

Efficiency of the Processing of Applications for Citizenship by Conferral

Department of Home Affairs

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Canberra ACT

11 February 2019

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Home Affairs. The report is titled *Efficiency of the Processing of Applications for Citizenship by Conferral*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, 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



Grant Hehir
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

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Contents

Summary and recommendations.....	7
Background	7
Conclusion	8
Supporting findings.....	8
Recommendations.....	9
Summary of entity response.....	9
Key messages from this audit for all Australian Government entities	11
Audit findings.....	13
1. Background	14
Introduction	14
Audit rationale and approach	15
2. Time efficiency.....	17
Has the rate of decisions taken been keeping pace with applications lodged?	17
Has Home Affairs been achieving its target timeframe for deciding applications?	19
Has the complexity of the applications lodged increased?	26
What impact did the announcement of proposed reforms to the citizenship requirements have?	29
What impact did the introduction of increased integrity screening have on processing times?	33
Has the risk of 'unreasonable delay' in decision-making been adequately addressed?.....	38
3. Resource efficiency	45
Has Home Affairs optimised the efficiency of its processing staff?.....	45
Has Home Affairs checked the quality of the decisions taken?	50
Is the administration of the citizenship activities consistent with the Australian Government cost recovery framework?.....	54
Does the funding model contain an incentive to finalise applications efficiently?	57
Appendices	59
Appendix 1 Entity response	60

Summary and recommendations

Background

1. The concept of Australian citizenship has been enshrined in legislation since 1949. A person may become an Australian citizen automatically (generally persons born in Australia to one or more parents who are citizens or permanent residents) or by application.
2. Persons can apply for one of four types of citizenship by application: descent; adoption; resumption; and conferral. Citizenship by conferral is the largest component. Of the 259,815 applications for citizenship lodged in 2017–18, 92 per cent sought citizenship by conferral.
3. The Department of Home Affairs (Home Affairs or the department) administers the citizenship program and the citizenship legislation. Home Affairs will have previously assessed citizenship applicants against the identity and character requirements set out in the *Migration Act 1958* as part of their visa application and have determined them to be of good character. Further checking is undertaken as part of their citizenship application. Under the *Australian Citizenship Act 2007* the Minister must be satisfied that the person is of good character, and be satisfied of the identity of the person, 'at the time of the Minister's decision on the application'.

Rationale for undertaking the audit

4. The Office of the Commonwealth Ombudsman, the Refugee Council of Australia, Members of Parliament and others have publicly expressed interest in the length of time being taken to process applications.¹ Reasons include a reported increase in processing times, an increase in complaints received from applicants about delays and the Federal Court of Australia judgement of December 2016 that there had been an unreasonable delay in deciding two plaintiffs' applications for citizenship by conferral.² In May 2017, the Joint Committee of Public Accounts and Audit identified 'citizenship function administration' as an audit priority of the Parliament.

Audit objective and criteria

5. The objective of the audit was to examine the efficiency of the processing of applications for citizenship by conferral by the Department of Home Affairs.
6. To form a conclusion against the audit objective, the ANAO adopted the following high-level criteria:
 - Have applications for citizenship by conferral been processed in a time-efficient manner?
 - Have applications for citizenship by conferral been processed in a resource-efficient manner?

1 Of particular relevance are the: Commonwealth Ombudsman own motion investigation report, *Delays in Processing of Applications for Australian Citizenship by Conferral*, December 2017; and Refugee Council of Australia report, *Delays in Citizenship Applications for Permanent Refugee Visa Holders*, October 2015.

2 *BMF16 v Minister for Immigration and Border Protection* [2016] FCA 1530 (16 December 2016).

Conclusion

7. Applications for citizenship by conferral have not been processed efficiently by the Department of Home Affairs.

8. Applications have not been processed in a time-efficient manner. Processing times have increased and long delays are evident between applications being lodged and decisions being taken on whether or not to confer citizenship. Significant periods of inactivity are evident for both complex and non-complex applications accepted by the department for processing.

9. Applications have not been processed in a resource-efficient manner. The department has a suite of initiatives in train that are designed to improve efficiency but implementation has been slow. It has not set external key performance indicators to inform Parliament and other stakeholders of how efficient it has been in processing conferral applications. Further, the department is not checking the quality of the decisions being taken.

Supporting findings

Time efficiency

10. The rate of decisions taken has been declining and has not kept pace with application lodgements. Indicative of an underlying decline in processing performance, the number of citizenship tests administered each year has been decreasing.

11. Home Affairs had not been achieving its target timeframe for deciding applications (of making 80 per cent of decisions within 80 days of the application being lodged). Performance had declined since 2014–15 with only 15 per cent of decisions being taken within 80 days in 2017–18. The target has been removed and a replacement processing target has not been set. Instead, publication of times taken to acquire citizenship (from lodgement to ceremony) commenced in March 2017. Analysis of the times reported each month to September 2018 shows processing times have increased significantly since March 2017.

12. Overall, the relative complexity of the applications lodged has decreased. Growth in demand for citizenship in recent years was driven by people with good supporting documents who arrived in Australia on a skilled visa. There has been an increase in the number of more complex applications on hand.

13. The number of applications lodged per month between April 2017 and June 2018 correlated with the timing of proposed changes to the citizenship requirements, with the overall impact being an increase in lodgements in 2017–18. There was a long delay before substantive processing of the applications received from 20 April 2017 commenced (being the date the proposed reforms were announced) which negatively impacted processing times.

14. The introduction of increased integrity screening checking processes was a significant driver of the increase in processing times, and decrease in citizenship approval numbers, occurring from June 2017.

15. Home Affairs did not have processes in place to monitor and address periods of processing inactivity, including the length of time between an application being received and substantive processing work commencing.

Resource efficiency

16. Home Affairs has not optimised the efficiency of its processing staff. The department has a suite of initiatives in train that are designed to enhance efficiency but has been slow in implementing them. The number of decisions taken in the first quarter of 2018–19 increased significantly (by 81 per cent) compared with the number taken in the first quarter of 2017–18, but remains below the number of decisions being taken in earlier years (2014–15 to 2016–17).

17. Home Affairs has not checked the quality of the decisions taken to approve or refuse Australian citizenship in 2017–18. This was notwithstanding that its Quality Management Framework outlined that two per cent of the decisions should have been checked. As at August 2018 the department had not implemented an ANAO recommendation it agreed to in May 2015 relevant to assessing the quality of decisions taken, and had partially implemented another.

18. The administration of the citizenship activities has been largely consistent with the Australian Government cost recovery framework. However, analysis of the department's processing timeframes indicates the actual cost may exceed the efficient cost.

19. The citizenship services funding model contains an incentive for Home Affairs to finalise applications efficiently. The assumptions on which the funding model was based are outdated.

Recommendations

Recommendation no. 1

Paragraph 2.23

The Department of Home Affairs:

- (a) re-introduce externally reported key performance indicators of the time taken to decide applications for citizenship by conferral; and
- (b) expand its published processing times to also report the time being taken to decide applications for citizenship by conferral per month, including decisions to refuse citizenship.

Department of Home Affairs' response: *Disagreed.*

Recommendation no. 2

Paragraph 2.94

The Department of Home Affairs establish and monitor performance standards that address periods of processing inactivity, including the length of time between an application being received and substantive processing work commencing.

Department of Home Affairs' response: *Agreed in principle.*

Recommendation no. 3

Paragraph 3.56

The Department of Home Affairs agree with the Department of Finance a revised funding model for citizenship activities that is based on updated activity levels and efficient costs.

Department of Home Affairs' response: *Agreed.*

Summary of entity response

20. The proposed audit report was provided to the Department of Home Affairs, which provided a summary response that is set out below. Its full response is reproduced at Appendix 1.

There is no greater privilege than Australian Citizenship and the Department takes its responsibility to efficiently and effectively process applications within the law very seriously. The enhanced integrity measures adopted by the Department over the last three years to protect Australia's national security and community safety are delivering results. We will always prioritise these efforts over speed.

The Department disagrees with the ANAO findings that the processing of citizenship applications has not been done efficiently.^a The proportion of citizenship applications being refused has doubled, from 3.4 per cent in 2014–15 to 6.8 per cent in 2018–19 to 30 November 2018. This includes 144 individuals who were identified as having engaged in serious criminal conduct that was not declared on their citizenship application form and 1,440 instances of potential identity fraud, where individuals have provided different identity information on their citizenship application to that previously provided to the Department between August 2016 and October 2018. Twenty-nine individuals had their Australian Citizenship revoked since December 2014 for criminal conduct or citizenship or migration fraud and 12 individuals ceased to be an Australian Citizen, either because they have engaged in terrorism-related conduct offshore, or been in the service of a declared terrorist organisation offshore.

The Department dedicates significant resources to addressing these national security, community safety and program integrity risks and notes that cases with adverse indicators take a disproportionate level of effort and time to resolve, often requiring the assistance of various other agencies and partners.

The Department also disagrees with the ANAO recommendation that we should publish further information, particularly around key performance indicators of processing times. Given that each application for citizenship is assessed upon its merits and individual circumstances, in our view this information would not be meaningful and may be misleading to our clients.^b

The Department acknowledges that it must continue to evolve the way it operates to keep pace with increased lodgements and changing risk profiles. System-wide reforms to the way the citizenship program is delivered are well underway with a 97 per cent increase in citizenship finalisations this financial year to date (July to the end of November 2018), compared with the same period in the previous year (July to the end of November 2017)^c and near record numbers of people are expected to become Australian Citizens on Australia Day 2019.

The Department continues to implement initiatives under its reform program, including measures that take account of issues identified by the ANAO in this audit, and expects these will result in further improvements to efficiency and processing times.

ANAO notes on Home Affairs' summary response

a: Chapter 2 of this Auditor-General report outlines the evidence and analysis in support of the ANAO's independent assessment of the department's time efficiency, including that processing times have increased, long delays are evident between applications being lodged and decisions being taken on whether or not to confer citizenship, along with significant periods of inactivity being evident. Similarly, chapter 3 examines resource efficiency.

b: The lack of externally reported key performance indicators for processing time efficiency means transparent and meaningful information is not being provided to the Parliament and other stakeholders so as to hold Home Affairs accountable for its performance. Publishing service standards and targets, and performance against them, is an approach used in other countries (see paragraph 2.28).

c: Paragraphs 3.19 and 3.20 recognise that the number of decisions in the early part of 2018–19 was well above the equivalent period in 2017–18. The ANAO’s analysis, outlined in Figure 3.1, was that the number of decisions taken in the early part of 2018–19 nevertheless remained well below that being achieved prior to 2017–18.

Key messages from this audit for all Australian Government entities

21. Below is a summary of key messages, which have been identified in this audit that may be relevant for the operations of other Commonwealth entities.

Governance and risk management

- When implementing additional controls to manage risks, an assessment should be made of the likely effect on processing efficiency and the actual effect then monitored to inform management decision-making.
- Implementation of a risk-based quality framework enables management and entity stakeholders to have confidence in the correctness of decision-making processes.

Program implementation

- Triaging a caseload according to complexity and the expected level of work effort can assist with workflow management.

Performance and impact measurement

- Key performance indicators, including targets addressing the desired level of processing efficiency, can help entities identify when performance requires improvement as well as whether system and other changes being implemented are having the desired effect. Indicators can also be useful to demonstrate the likely effect of any change in the level of resources allocated to a processing function.

Audit findings

1. Background

Introduction

1.1 The concept of Australian citizenship has been enshrined in legislation since 1949. A person may become an Australian citizen automatically (generally persons born in Australia to one or more parents who are citizens or permanent residents) or by application.

