determination 1997*, s. 3, pp. 4–5.

Adults are eligible to participate in the CSO program if they have complex hearing needs or reside in a designated¹²⁷ remote location where access to hearing services from private providers is limited.

Indigenous Australians—as well as being eligible young Australians, young adult clients or potentially as adults with complex needs—are eligible for CSO services if they are over 50 years of age, a current participant in the Community Development Employment Projects (CDEP) or current participant in the Remote Jobs and Communities Program (RJCP).¹²⁸ In addition:

- Indigenous Australians who transferred from the CDEP to the RJCP continue to be eligible for CSO services under the Determination.
- Former CDEP participants who did not transfer to RJCP also retain their eligibility if they were receiving CSO hearing services (either as a current CDEP participant or through a grandfathering arrangement) as at 30 June 2013. The grandfathering arrangement extends to cover Indigenous Australians who before ceasing to be a participant in the CDEP program (on or after 30 June 2013) had received or were part way through receiving CSO hearing services.

127 *ibid.*, Schedule 2, List of postcodes (remote areas), pp. 13–14.

128 The CDEP is an Australian Government initiative to help Indigenous job seekers find employment. On 1 July 2013, it was replaced by the RJCP in remote areas: a new Australian Government initiative for improving employment in remote regions for both Indigenous and non-Indigenous Australians.

Appendix 3: Memorandum of Agreement Key Performance Indicators

The Memorandum of Agreement between DoH and Australian Hearing contains 16 Key Performance Indicators (KPIs).¹²⁹ The KPIs are divided into two categories: quantitative indicators and qualitative indicators.

Seven of the 16 KPIs form part of the quarterly reporting regime. The remaining nine KPIs are assessed retrospectively on an annual basis at the end of a financial year or triennial basis (KPI 11) and are marked with an asterisk.

Schedule 5 — Key Performance Indicators	
Quantitative Indicators	
Young Australians (0–20) and young adults (21–25)	
1	Greater than 75 per cent of children aged 0–12 years who have been referred with the diagnosis of a permanent hearing loss have an interval between first contact and first Australian Hearing appointment of less than or equal to two weeks.
2	Greater than 90 per cent of clients aged 13–25 who have been referred with the diagnosis of a permanent hearing loss have an interval between first contact and first Australian Hearing appointment of less than or equal to four weeks.
3	Greater than 80 per cent of children with a moderate or greater bilateral, permanent hearing loss of >40 dBHL in the better ear detected through Newborn Hearing Screening Programs, have a hearing aid fitted by 6 months of age, with 95 per cent fitted by 12 months of age.
4*	≥ 80 per cent of aided young Australian and young adult clients seen by an audiologist at least once in a 12 month period. ¹³⁰
5*	≥ 95 per cent of aided young Australian and young adult clients who attend for an appointment are seen by an audiologist with specialised training.
6*	Average time spent per client per year: ¹³¹ <ul style="list-style-type: none"> Aided children birth to 3 years of age: 7.6 hours per year ± 1 hour. Aided children and young adults over the age of 3: 2.3 hours per year ± ½ hour.
Complex adults	
7*	≥ 80 per cent of aided complex adult clients are seen by an audiologist at least once in a 12 month period.
8*	≥ 95 per cent of aided complex adult clients who attend for an appointment are seen by an audiologist with specialised training.