1.2 According to a 2016 report, more than 60 per cent of the seven million immigrants who had settled in Australia since 1945 had become Australian citizens.³ Australian citizenship brings privileges, such as being able to apply for an Australian passport, ask for consular assistance from an Australian official while overseas, re-enter Australia freely and to apply for work in the Australian Public Service or Australian Defence Force. Australian citizenship also brings obligations, such as to defend Australia should the need arise, to serve on a jury if called to do so and to vote in federal and state or territory elections.

1.3 Persons can apply for one of four types of citizenship by application: descent; adoption; resumption; and conferral. Citizenship by conferral is the largest component. Of the 259,815 applications for citizenship lodged in 2017–18, 92 per cent sought citizenship by conferral.

1.4 ‘Citizenship by conferral’ means to be given citizenship. There are seven conferral pathways, each with its own eligibility requirements. The pathways are: general eligibility; permanent or enduring physical or mental incapacity; person aged 60 or over, or with hearing, speech or sight impairment; person aged under 18 years; person born to former Australian citizen; person born in Papua; and statelessness.

1.5 Most applicants aged 18 to 59 years apply through the general eligibility pathway and are required to:

- be of good character;
- satisfy the residence requirements, which generally involve living in Australia on a valid visa for the four years immediately before applying (including as a permanent resident for the last 12 months);
- intend to reside in, or maintain a close and continuing association with, Australia; and
- pass a citizenship test to demonstrate that they:
 - have an adequate knowledge of Australia and the responsibilities and privileges of Australian citizenship;
 - possess a basic knowledge of the English language; and
 - understand the nature of their application.⁴

1.6 There was a steady increase in conferral applications received in each of 2014–15, 2015–16 and 2016–17, with a more substantial increase in 2017–18. The increase has been in less complex applications from the skilled migration stream, which increased by 41 per cent over the four years.

3 Productivity Commission Inquiry Report No.77, *Migrant Intake into Australia*, 13 April 2016, p. 4.

4 This Auditor-General report presents generalised information on the requirements and processes for acquiring Australian citizenship by conferral, which is incomplete and which may become outdated. Instead refer to the citizenship information at <https://www.homeaffairs.gov.au> and to the citizenship legislation at <https://www.legislation.gov.au>.

Applications from the humanitarian migration stream, which are relatively more complex to process, decreased by nine per cent over the four years.

1.7 If a person lodges a valid application then the Minister must approve or refuse the person becoming an Australian citizen. Even if they are eligible, the *Australian Citizenship Act 2007* may require the Minister to refuse on grounds relating to non-satisfaction of identity, national security, non-presence in Australia, offences or recent cessation of Australian citizenship. In 2017–18, there were 80,776 applications approved and 4956 applications refused for citizenship.

1.8 For less than one per cent of approved applicants, such as those who applied through the 'permanent or enduring physical or mental incapacity' pathway, citizenship begins the day their application is approved. For the remainder, citizenship begins the day they or their responsible parent make a public pledge of commitment to Australia. Usually people make the pledge at a citizenship ceremony organised by their local council.

Program administration

1.9 The Department of Home Affairs administers the citizenship program and the citizenship legislation. It was established in December 2017 and assumed all the citizenship and other functions of the former Department of Immigration and Border Protection (in addition to discrete functions from other agencies). This report refers to 'Home Affairs' or 'the department' as being the administering agency.

1.10 Applications for citizenship by conferral are usually processed and decided by officers in the department's nine Visa and Citizenship Offices located around Australia. Most of the decision-making powers of the Minister have been delegated to departmental officers at Australian Public Service Level 4 or above.

1.11 The majority of applicants are required to attend a citizenship appointment and to sit the citizenship test. These are held at the Visa and Citizenship Offices. They are also held at some regional locations by officers of the Department of Human Services who then provide the results to Home Affairs but who do not have decision-making powers.

1.12 Home Affairs' national office has overarching responsibility for governance of the citizenship program, including for the development and application of relevant policies, procedures, systems and templates. There were some 300 full-time equivalent staff working in the citizenship program area as at March 2018 (see paragraph 2.5).

Audit rationale and approach

1.13 The Office of the Commonwealth Ombudsman, the Refugee Council of Australia, Members of Parliament and others have publicly expressed interest in the length of time being taken to process applications.⁵ Reasons include a reported increase in processing times, an increase in complaints received from applicants about delays and the Federal Court of Australia judgement of December 2016 that there had been an unreasonable delay in deciding two plaintiffs' applications

5 Of particular relevance are the: Commonwealth Ombudsman own motion investigation report, *Delays in Processing of Applications for Australian Citizenship by Conferral*, December 2017; and Refugee Council of Australia report, *Delays in Citizenship Applications for Permanent Refugee Visa Holders*, October 2015.

for citizenship by conferral.⁶ In May 2017, the Joint Committee of Public Accounts and Audit identified 'citizenship function administration' as an audit priority of the Parliament.

Audit objective, criteria and scope

1.14 The objective of the audit was to examine the efficiency of the processing of applications for citizenship by conferral by the Department of Home Affairs.

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

- Have applications for citizenship by conferral been processed in a time-efficient manner?
- Have applications for citizenship by conferral been processed in a resource-efficient manner?

1.16 The audit scope covered the processing of applications from receipt to decision-making stage. Out of scope was examination of the ceremony stage and the operations of entities external to Home Affairs.

Audit methodology

1.17 The audit methodology included:

- examining Home Affairs records;
- analysing Home Affairs application, financial and staffing data;
- interviewing key officials in the department;
- targeted testing and the examination of samples of applications randomly selected from within cohorts displaying particular characteristics; and
- observing the processing of applications, including the conduct of citizenship interviews and tests, at two Visa and Citizenship Offices.

1.18 The data analysed by the ANAO on citizenship applications lodged, decided and on hand was extracted from departmental systems by Home Affairs at varying points in time. As the data reports were drawn from a dynamic system environment, figures may differ slightly from previous or future reporting.

1.19 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of \$288,000.

1.20 Team members for this audit were Tracey Bremner, Tiffany Tang and Brian Boyd.

6 *BMF16 v Minister for Immigration and Border Protection* [2016] FCA 1530 (16 December 2016).

2. Time efficiency

Areas examined

The ANAO examined whether applications for citizenship by conferral have been processed in a time-efficient manner.

Conclusion

Applications for citizenship by conferral have not been processed in a time-efficient manner. Processing times have increased and long delays are evident between applications being lodged and decisions being taken on whether or not to confer citizenship. Significant periods of inactivity are evident for both complex and non-complex applications accepted by the department for processing.

Areas for improvement

The ANAO has made two recommendations relating to a need for:

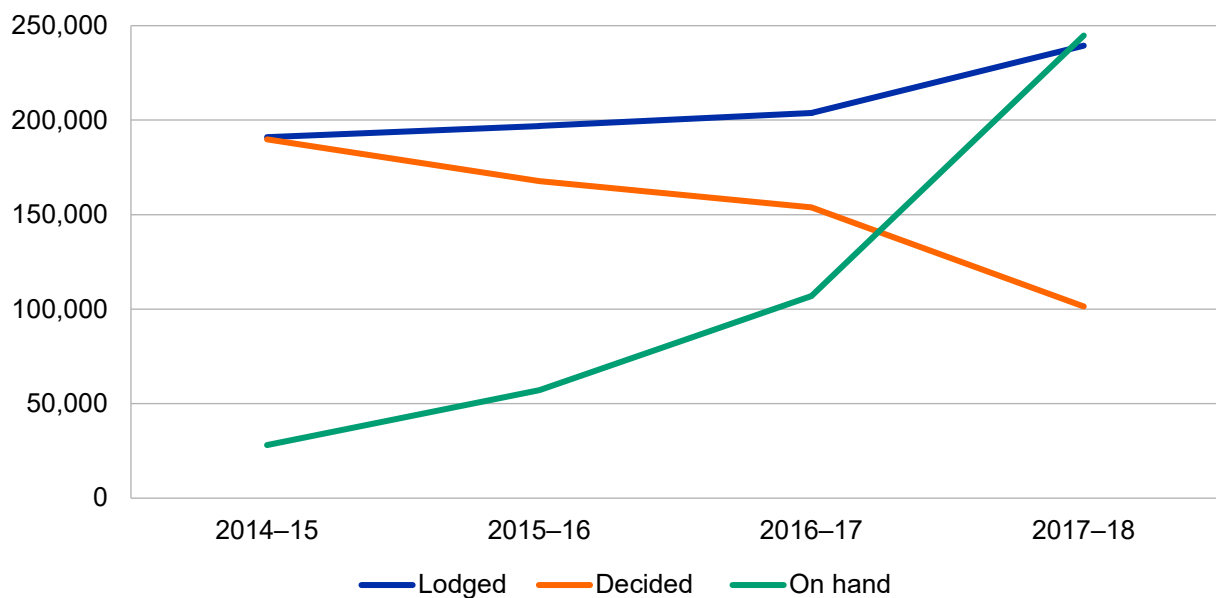
- externally reported key performance indicators for processing time-efficiency; and
- performance standards that address periods of processing inactivity, including the length of time between an application being received and substantive processing work commencing.

Has the rate of decisions taken been keeping pace with applications lodged?

The rate of decisions taken has been declining and has not kept pace with application lodgements. Indicative of an underlying decline in processing performance, the number of citizenship tests administered each year has been decreasing.

2.1 In an efficiently administered demand-driven program, the rates at which applications are lodged and applications are finalised will balance out over the processing cycle. As a measure of time-efficiency, the ANAO compared the rate at which applications for citizenship by conferral have been lodged with the rate at which decisions have been taken. These rates last balanced in 2014–15 as demonstrated in Figure 2.1.

Figure 2.1: Applications lodged, decided and on hand per year



Source: ANAO analysis of Home Affairs data.

2.2 The rate of decisions taken has been declining, falling far behind the lodgement rate. A backlog of applications on hand has resulted. Over the past four financial years the number of applications for citizenship by conferral:

- lodged increased by 25 per cent to be 239,413 in 2017–18;
- decided decreased by 47 per cent to be 101,422 in 2017–18; and
- on hand increased by 771 per cent to be 244,765 at 30 June 2018.

2.3 To identify whether the decline was limited to the decision-making stage or was evident at an earlier stage in the processing cycle, the ANAO examined data on the number of citizenship tests administered each year. Most applicants aged between 18 and 59 years need to sit the citizenship test. While the number of such applicants has been rising, the number of computer-based citizenship tests administered decreased by 38 per cent over the past four years as outlined in Table 2.1. This indicates that the processing rate has been declining.

2.4 In addition, the alternative course-based citizenship test ceased being available from June 2017 when the contract with the course provider expired.⁷ Its cessation was consistent with Australian government policy as outlined in *Strengthening the Test for Australian Citizenship* of April 2017.

⁷ The course-based test was previously available for vulnerable people who required assistance in learning and were unable to successfully complete a computer-based test even with assistance.

Table 2.1: Computer-based and course-based citizenship tests

	2014–15	2015–16	2016–17	2017–18
Number of computer-based tests administered	141,256	122,921	120,565	87,623
Number of applicants who confirmed their attendance at a course-based test	810	818	681	0

Source: ANAO presentation of Home Affairs data.

2.5 The decrease in the processing and decision-making rates was not caused by a decrease in program staffing. While the number of processing staff did not increase to the same extent as the number of applications received, Home Affairs' advice to Parliament was that staff working in the citizenship program area had increased, specifically:

Between 1 July 2015 and 31 March 2018, the number of full-time equivalent (FTE) staff working in the Citizenship Program area, including support staff, increased by 16 per cent from 257.47 FTE to 299.68 FTE.⁸

Has Home Affairs been achieving its target timeframe for deciding applications?

Home Affairs had not been achieving its target timeframe for deciding applications (of making 80 per cent of decisions within 80 days of the application being lodged). Performance had declined since 2014–15 with only 15 per cent of decisions being taken within 80 days in 2017–18. The target has been removed and a replacement processing target has not been set. Instead, publication of times taken to acquire citizenship (from lodgement to ceremony) commenced in March 2017. Analysis of the times reported each month to September 2018 shows processing times have increased significantly since March 2017.

2.6 The *Australian Citizenship Act 2007* states that a decision to approve or refuse a citizenship application must be taken but it does not specify a time limit. Until March 2017, Home Affairs had a target timeframe for deciding applications that it publicly reported against. The target was then abolished and, as at November 2018, the department had not established a replacement. This sequence of events is outlined below.

Target timeframe

2.7 Prior to March 2017, Home Affairs published a service standard for the processing of applications for citizenship by conferral. The department explained on its website that 'Our service standards describe the level of service we aim to deliver'. The service standard in place from November 2009 to June 2014 was to decide applications within 60 days of lodgement. On 1 July 2014, the department increased the timeframe to 80 days. It explained in a related ministerial briefing that:

Over the last eighteen months, the Citizenship network has been unable to meet service standards in the conferral category. There is likely to be an increasing number of more complex cases resulting from identity issues within the Illegal Maritime Arrival (IMA) caseload. Service standards

⁸ Department of Home Affairs, answer to question on notice no. 161, portfolio question number BE18/077, Legal and Constitutional Affairs Committee, 2018–19 Budget Estimates.

have been adjusted accordingly to address both the time required to process conferral applications and the possible increase in IMA caseload.⁹

2.8 The percentage of decisions made within the service standard was a key performance indicator for the citizenship program, with the target set at 80 per cent. As per departmental advice to the Minister in 2016, 'service standards have been the traditional Key Performance Indicator (KPI) for the Department in measuring performance against government objectives and providing accountability to the Parliament and public for visa and citizenship delivery.'

2.9 In November 2016 the department sought and obtained ministerial approval to remove the service standard for citizenship and to replace it with a new internal processing target and with the regular publication of average processing times. Reasons outlined included 'to provide an ongoing internal accountability measure and ... to provide clients and stakeholders with meaningful, current information'. The proposed implementation date was March 2017.

2.10 The service standard was removed from the department's website in March 2017 and replaced with 'global processing times' (see paragraphs 2.16 to 2.22).

2.11 As at November 2018, two years after the department had sought and obtained approval to remove the service standard, an internal processing target had not been set and, therefore, there was no target timeframe for citizenship decision-making in 2017–18. More broadly, the department had no internal or external key performance indicators in 2017–18 for the processing of citizenship applications.

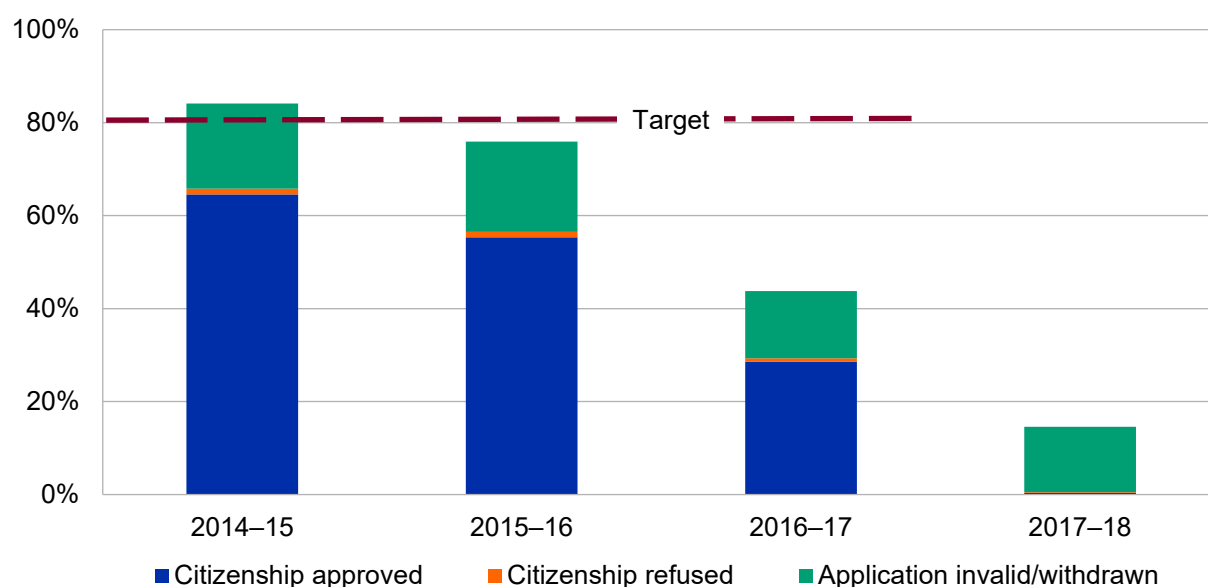
Performance against the target timeframe

2.12 As a measure of time-efficiency, the ANAO examined the department's performance against the target that was in place for the three years of 2014–15 to 2016–17, which was to decide 80 per cent of applications within 80 days of lodgement. The ANAO also considered the types of decisions that were taken within the 80 days, being:

- to approve the person becoming an Australian citizen;
- to refuse the person becoming an Australian citizen; or an
- other finalisation action, such as the department assessing the application as invalid for processing or the applicant withdrawing their application.

2.13 The percentage of decisions being taken within 80 days of lodgement has been declining, as demonstrated in Figure 2.2.

9 An illegal maritime arrival (IMA) is a person who entered Australia by sea without authority and became an unlawful non-citizen upon entry. A complexity in the processing of citizenship applications from former IMAs is that they may not have birth documents or documentary evidence of their identity prior to arrival. The Minister must not approve the person becoming an Australian citizen unless the Minister is satisfied of the identity of the person.

Figure 2.2: Percentage of decisions that were taken within 80 days of lodgement

Note: Not visible in the 2017-18 data column due to their low values are citizenship approvals at 0.4 per cent and refusals at 0.1 per cent.

Source: ANAO analysis of Home Affairs data.

2.14 The department did not achieve its timeliness target in 2016-17; reporting a result of 45 per cent against its target of 80 per cent.

2.15 The ANAO calculated that, of the 101,422 decisions taken in 2017-18:

- 15 per cent occurred within 80 days of lodgement — 96 per cent of which were to decide the application was invalid for processing; and
- 80 per cent occurred within 337 days of lodgement — more than four times the former service standard.

Published processing times

2.16 Since March 2017 the department has published 'global processing times' for citizenship and visa applications on its website and has updated these monthly. For citizenship by conferral, two time periods are published and are calculated as follows:

- for each applicant who acquired citizenship during the preceding month, the department calculates the time period between their application being lodged and citizenship being conferred upon them (usually at a ceremony);
- the resulting time periods are ordered from smallest to largest; and then
- the department calculates the 75th and 90th percentile and rounds each up to the nearest month for reporting purposes.

2.17 The published processing times for March 2017 are copied below, with citizenship by conferral being the first line item in the report.

Figure 2.3: Example of published processing times

Citizenship application processing times		
Last updated: 13 April 2017 (for month ending 31 March 2017)		
Australian Citizenship application type	75% of applications processed in	90% of applications processed in
Conferral (lodgement to ceremony**)	10 months	12 months
Descent (lodgement to decision)	59 days	4 months
Evidence (lodgement to decision)	6 days	15 days

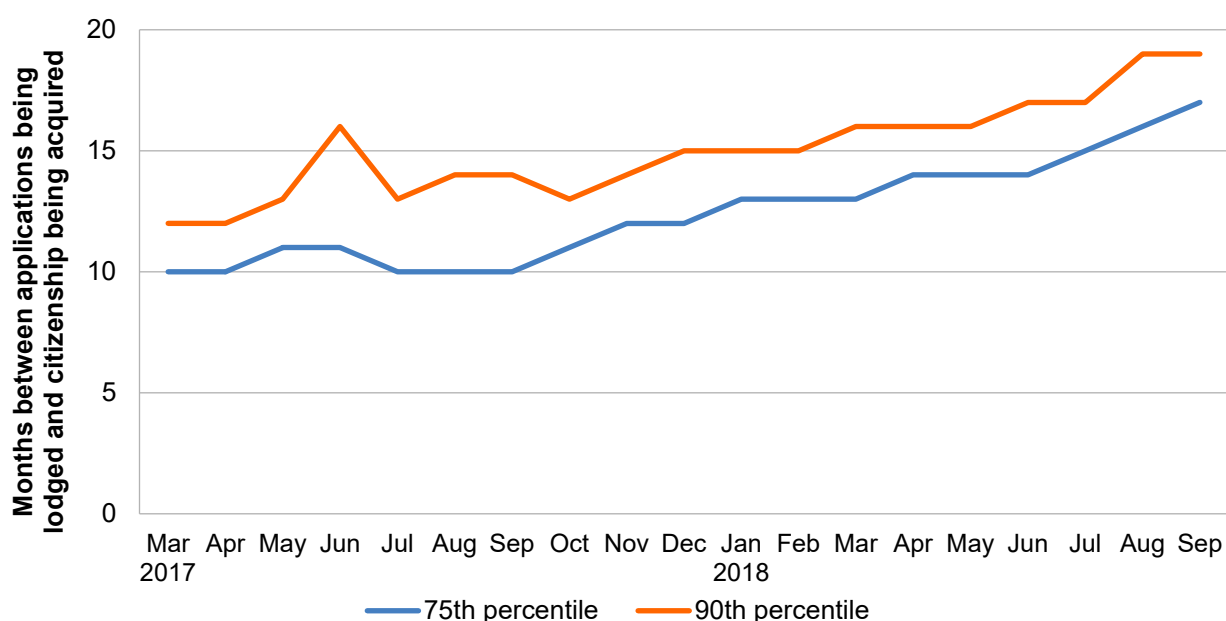
**A small proportion of applicants for Australian citizenship by conferral are not required to attend a ceremony. For Descent and Evidence applications, allow an additional 10 days for printing and postage of your certificate. If you applied from outside Australia, postage will take longer.

Note: Applications for citizenship by 'conferral' are the subject of this audit report. You would instead apply for citizenship by 'descent' if you were born outside Australia and one or both of your parents were Australian citizens when you were born. Existing citizens can apply for a citizenship certificate as 'evidence' of being Australian.

Source: Home Affairs website.

2.18 The March 2017 processing times provide a baseline from which to measure time-efficiency gain or loss. As per Figure 2.4, performance to September 2018 trended toward time-efficiency loss. That is, processing times had increased relative to March 2017.

Figure 2.4: Published times for acquiring citizenship by conferral



Source: ANAO analysis of the processing times published on the Home Affairs' website each month.