129 MOA, Schedule 5 – Key Performance Indicators, pp. 52–53.

130 Indigenous and non-Indigenous clients to be reported separately.

131 *ibid.*

Schedule 5 — Key Performance Indicators

9*	≥ 70 per cent of complex adults who have had anything other than an impression service will have a communication assessment and/or communication training in that year.
Indigenous eligibility (IE) and AHSPIA	
10*	Greater than 90 per cent of sites with existing agreements (n=108) renew their agreements within 12 months of expiration. Of the remaining sites (n=112) that have not had service agreements in place, greater than 50 per cent have a current agreement by the end of 2012–13, increasing to 60 per cent by the end of 2013–14, and to 70 per cent by the end of 2014–15.
11*	≥ 80 per cent of IE clients seen by an audiologist at least once during the three year funding period.
12*	≥ 90 per cent of IE clients seen by an audiologist with specialised training.
Complaints management	
13	Number of complaints received during the reporting period.
14	Average time taken to resolve complaints received during the reporting period.
Qualitative indicators	
15	Continuous improvement activities within Australian Hearing, including: <ul style="list-style-type: none"> • nature of complaints received during the reporting period and any systemic changes made by Australian Hearing resulting from the complaints; • number and type of internal audits conducted, non-compliance identified and action taken to remedy and/or promote compliance; and • changes to policies and procedures as a result of continuous quality improvement activities.
16	Appropriate staff levels, training and rotation are maintained to ensure expected service provision at permanent hearing centres, visiting and outreach sites.

Index

A

Australian Hearing Specialist Program
for Indigenous Australians
(AHSPIA), 32, 34, 37, 38, 50, 58, 59,
67, 75, 81, 82, 83, 84, 85, 96

C

Closing the Gap, 29, 71

Community Development
Employment Projects (CDEP), 94

Customer complaint, 38, 57, 59, 61, 62,
63, 64, 73, 96

D

Department of Human Services, 30, 31,
37, 38, 56, 61, 71, 74, 75, 76, 78, 80, 81

E

Eligibility, 27, 30, 31, 32, 33, 34, 37, 42,
43, 44, 52, 53, 78, 80, 82, 84, 93, 94

F

Federal Budget 2011–12, 36, 68, 69, 74

M

Memorandum of Understanding, 35,
40, 41, 42, 48, 51, 53, 57, 59, 64, 69, 81,
85

N

National Disability Insurance Scheme,
33, 36, 44, 67, 93

O

Office of Evaluation and Audit, 37, 38,
75, 76, 81, 82, 83, 84, 85

R

Remote Jobs and Communities
Program, 44, 94

S

Senate Community Affairs References
Committee inquiry, 36, 37, 38, 39, 42,
75, 76, 78, 80, 84, 93

Stakeholder, 38, 55, 56, 64, 65, 67, 68,
73, 74

V

Value for money, 66

Series Titles

ANAO Audit Report No.1 2013–14

Design and Implementation of the Liveable Cities Program

Department of Infrastructure and Transport

ANAO Audit Report No.2 2013–14

Administration of the Agreements for the Management, Operation and Funding of the Mersey Community Hospital

Department of Health and Ageing

Department of Health and Human Services, Tasmania

Tasmanian Health Organisation – North West

ANAO Audit Report No.3 2013–14

AIR 8000 Phase 2 — C-27J Spartan Battlefield Airlift Aircraft

Department of Defence

ANAO Audit Report No.4 2013–14

Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2012 Compliance)

Across Agencies

ANAO Audit Report No.5 2013–14

Administration of the Taxation of Personal Services Income

Australian Taxation Office

ANAO Audit Report No.6 2013–14

Capability Development Reform

Department of Defence

ANAO Audit Report No.7 2013–14

Agency Management of Arrangements to Meet Australia's International Obligations

Across Agencies

ANAO Audit Report No.8 2013–14

The Australian Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Flood Reconstruction Projects in Queensland

Department of Infrastructure and Regional Development

ANAO Audit Report No. 32 2013–14

Delivery of the Hearing Community Service Obligation

ANAO Audit Report No.9 2013–14

Determination and Collection of Financial Industry Levies

Australian Prudential Regulation Authority

Department of the Treasury

ANAO Audit Report No.10 2013–14

Torres Strait Regional Authority — Service Delivery

Torres Strait Regional Authority

ANAO Audit Report No.11 2013–14

Delivery of the Filling the Research Gap under the Carbon Farming Futures Program