Shortcomings

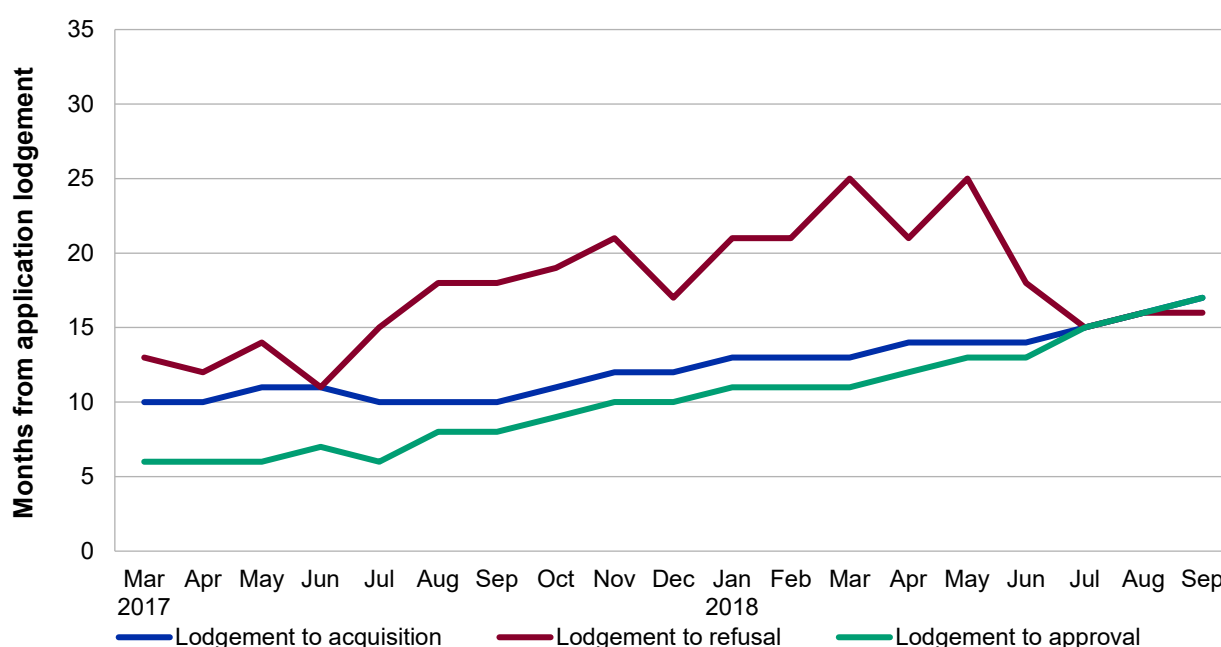
2.19 The published processing times help to show at what level the department is performing but do not state at what level the department *should* be performing.

2.20 The published processing times include the time it takes to attend a citizenship ceremony after an application is approved. Ceremonies are usually organised by the applicant's local council (not by the department) and their scheduling varies by month and by Council. Accordingly, a shortcoming with the published processing times is that the time taken by Home Affairs to process conferral applications from lodgement to approval is not also being published.

2.21 A further shortcoming in the department's approach is that the time taken to refuse applications for citizenship are not represented in the published report.

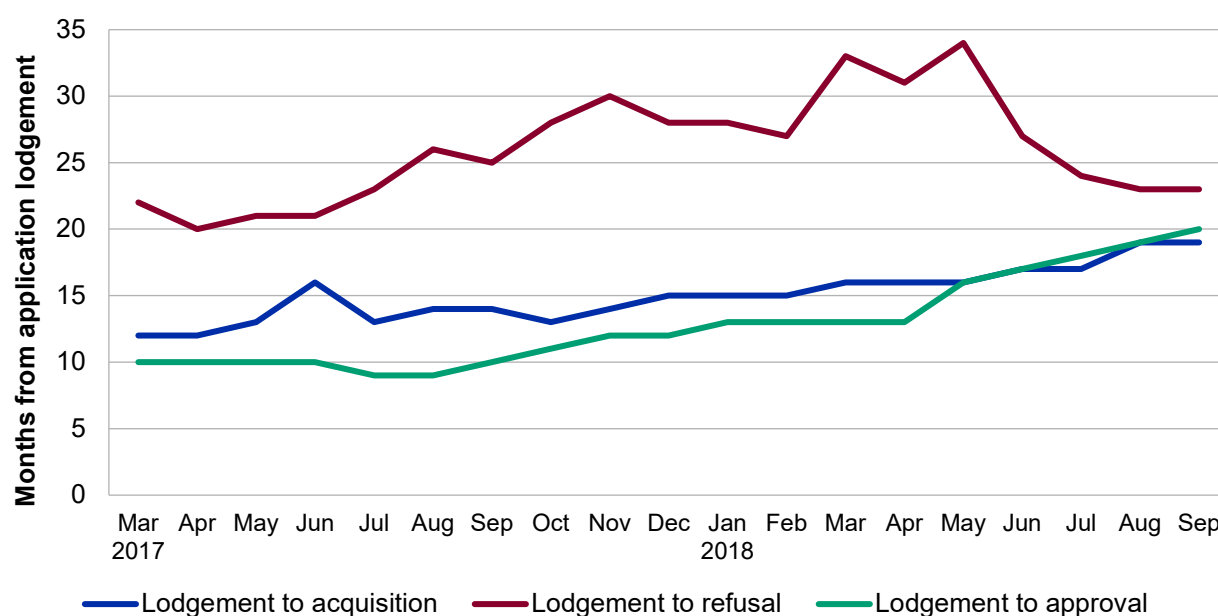
2.22 For comparison purposes the ANAO calculated the times taken from lodgement to approval, and from lodgement to refusal, for each of the months from March 2017. The results at the 75th percentile are presented in Figure 2.5 and at the 90th percentile in Figure 2.6. The published processing times to acquire citizenship from lodgement to ceremony are included in these Figures (being the blue line in each). The results indicate that the times taken to refuse citizenship fluctuate per month and can be substantially longer than the time taken to approve or to acquire citizenship, particularly at the 90th percentile.

Figure 2.5: Time taken to acquire, refuse and approve citizenship at the 75th percentile



Source: ANAO analysis of Home Affairs data and of the processing times published on the Home Affairs website.

Figure 2.6: Time taken to acquire, refuse and approve citizenship at the 90th percentile



Source: ANAO analysis of Home Affairs data and of the processing times published on the Home Affairs website.

Recommendation no.1

2.23 The Department of Home Affairs:

- (a) re-introduce externally reported key performance indicators of the time taken to decide applications for citizenship by conferral; and
- (b) expand its published processing times to also report the time being taken to decide applications for citizenship by conferral per month, including decisions to refuse citizenship.

Department of Home Affairs' response: *Disagreed.*

2.24 *The Department already publishes on its website meaningful and realistic timeframes from lodgement to acquisition of conferral cases within the 75th and 90th percentiles. This practice will continue and will be expanded to differentiate the timeframe from application to finalisation of decision and then finalisation (approval) to acquisition (ceremony), to provide greater clarity around these separate, but related, processes. The Department does not consider that a fixed Key Performance Indicator would be meaningful to our clients in this context, noting that each case is assessed on its individual merits with substantial variation in processing times.*

2.25 *The Department's experience has been that target-based service standard KPIs were often incorrectly perceived by the client as a maximum processing time, even though each case is considered on its individual merits and actual processing times vary significantly depending on individual circumstances. This led to significant client correspondence and complaints which diverted limited resources away from visa or citizenship processing and incurred additional costs to the Commonwealth. The current approach taken gives a more meaningful and realistic indication to clients about the time it is taking the Department to decide 75 per cent of cases and*

90 per cent of cases, based on recent decision making performance. The Department notes a similar approach is taken by United Kingdom Visas & Immigration.

2.26 In addition to the above, the Department does not consider it helpful to clients to separately publish the timeframes associated with refusal decisions. Refusal of a citizenship application is often due to complex issues which regularly take a significant period of time to properly consider, leading to increased processing times for these applicants compared with approved applications. Were the Department to separately publish refusal processing timeframes, it is likely that clients would make incorrect assumptions about the possible future outcome of their application, particularly if the time taken to process their application passes the timeframes published on the website for finalisations. This would no doubt contribute to angst for clients and lead to significant increase in client complaints/correspondence requiring a diversion of resources to respond. As per above, the Department agrees to differentiate its existing processing timeframes to include lodgement to finalisation (including approved, refused and invalid decisions).

2.27 It should be noted that the Department does not publish refusal timeframes for visas.

Australian National Audit Office comments:

2.28 The lack of externally reported key performance indicators for processing time efficiency means transparent and meaningful information is not being provided to the Parliament and other stakeholders so as to hold Home Affairs accountable for its performance. Publishing service standards and targets, and performance against them, is an approach used in other countries, including the United Kingdom. In particular:

- the United Kingdom has a target of deciding 98.5 per cent of straightforward applications for citizenship within six months. Data published in November 2018 showed that the target was being exceeded;¹⁰
- Canada aims to process 80 per cent of complete applications within 12 months. The reported result for 2017–18 was 92 per cent with actual end-to-end processing times reduced from 14 months to be nine months on average. Demonstrating a significant increase in applications for citizenship does not necessitate longer processing times, the 239,518 applications Canada received in 2017–18 represented an increase of 120 per cent over the 108,635 received in the previous year;¹¹ and
- New Zealand has a target of making recommendations to the Minister within 50 days for at least 99 per cent of citizenship applications and reported that this was achieved in 2017–18.¹²

2.29 Implementation of the department's proposal to differentiate its existing processing timeframes to include lodgement to finalisation (including approved, refused and invalid decisions) would adequately address the second part of the recommendation.

10 Home Office, *In-country migration data*, November 2018, available for download from <<https://gov.uk>>

11 Immigration, Refugees and Citizenship Canada, *Departmental Results Report 2017–2018*, pp. 34–35.

12 *Finance and Government Administration Sector—Estimates of Appropriations for the Government of New Zealand for the Year Ending 30 June 2019*, Parl. Number B.5 Vol.5, 17 May 2018, pp. 136–138.

Has the complexity of the applications lodged increased?

Overall, the relative complexity of the applications lodged has decreased. Growth in demand for citizenship in recent years was driven by people with good supporting documents who arrived in Australia on a skilled visa. There has been an increase in the number of more complex applications on hand.

2.30 The number of both complex and non-complex applications lodged per year has been increasing. Lodgements overall increased by three per cent in each of 2014–15, 2015–16 and 2016–17 and then by 17 per cent in 2017–18. The ANAO examined whether the proportion of complex applications lodged had also increased as this may impact average processing times.

2.31 The ANAO used three measures of complexity and the combined results indicate that the complexity of applications lodged has decreased. These results are at odds with Home Affairs' reported experience. For example, Home Affairs advised Parliament at Senate Estimates on 23 October 2017:

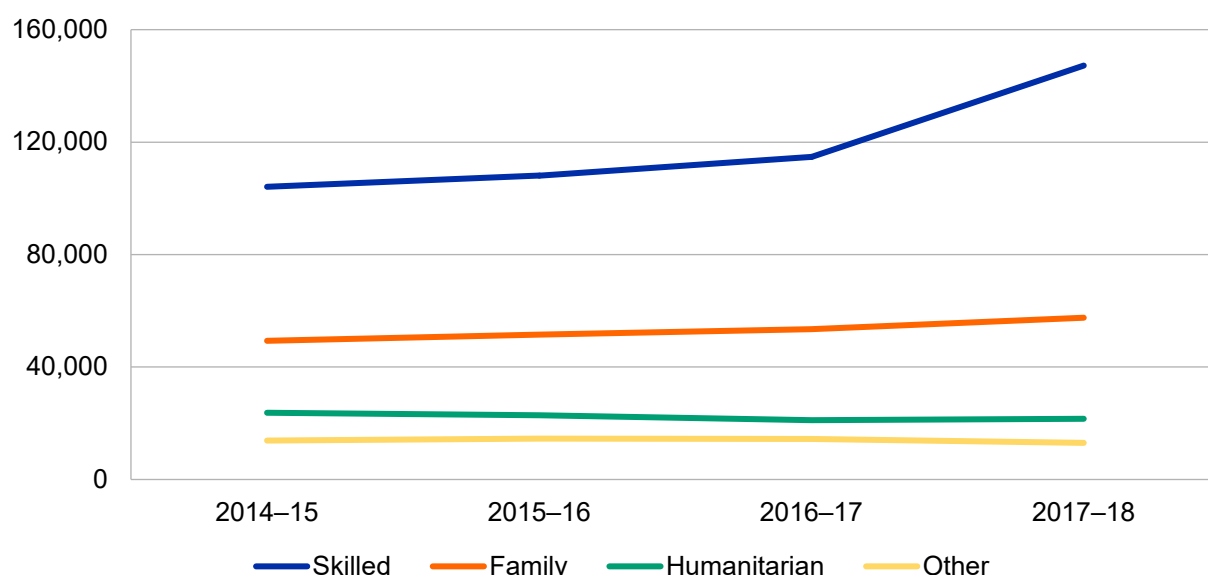
...we have talked to this committee before about this — that the case load complexity is rising as we are seeing a flow-through of previous humanitarian entrants. It might well be the case that there are bigger delays now because the cases we are looking at now are actually more complicated.¹³

Applications lodged by migration stream

2.32 The general residence requirements for citizenship include having lived in Australia on a valid visa for the past four years (including as a permanent resident for the past year). The type of visa held by the applicant is used to categorise their citizenship application as having come from the skilled stream, family stream, humanitarian stream or other migration stream. Citizenship applications from the humanitarian stream have been identified by Home Affairs as being the most complex to process on average and applications from the skilled stream as being the least complex. The ANAO therefore used the migration stream as a proxy measure of complexity.

2.33 The recent increase in lodgements was driven by the skilled migration stream, as demonstrated in Figure 2.7.

13 Official Committee Hansard, Senate Legal and Constitutional Affairs Legislation Committee Estimates, 23 October 2017, p. 184.

Figure 2.7: Applications lodged by migration stream

Note: The 'Other' migration stream includes New Zealand citizens (subclass 444 visas) as well as holders of obsolete visas or where visa information is unavailable.

Source: ANAO analysis of Home Affairs data.

2.34 Applications from the skilled stream increased by 41 per cent over the four years to 2017-18 from a high base. There were 147,224 applications from the skilled stream lodged in 2017-18, accounting for 61 per cent of all lodgements. These applications are relatively non-complex to process for reasons including that people who arrived in Australia on skilled visas tend to present good supporting documents for citizenship that can be readily verified.

2.35 Applications from the humanitarian stream decreased by nine per cent over the four years to 2017-18 from a low base. There were 21,626 applications from the humanitarian stream lodged in 2017-18, accounting for nine per cent of all lodgements. Former illegal maritime arrivals are a sub-set of the humanitarian stream and accounted for 1702 out of the 21,626 lodged from that stream or 0.7 per cent of all lodgements in 2017-18. Applications from the humanitarian stream are identified by the department as requiring greater work effort to process.

2.36 Advice from Home Affairs in October 2018 included that complex applications lodged in previous years 'continue to be in our pipeline and considerable resources continue to be devoted to them'. Applications from the humanitarian stream accounted for 77 per cent of the 7669 applications that had been on hand for more than two years as at 30 June 2018, compared with 11 per cent of the 237,096 applications that had been on hand for less than two years.

Applications on hand by likely work processing effort

2.37 The ANAO also used the department's categorisation of on hand applications according to their likely work processing effort to measure complexity. This approach factors in the compounding effect on the on hand caseload of complex applications lodged in previous years.

2.38 Home Affairs' Citizenship Case Prioritisation Tool identifies possible risk indicators within an individual applicant's departmental records. The tool identifies risk 'flags' that need to be investigated and resolved by processing officers and it categorises each application as likely to

require a business-as-usual, low, medium or high work processing effort. The higher the likely work processing effort, the higher the likely complexity of the application.

2.39 The Citizenship Case Prioritisation Tool was rolled out nationally in December 2016 and a report is usually generated weekly. ANAO analysis of four reports generated at six-month intervals indicated that, while the number of applications in each category increased, the most substantial increase was in the 'business as usual' category. Over the 18 month period examined, the number of applications categorised as 'business as usual' increased by 375 per cent while the number categorised as 'high' increased by 18 per cent. Accordingly, the proportion of on hand applications in the 'medium' and 'high' work processing effort categories had decreased, as outlined in Table 2.2. This indicates that complex applications decreased proportional to non-complex applications.

Table 2.2: Categorisation of applications according to likely work processing effort

Applications on hand	Business as usual	Low	Medium	High
Number of applications in each category				
15 January 2017	36,734	21,763	6,324	3,249
2 July 2017	69,119	24,743	6,753	3,574
7 January 2018	116,029	40,140	7,773	3,878
1 July 2018	174,652	58,441	7,944	3,849
Proportion of applications in each category				
15 January 2017	54%	32%	9%	5%
2 July 2017	66%	24%	6%	3%
7 January 2018	69%	24%	5%	2%
1 July 2018	71%	24%	3%	2%

Source: ANAO analysis of Home Affairs data.

Applications on hand referred to complex case officers

2.40 Another proxy measure of complexity used was the proportion of applications on hand that had been referred to 'complex case officers' (formerly known as 'caseload assurance officers'). These are higher-level staff who assess complex applications with higher identity risks. There were 26.11 full-time equivalent staff undertaking this role as at 30 June 2018. The strength of this proxy measure is reduced by the variability of factors that may result in an application being formally referred via the department's processing system. Nevertheless it can indicate the direction of change in the caseload.

2.41 For each of the four dates used in the previous analysis on work processing effort, the ANAO identified the proportion of on-hand applications that were currently or previously 'batched' in the department's processing system as 'assurance'. This denotes that the application had been referred to a complex case officer at some point during the processing cycle.

2.42 The results, as outlined in Table 2.3, indicate that complex applications decreased proportional to non-complex applications.

Table 2.3: Referral of applications to complex case officers

Applications on hand	Had not been referred	Had been referred
15 January 2017	76%	24%
2 July 2017	88%	12%
7 January 2018	92%	8%
1 July 2018	94%	6%

Source: ANAO analysis of Home Affairs data.

What impact did the announcement of proposed reforms to the citizenship requirements have?

The number of applications lodged per month between April 2017 and June 2018 correlated with the timing of proposed changes to the citizenship requirements, with the overall impact being an increase in lodgements in 2017–18. There was a long delay before substantive processing of the applications received from 20 April 2017 commenced (being the date the proposed reforms were announced) which negatively impacted processing times.

2.43 On 20 April 2017 the Australian Government announced proposed changes to the requirements for citizenship by conferral that, subject to the passage of legislation, would apply to applications received from 20 April 2017 onwards. These changes included, among other things, requiring applicants to have lived in Australia as a permanent resident for at least four years (instead of on a valid Australian visa for four years with at least the last one year as a permanent resident) and the introduction of a formal English language test for some applicants together with an increased proficiency threshold.

2.44 The related Australian Citizenship Legislation Amendment (Strengthening the Requirements for Australian Citizenship and Other Measures) Bill 2017 was introduced into the House of Representatives on 15 June 2017. In preparation for the proposed changes, Home Affairs formed an implementation team drawn from its national and state offices to undertake scenario planning, system changes and other project implementation work.

2.45 The Bill was discharged from the Senate Notice Paper on 18 October 2017 and so the proposed changes to the citizenship requirements were not introduced.¹⁴ Home Affairs then advised on its website that:

On 18 October 2017, the Government proposed amendments to the Bill ... As a result of the proposed amendments and subject to the passage of legislation, the new requirements for citizenship will come into effect on 1 July 2018 ...

If you applied for Australian citizenship before, on or after 20 April 2017, your application will be assessed against the eligibility criteria in place when you applied.

14 On 13 September 2017 the Senate agreed that the Australian Citizenship Legislation Amendment (Strengthening the Requirements for Australian Citizenship and Other Measures) Bill 2017 would be discharged from the Senate Notice Paper if it had not been finally considered by 18 October 2017. The Bill was not finally considered by this date and so was discharged. The *Australian Citizenship Act (2007)*, therefore, was not amended.

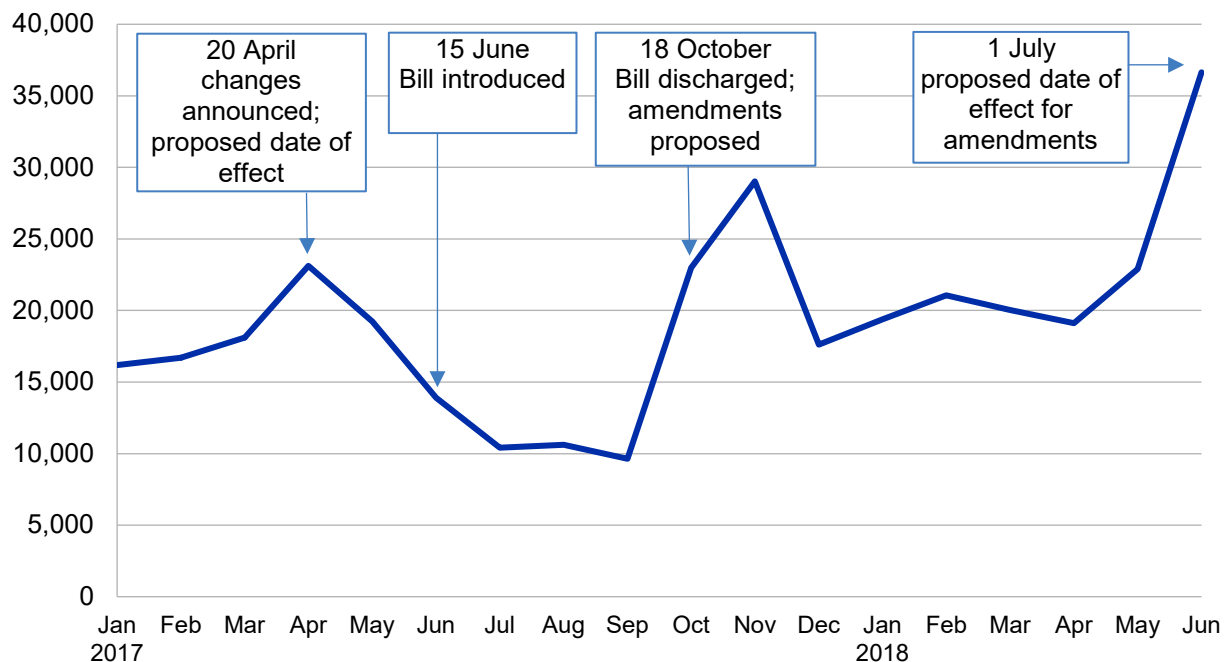
2.46 As at November 2018: the requirements for citizenship had not changed; the Australian Government had not introduced an amended Bill; and an Australian Citizenship Legislation Amendment (Strengthening the Commitments for Australian Citizenship and Other Measures) Bill 2018, sponsored by Senator Pauline Hanson, was before Senate.

Impact on lodgements

2.47 The number of applications lodged per month fluctuated significantly between April 2017 and June 2018. There was a correlation between the number of applications being lodged each month and changes to the requirements for citizenship being proposed, as per Figure 2.8. That is:

- there was an immediate but brief influx of applications when the proposed changes were announced;
- this was followed by a decline, with July, August and September 2017 each having the fewest lodgements since December 2012;
- lodgements then increased substantially from 19 October 2017 when the Bill was discharged, with November 2017 having the most lodgements in a single month since the *Australian Citizenship Act 2007* started; and
- lodgements in June 2018 were higher still, being the month before the amended requirements were proposed to take effect (the government had initially proposed that amendments would take effect on 20 April 2017 and then, on 17 October 2017, proposed that they would, instead, take effect on 1 July 2018).