Department of Agriculture

ANAO Report No.12 2013–14

2012–13 Major Projects Report

Defence Materiel Organisation

ANAO Audit Report No.13 2013–14

Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2013

Across Agencies

ANAO Audit Report No.14 2013–14

Explosive Ordnance and Weapons Security Incident Reporting

Department of Defence

ANAO Audit Report No.15 2013–14

The Indigenous Land Corporation's Administration of the Land Acquisition Program

Indigenous Land Corporation

ANAO Audit Report No.16 2013–14

Administration of the Smart Grid, Smart City Program

Department of the Environment

Department of Industry

ANAO Audit Report No.17 2013–14

Administration of the Strengthening Basin Communities Program

Department of the Environment

ANAO Audit Report No.18 2013–14

Administration of the Improving Water Information Program
Bureau of Meteorology

ANAO Audit Report No.19 2013–14

Management of Complaints and Other Feedback
Australian Taxation Office

ANAO Audit Report No.20 2013–14

Management of the Central Movement Alert List: Follow-on Audit
Department of Immigration and Border Protection

ANAO Report No.21 2013–14

Pilot Project to Audit Key Performance Indicators

ANAO Audit Report No.22 2013–14

Air Warfare Destroyer Program
Department of Defence
Defence Materiel Organisation

ANAO Audit Report No.23 2013–14

Policing at Australian International Airports
Australian Federal Police

ANAO Audit Report No.24 2013–14

Emergency Defence Assistance to the Civil Community
Department of Defence

ANAO Audit Report No.25 2013–14

Management of the Building Better Regional Cities Program
Department of Social Services
Department of the Environment

ANAO Audit Report No.26 2013–14

Medicare Compliance Audits
Department of Human Services

ANAO Audit Report No.27 2013–14

Integrity of Medicare Customer Data
Department of Human Services

ANAO Audit Report No. 32 2013–14
Delivery of the Hearing Community Service Obligation

ANAO Audit Report No.28 2013–14

Review of Child Support Objections

Department of Human Services

Department of Social Services

ANAO Audit Report No.29 2013–14

Regulation of Commonwealth Radiation and Nuclear Activities

Australian Radiation Protection and Nuclear Safety Agency

ANAO Audit Report No.30 2013–14

Administering the Code of Good Manufacturing Practice for Prescription Medicines

Department of Health

ANAO Audit Report No.31 2013–14

The Australian Electoral Commission's Storage and Transport of Completed Ballot

Papers at the September 2013 Federal General Election

Australian Electoral Commission

ANAO Audit Report No.32 2013–14

Delivery of the Hearing Community Service Obligation

Department of Health

Department of Human Services

Australian Hearing Services

Better Practice Guides

The following Better Practice Guides are available on the ANAO website:

Implementing Better Practice Grants Administration	Dec. 2013
Human Resource Management Information Systems: Risks and controls	June 2013
Preparation of Financial Statements by Public Sector Entities	June 2013
Public Sector Internal Audit: An investment in assurance and business improvement	Sept. 2012
Public Sector Environmental Management: Reducing the environmental impacts of public sector operations	Apr. 2012
Developing and Managing Contracts: Getting the right outcome, achieving value for money	Feb. 2012
Public Sector Audit Committees: Independent assurance and advice for chief executives and boards	Aug. 2011
Fraud Control in Australian Government Entities	Mar. 2011
Strategic and Operational Management of Assets by Public Sector Entities: Delivering agreed outcomes through an efficient and optimal asset base	Sept. 2010
Planning and Approving Projects – an Executive Perspective: Setting the foundation for results	June 2010
Innovation in the Public Sector: Enabling better performance, driving new directions	Dec. 2009
SAP ECC 6.0: Security and control	June 2009
Business Continuity Management: Building resilience in public sector entities	June 2009
Developing and Managing Internal Budgets	June 2008
Agency Management of Parliamentary Workflow	May 2008
Fairness and Transparency in Purchasing Decisions: Probity in Australian Government procurement	Aug. 2007
Administering Regulation	Mar. 2007
Implementation of Programme and Policy Initiatives: Making implementation matter	Oct. 2006