Figure 2.8: Applications lodged per month from January 2017 to June 2018



Source: ANAO analysis of Home Affairs data.

Impact on processing

2.48 When they were announced, the proposed changes to the *Australian Citizenship Act 2007* were to apply retrospectively to applications received from 20 April 2017 onwards. Home Affairs advised the ANAO in June 2018 that:

Staff were advised that the post 20 April applications were subject to the new requirements, however the requirements were not yet law. Therefore the applications were not able to be assessed against the existing requirements or the new ones announced by Government.

2.49 The applications received from 20 April 2017 were:

- 'batched' in the department's processing system as 'Awaiting Processing' and with batch descriptions such as 'Z-AWAITING DIRECTION-20/04/17 CHANGES' or 'Awaiting direction-20 April 2017 changes';
- statements such as the following were recorded in the case notes of individual applications: 'App recd post 19 April 2017 pending processing due to Citizenship Reforms'; or 'Application received post 19 April 2017. Awaiting Citizenship reforms'; and
- system reports were amended to distinguish pre- from post-20 April lodgements.

2.50 Of the 83,832 applications received from 20 April 2017 to 18 October 2017, seven were approved prior to the Bill being discharged.

2.51 Between 20 April and 18 October 2017 the department finalised nearly half of the approximately 80,000 applications on hand that had been received before 20 April.

2.52 Processing of applications received from 20 April commenced following a bulk mail out to affected applicants in late October 2017. The mail out to applicants stated:

On 20 April 2017, the Australian Government announced the strengthening of requirements for Australian citizenship.

On 18 October 2017, the Government proposed amendments to the legislation so only applications lodged on and after 1 July 2018 will be assessed against the new criteria, subject to the passage of legislation through the Australian Parliament.

This means that your application will be assessed against the existing eligibility criteria for Australian citizenship. [emphasis as per original]

Impact on processing times

2.53 To measure the impact on processing times, the ANAO compared the average time it took applications received on 13 April 2017 (a week before the announcement) to reach initial processing milestones with like-applications received on 27 April 2017 (a week after the announcement). The ANAO examined 227 applications that had been lodged on these dates by adults under the general eligibility pathway at two of the Visa and Citizenship Offices.

2.54 The sampled applications lodged a week after the announcement took around 10 times longer to reach the first substantial processing milestone as recorded in the system, or for the applicant to be invited to attend a citizenship interview, than those lodged the week before. The results of the targeted testing are summarised in Table 2.4.

Table 2.4: Results of targeted testing comparing the processing times of applications received shortly before and after the 20 April 2017 announcement

	Applications received 13 April 2017	Applications received 27 April 2017
Average time taken to commence the first substantial processing activity for valid applications	25 days after receipt	250 days after receipt
Percentage where the first substantial processing activity was recorded before the Bill was discharged on 18 October 2017	100%	0%
Average time taken before the applicant was invited to a citizenship interview for valid applications not refused	30 days after receipt	290 days after receipt ^a
Percentage where the applicant was sent an invitation to a citizenship interview before the Bill was discharged on 18 October 2017	100%	0%

Note a: This figure excludes six applicants who had not been invited to interview as at 2 November 2018, which is 554 days after their applications were received.

Source: ANAO analysis of the records in Home Affairs' processing system for 227 applications across two offices.

2.55 Case study 1 is provided to illustrate the handling of applications received from 20 April 2017 and provide an example of the impact on processing times for affected individuals.

Case study 1. Time taken to invite an applicant who lodged on 27 April 2017 to attend a citizenship interview

On 27 April 2017, the department received the application for citizenship by conferral.

On 14 June 2017, 48 days after receipt, the department invited the applicant to attend a citizenship interview and to sit the citizenship test.

The department cancelled the appointment. A case note in the processing records included:

Appointment booked in error. Post 20 April client. I have called client today ... and explained to [client] that I have booked [client's] appointment in error and it has been cancelled ... am not able to give [client] a timeframe as we are still waiting to hear what is going to happen to clients who have lodged after 20 April 2017.

On 19 January 2018, 267 days after receipt, the department invited the applicant to attend a citizenship interview and to sit the citizenship test. The interview was held and the applicant passed the test.

The application was non-complex to process. Home Affairs' Citizenship Case Prioritisation Tool did not identify any risk 'flags' that needed to be investigated and resolved and so categorised the application as likely to require a business as usual work processing effort. The departmental records indicate that no complexities then arose during processing. The applicant was approved for Australian citizenship.

What impact did the introduction of increased integrity screening have on processing times?

The introduction of increased integrity screening checking processes was a significant driver of the increase in processing times, and decrease in citizenship approval numbers, occurring from June 2017.

2.56 Under the *Australian Citizenship Act 2007* the Minister must be satisfied that the person is of good character, and be satisfied of the identity of the person, 'at the time of the Minister's decision on the application'. Home Affairs will have previously assessed citizenship applicants against the identity and character requirements set out in the *Migration Act 1958* as part of their visa application processes and have determined them to be of good character. Home Affairs advised the ANAO in October 2018 that:

It should be noted that the identity threshold for citizenship applicants is much higher than the threshold for migration (visa) applicants. Under citizenship legislation the Minister/delegate MUST be satisfied of the client's identity, whereas under the Migration legislation the delegate can make an 'on-balance' decision, which can take into account the client's story. There is very limited opportunity for subsequent cancellation of citizenship if the Dept subsequently becomes aware that a client has obtained citizenship through a fraudulent identity, and the importance of getting this right has been highlighted in various national security fora.

2.57 Checks conducted of citizenship applicants include, among other things, onshore and overseas police checks and Movement Alert List checks. Applicants who present with factors that may indicate identity, criminality or other integrity concerns are also subject to 'enhanced identity and integrity checks'.¹⁵ This includes applicants with no or limited identity documents and those with indications of changing or obfuscating identity details to hide familial relationships, nationality and citizenships details, criminal records and security concerns.

2.58 While in response to adverse information a citizenship applicant may only be refused under the *Australian Citizenship Act 2007*, there are powers under the *Migration Act 1958* which may result in an applicant for citizenship having their visa cancelled and being removed from Australia.¹⁶ Where serious adverse information is obtained during the processing of a citizenship application, the case may be referred to the Character and Cancellation Branch of the department for further consideration and possible visa cancellation.

Introduction of increased integrity screening

2.59 From 9 June 2017 Home Affairs introduced increased integrity screening checking processes. At the 22 May 2018 Budget Estimates hearings the department advised that it 'has

15 See the Commonwealth Ombudsman own motion investigation report into the department's 'administration of a cohort of applicants requiring enhanced integrity and identity checks', *Delays in Processing of Applications for Australian Citizenship by Conferral*, December 2017.

16 Home Affairs advised ANAO that the consequences of visa cancellation include: the client not being allowed to make an application for another visa in Australia (except in very limited circumstances); cancellation of any other visa the client may hold; an expectation that any person who has their visa cancelled will be removed from Australia; or an exclusion period — depending on the grounds for cancellation, this may include a permanent exclusion from Australia. Where visa cancellation occurs, the client also no longer meets the criteria for Australian citizenship and their application will be refused.

increased the integrity screening checking processes from a national security and criminality risk perspective and enhanced the way it does those activities'.¹⁷

2.60 Home Affairs advice to the ANAO in November 2018 included that:

Integrity screening was established at the direction of the Secretary, in response to intelligence concerning national security threats in the citizenship by conferral caseload. The purpose of integrity screening is to draw on sources not available to decision makers to detect individuals who may present a threat in terms of national security, serious criminality or other threats to community safety. This information gathering effort is intended to support administrative decision making, and ensure that decisions are informed by all available information held in relation to an applicant.

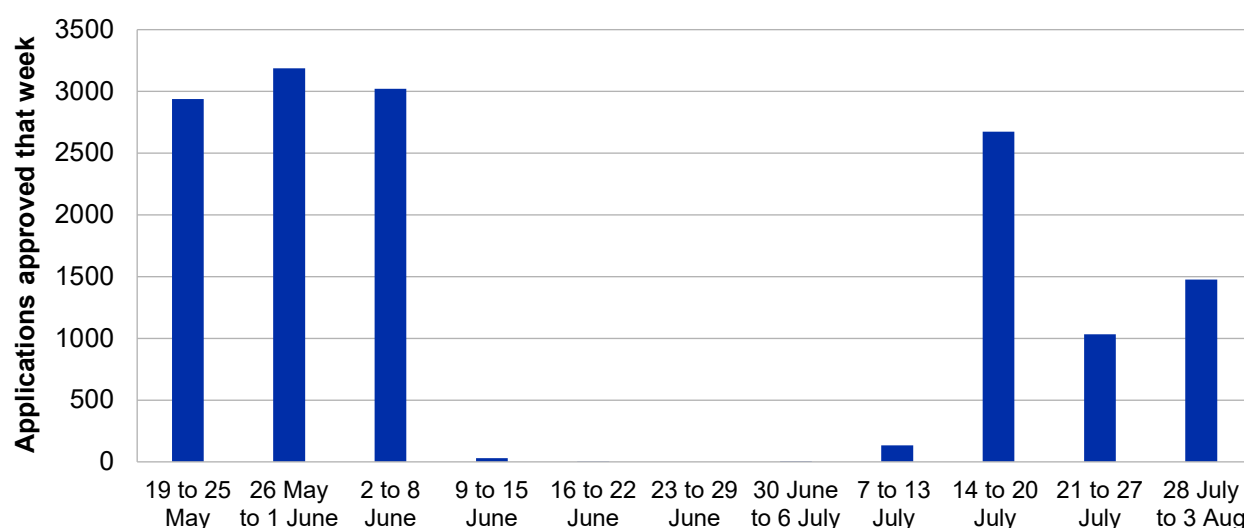
Moreover, the contribution and value of integrity screening isn't limited to individual decisions; integrity screening contributes to the Department's understanding of the threats which exist within the Citizenship Program, and the development of specialised capabilities which will have application and utility within other programs administered by the Department.

Impact on approvals

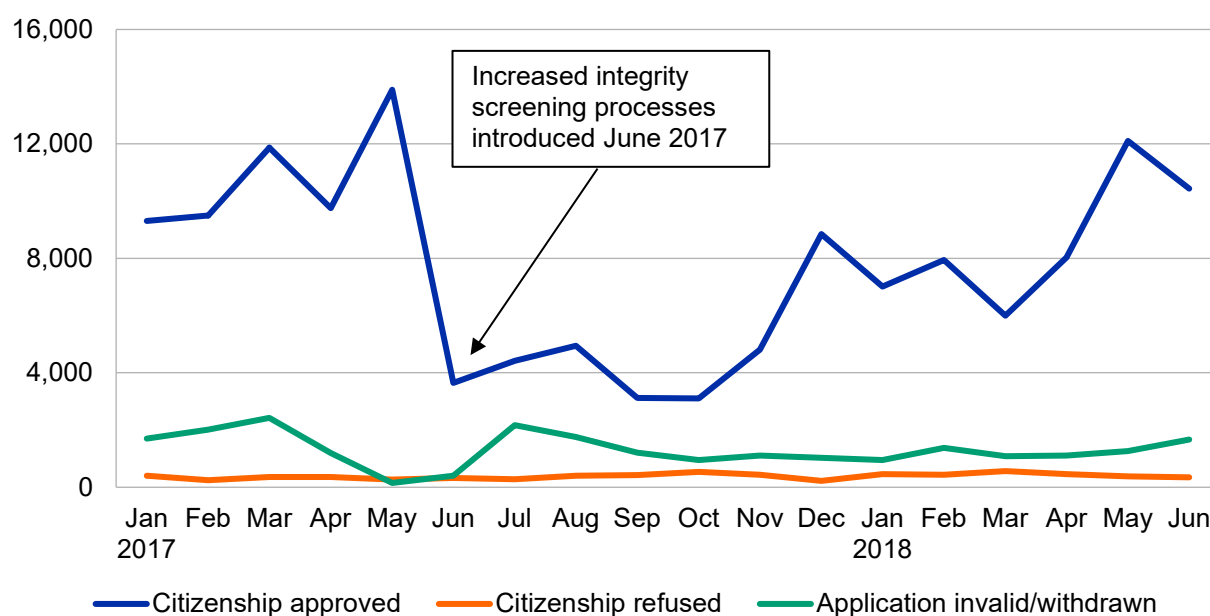
2.61 The introduction of increased integrity screening checking processes on 9 June 2017 for existing and new applicants caused an immediate drop in citizenship approvals, as per the weekly data presented in Figure 2.9 and the monthly data in Figure 2.10. Processing staff were instructed not to approve applicants for citizenship until they were integrity screening cleared.

2.62 In July 2017 nearly 19,000 applicants were returned to the citizenship program for business as usual processing while the integrity screening process was being established. These had been identified as low threat applicants from the skilled migration stream that had satisfied the security checks undertaken by the citizenship program and had lodged prior to 20 April 2017. The first cohort of integrity screening cleared applicants were returned to the citizenship program in September 2017 (as per Figure 2.11).

17 Official Committee Hansard, Senate Legal and Constitutional Affairs Legislation Committee Estimates, 22 May 2018, p. 184.

Figure 2.9: Applications approved in the weeks before and after 9 June 2017

Source: ANAO analysis of Home Affairs data

Figure 2.10: Applications decided by month by decision type

Source: ANAO analysis of Home Affairs data.

2.63 While it was not the sole cause, the integrity screening process was a significant driver of the decrease in approvals throughout 2017–18 and consequently of the increased processing times and backlog of applications on hand. There were 101,422 applications decided in 2017–18; the fewest since 2010–11. The new screening process was also a significant contributor to the misalignment that occurred between the profile of applicants seeking citizenship (such as their former nationality) and the profile of those approved in 2017–18.

2.64 Following examination of the related records, the ANAO concluded that these consequences were partially due to the nature of integrity screening. Adding checking processes to

the workflow impacted timeframes, particularly during the implementation phase given the number of applications on hand requiring clearance. Home Affairs' adoption of a risk-based approach results in some applicants taking longer to integrity screen than others but it has the advantage of limiting the overall impact on time and resources.

Establishment phase

2.65 The magnitude of the impact on processing times was primarily due to the time taken to establish and implement the integrity screening checking processes. The time taken was, in part, a reflection of there being limited similar capabilities on which to model the integrity screening process and that implementation required access to information sourced from outside the department and required the recruitment and vetting of staff. The ANAO's analysis indicates that the magnitude of the impact was also due to some inefficiencies.

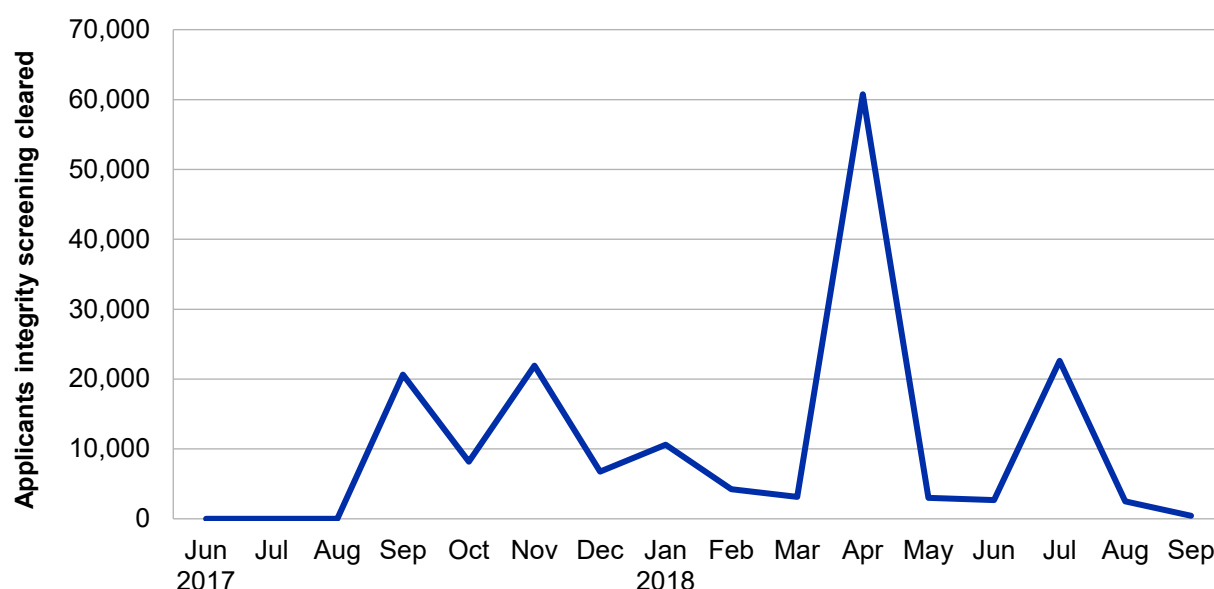
2.66 Establishing the integrity screening process and resourcing to support the effort was achieved progressively over a number of months. Of note in this respect:

- the Secretary of Home Affairs asked on 8 June 2017 to be briefed on options for applying integrity screening to the citizenship by conferral caseload and approvals ceased the following day;
- it was six weeks before a proposed model for integrity screening was put to the Secretary for approval;
- advice to the ANAO from the department was that it was 10 weeks before the first cohort of (relatively low risk) applicants were referred for integrity screening and 13 weeks before the first of these were cleared and so returned to the citizenship program for processing;
- resourcing of 15 full-time equivalents was approved 23 July 2017, staff joined the team over September–November 2017, and the section was officially stood up on 29 December 2017;
- tracking the integrity screening status of applicants initially involved the manual handling of multiple spreadsheets with resulting data integrity issues (such as applicants having the wrong status recorded or appearing on both the 'clear' and 'not clear' lists) taking resources to identify and resolve;¹⁸ and
- more than a year after increased integrity screening was introduced, agreement with some external entities for bulk checking against their systems had not been reached¹⁹ and the extent to which their information could be disclosed, and therefore used to inform a citizenship decision, was largely unresolved.

2.67 The rate of the release of applicants back to the citizenship program for processing following integrity screening fluctuated, as per the monthly data presented in Figure 2.11.

18 An improved process was later introduced, facilitated by processing system enhancements deployed 30 June 2018.

19 External entities included the Australian Federal Police, AUSTRAC (the Australian Transaction Reports and Analysis Centre), Interpol (the International Criminal Police Organization) and ACIC (the Australian Criminal Intelligence Commission).

Figure 2.11: Number of applicants integrity screening cleared per month

Source: ANAO analysis of Home Affairs data.

Efficiency and effectiveness

2.68 The processing officers are not privy to the checks or findings of the integrity screening and so a result of 'clear' cannot provide a higher level of assurance to these decision-makers as to an applicant's character or identity. The processing officers undertake the same checks and considerations in reaching a decision to approve or refuse citizenship as they did prior to the introduction of increased integrity screening.

2.69 The extent to which information gathered through integrity screening contributes to citizenship decision-making is also impacted by limitations on the disclosure of such information. If the integrity screening process returns a result of 'not clear' then the reasoning behind the basis for this result is provided to a senior decision-maker where that information is disclosable and can be put to the applicant for comment under natural justice provisions. However, if the information is non-disclosable, then this information is not passed to the decision-maker.

2.70 Home Affairs advised the ANAO that 'As at 8 October 2018, one citizenship case has been identified through integrity screening and, as a result, the decision-maker is undertaking the necessary natural justice processes.' That is, adverse information was obtained on one of the 167,421 applicants screened by October 2018, which had not already been identified by citizenship processing officers and may be of sufficient weight for refusal of the citizenship application. If the decision-maker intends to take adverse information into account, they need to give the applicant procedural fairness and to put these issues to them. The applicant's response is to be weighed against the other information already held by the department.

2.71 The integrity screening arrangements should be made more efficient so as to lessen their impact on processing times. During the course of the audit, Home Affairs commenced an internal review of the integrity screening arrangements for applicants. It advised the ANAO in October 2018 that the review:

is evaluating the performance of the integrity screening process to date, operating model, processes, roles and responsibilities across Intelligence Division and the Citizenship program, with a view to recommending efficiency and effectiveness improvements for endorsement by the Senior Executive. The draft report on the review is being finalised, with proposed enhancements currently under consultation with impacted areas. The Minister will be briefed on the outcomes of this review through regular briefing processes.

2.72 In December 2018, more efficient and effective ways to conduct the integrity screening process were identified through the review and were approved for implementation. Immediate benefits outlined included the release of over 100,000 applicants back to the citizenship program for processing within four to six weeks of implementation, which is substantial in light of the data on applicants integrity screened per month presented in Figure 2.11 above. This provides an example of the scope for, and benefits of, realising efficiencies.

Has the risk of ‘unreasonable delay’ in decision-making been adequately addressed?

Home Affairs did not have processes in place to monitor and address periods of processing inactivity, including the length of time between an application being received and substantive processing work commencing.

2.73 The Joint Committee of Public Accounts and Audit identified citizenship function administration as an audit priority and suggested to the ANAO that the audit give ‘particular reference to issues raised in the December 2016 Federal Court Case’.

2.74 The Federal Court had declared in December 2016 that there had been unreasonable delay in making a decision to approve or refuse two plaintiffs’ applications for citizenship by conferral.²⁰ The Court Orders included that the Minister make a decision to approve or refuse the two applicants becoming Australian citizens and pay the applicants’ costs of the proceedings.

2.75 The *Australian Citizenship Act 2007* states that a decision to approve or refuse a citizenship application ‘must’ be taken but it does not specify a time limit. Where a time limit is not specified for a statutory obligation then the Courts have held that a ‘reasonable time’ is implied. If the Minister fails to make a decision within a reasonable time then, in accordance with the *Administrative Decisions (Judicial Review) Act 1977* (Cth), the aggrieved applicant may apply to the Federal Court or the Federal Circuit Court for an order of review on the ground that there has been unreasonable delay.

Characteristics of an unreasonable delay

2.76 Justice Bromberg outlined the characteristics of an ‘unreasonable delay’ in his reasons for judgement in the 2016 Federal Court case, including that:

the delays in question were caused by very lengthy periods of inactivity. The extent of inactivity in the processing of the applications calls for a meaningful explanation to be provided by the Minister as to why that inactivity occurred and why the delay thereby caused ought not be regarded as unreasonable.

20 *BMF16 v Minister for Immigration and Border Protection* [2016] FCA 1530 (16 December 2016).

The time taken to actively consider and assess an application for citizenship is unlikely to provide a foundation for a claim of unreasonable delay. But inactivity, long periods where an application simply sits around waiting to be processed or waiting for some particular step in the process to be taken, provide a more compelling basis for establishing unreasonable delay.²¹

2.77 Justice Bromberg found ‘that the Department took no steps to progress [the two] applications for some 14.5 months from the time at which each of those applications was categorised as a “complex case”.’ The period of ‘inactivity’ commenced in March 2015 for one applicant and in April 2015 for the other applicant and, at this time, the department had recorded the following in their application files: ‘UNDOCUMENTED ARRIVAL Filed Undocumented arrival drawer’.²² Both applicants had arrived in Australia as illegal maritime arrivals.

Periods of unexplained inactivity during the processing of applications from former illegal maritime arrivals in 2015–16

2.78 According to correspondence of October 2017 from Home Affairs to the Office of the Commonwealth Ombudsman, ‘the Department’s view is that the court case, in its findings related to “unreasonable delay”, has only a narrow application applicable to the specific circumstances of the case’.

2.79 A reliable report on periods of processing inactivity cannot be generated from the Home Affairs processing system to identify if the findings of the court case had wider application. To provide insight into whether the risk of ‘unreasonable delay’ extended beyond the two plaintiffs in 2015–16, the ANAO manually examined the records of 15 applications selected at random from 315 applications that had been lodged before March 2015 by former illegal maritime arrivals and had then been approved or refused sometime after 30 June 2015.²³ The examination focussed on whether there were periods of unexplained inactivity.

2.80 For all 15 applications examined, the records indicated periods of unexplained inactivity that included March–April 2015 and that extended into 2015–16. These periods of inactivity ranged from nine months to 22 months and averaged 15 months. Seven of the records noted that the application had been ‘Filed Undocumented arrival drawer’, ‘placed into IMA tambour’ or ‘placed in “Undocumented Arrivals” cabinet’.

2.81 There were relatively few decisions taken in 2015–16 to either approve or refuse applications from former illegal maritime arrivals, as outlined in Table 2.5.²⁴ The decisions to approve or refuse citizenship totalled 262 in 2015–16 compared with 1697 decisions that the applications were invalid for processing. While the number of new applications lodged dropped to 1702 in 2017–18, the low decision-rate for this cohort across the years culminated in 9121 applications being on hand requiring decision at 30 June 2018.

21 *BMF16 v Minister for Immigration and Border Protection* [2016] FCA 1530 at paragraphs 28–29.

22 *BMF16 v Minister for Immigration and Border Protection* [2016] FCA 1530 at paragraphs 62, 63, 68 and 69.

23 The 315 applications had been approved or refused for citizenship between 1 July 2015 and 25 March 2018, being the limit of the data available at the time of testing.

24 A departmental report produced weekly includes, among other things, data on citizenship applications from former illegal maritime arrivals.

Table 2.5: Applications lodged by former illegal maritime arrivals and decisions taken

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	Total
Lodgements							
Applications	127	2,514	3,638	5,949	5,684	1,702	19,614
Decisions taken							
Approved	28	1,223	837	137	822	766	3,813
Refused	9	117	144	125	233	457	1,085
Invalid	27	706	1,247	1,697	1,449	404	5,530
Withdrawn/Other	0	13	15	6	12	19	65

Source: ANAO presentation of Home Affairs data.

Ongoing risk of unreasonable delay

2.82 Home Affairs states on its website that ‘We assess applications on a case-by-case basis, and actual processing times can vary due to individual circumstances’. During the course of this audit, the ANAO examined the records of some applications where the individual circumstances were complex and took a long time to resolve for reasons such as awaiting information from external agencies and giving the applicant the opportunity to comment on adverse information.

2.83 The ANAO also examined the records of some applications, both non-complex and complex, where there were long periods of inactivity that were not explained in the records. For example, according to the records of a relatively:

- non-complex application, Home Affairs assessed it as valid two days after lodgement and then took no further action for 26 months;
- complex application, information was requested from the department’s overseas-based staff but was not examined until 25 months after it arrived in Australia, during which time the application sat in the ‘Awaiting processing Tambour’.

2.84 In the departmental records examined by the ANAO, there was an absence of acknowledgement of the occurrence of long periods of inactivity or acknowledgement of the associated risk of unreasonable delay in decision-making. In reference to the Federal Court judgement of ‘unreasonable delay’, an investigation report by the Commonwealth Ombudsman stated:

No doubt, this judgment is critical for [Home Affairs] to consider in administering the citizenship program ... In responding to this investigation on the questions of what is a reasonable amount of time to take, the department answered in a manner which suggests that it considers that decision-making will take as long as it needs to take in order to resolve the complexity of issues presented to ensure the integrity of decisions, and that the question of true identity of the applicant can be satisfied. The department did not address the issue examined by the court concerning periods of unexplained inactivity, and what this means for the department when it comes to making lawful decisions.²⁵

25 Commonwealth Ombudsman own motion investigation report, *Delays in Processing of Applications for Australian Citizenship by Conferral*, December 2017, paragraph 6.7.

Periods of unexplained inactivity during the processing of non-complex applications

2.85 The majority of applications do not present Home Affairs with a 'complexity of issues' requiring lengthy resolution. Home Affairs categorised 95 per cent of the applications it had on hand at 1 July 2018 as likely to require a business-as-usual to low work processing effort to resolve (see Table 2.2 on page 28).

2.86 To gain insight into the extent of the risk of unreasonable delay, the ANAO examined the records of 51 applications that Home Affairs had identified as being of relatively low complexity.

2.87 Home Affairs had established a taskforce of around 28 additional staff in March 2017 to help finalise applications of low complexity.²⁶ The 51 applications examined by the ANAO were all those finalised by the taskforce in its second and its fourth week of operation that had been on hand for more than a year. As there is no agreed definition of what constitutes a 'long' period of inactivity, the ANAO examined whether there were one or more periods of unexplained inactivity that exceeded 80 days, being Home Affairs' former target timeframe for finalising applications.

2.88 Of the 51 applications examined, 13 applications (25 per cent) did not have a period of unexplained inactivity that exceeded 80 days. It was noted that seven of these 13 applicants had been invited to attend citizenship interviews scheduled between 100 days and 139 days in advance and hence these time periods were explained in the records.

2.89 The records of the other 38 applications (75 per cent) evidenced one or more periods of unexplained inactivity that ranged from 110 days to 601 days and averaged 348 days. The longest combined period of unexplained inactivity was 746 days. An example of an application examined is presented in case study 2 below.

26 In recognition that the citizenship program was 'under unprecedented pressure due to a high on hand caseload', a taskforce was established within the department in March 2017 to help finalise applications in Sydney, Parramatta and Melbourne. It was to focus on clearing low-complexity applications — being from the skilled and family migration streams that had been categorised as requiring 'business as usual' or 'low' processing work effort and that had been on hand for more than 80 days. The taskforce was intended to operate until the end of June 2017 but was cut short by the introduction of the integrity screening checking processes which impacted approvals. The aim had been to finalise 8400 applications. As at 28 May 2017, the taskforce had finalised 9686 applications and so exceeded its target by 15 per cent.

Case study 2. Period of unexplained inactivity during the processing of a non-complex application

In January 2016, the applicant lodged an application for citizenship by conferral.

Eight days later, the department ran automated checks as part of its standard validity-check/pre-assessment process. An indicative processing effort of 'Low' was recorded for this application.

The only processing activity recorded for the next 413 days involved:

- an internal note of January 2017 stating that the application had been moved to the 'awaiting processing (no appointment required)' batch — the applicant had attended a citizenship appointment for an earlier application that was refused; and
- the automated checks were re-run in February 2017.²⁷

On a single day in March 2017, the automated checks were again re-run and the application was assessed and approved.

It took the department 422 days to make the decision to approve the application, of which 413 days was inactivity.

Risk of unreasonable delay due to the time taken to commence processing applications

2.90 At the time of this audit, a reliable report could not be generated from Home Affairs' systems to identify the number of applications that had not yet been processed beyond the initial validity check. Home Affairs advised the ANAO in October 2018 that it was building a new dashboard that will provide this information through 'regular reports on caseload segmentation at the various stages of pipeline processing'. Further advice from Home Affairs to the ANAO in January 2019 was that:

This system is for work allocation and is not designed as a reporting tool.

Three interactive Citizenship performance monitoring dashboards at the 'Executive', 'Management' and 'Operational' levels were implemented in December 2018 and provide the network with a real-time tool to analyse the caseload at various stages of processing, which will drive the allocation of resources to focus efforts for maximum efficiency.

2.91 To obtain some insight the ANAO identified applications that were assigned to a 'batch' in the department's primary processing system, and also to a 'folder' in its secondary system, with descriptions that indicated the applications had not yet been progressed. For example, paper-based applications still assigned to one of the 'Awaiting direction—20 April 2017 changes' batches (see paragraph 2.49) and e-lodged applications still assigned to a computer-generated batch (applications are then to be re-batched by a human operator).

2.92 Some 179,000 applications were assigned to the 'batches' and 'folders' identified by the ANAO. A third of these had been on hand for six months or more, with the oldest lodged on 20 April 2017. As an indicator of whether these applications may have been progressed beyond the initial validity check, ANAO examined the records of 110 of the applications selected at random. For

²⁷ Automated checks are commonly run against individual applications or in bulk across batches of applications. Justice Bromberg referred to such checks as 'electronic searches of no real significance' in *BMF16 v Minister for Immigration and Border Protection* [2016] FCA 1530 (16 December 2016).

none of the 110 applications was substantive work recorded in the department's primary processing system between the initial validity check and 30 June 2018. An example is provided in Case Study 3.

Case Study 3: Processing work recorded as at 25 August 2018 for an application received 26 April 2017

Event	Qualifier	Effect Date	Record Date	
Letter Sent (Manual)		30/10/2017	31/10/2017	Bulk mail out to applicants who had lodged after 20 April 2017
Letter Sent (Manual)		24/06/2017	24/06/2017	
Risk Check	Match	05/05/2017	05/05/2017	Bulk mail out acknowledging receipt of application
Payment	Application Lodgement	05/05/2017	05/05/2017	
Interval Calculator	Citz Offshore Penal Check	05/05/2017	05/05/2017	Automated checks run during validity assessment and payment taken
Interval Calculator	Citizenship	05/05/2017	05/05/2017	
Risk Check	Match	05/05/2017	05/05/2017	Application received 26 April and recorded in system 5 May 2017
Movement Check	In Australia	05/05/2017	05/05/2017	
MAL Check	No Match	05/05/2017	05/05/2017	
Commenced		26/04/2017	05/05/2017	

Note: Applicants who lodged on or near 26 April 2017 should not assume that the case study is of their application. The department received 1714 applications on 26 April and included them in the bulk mail outs.

Source: Screen shot of Home Affairs system taken by the ANAO on 25 August 2018 showing all processing events recorded up to that date for the application examined.

2.93 The findings of the ANAO's testing do not factor in the integrity screening process because it was not then visible in the system records. Following a system change, an 'integrity screening' status (being required, clear or not clear) is recorded for each applicant. On 2 November 2018 the ANAO re-examined the records for the application used in case study 3, which had been lodged on 26 April 2017. The records remained unchanged other than an integrity screening status of 'clear' having been recorded on 19 October 2018.

Recommendation no.2

2.94 The Department of Home Affairs establish and monitor performance standards that address periods of processing inactivity, including the length of time between an application being received and substantive processing work commencing.

Department of Home Affairs' response: *Agreed in principle.*

2.95 *Whilst the department disagrees with the ANAO's findings that the processing of citizenship applications has not been done efficiently, it is agreed in principle to monitor the time taken between processing stages, to the extent already captured in existing systems. The department acknowledges that it must continue to evolve the way it operates to keep pace with increased lodgements and changing risk profiles.*

2.96 *System-wide reforms to the way the Citizenship program is delivered are well underway, including:*

- *client communication and client experience improvements*
- *capacity enhancements*
- *integrity enhancements*
- *business operating model improvements, and*
- *enhancements to facilitate global case management.*

2.97 *The department will explore ICT system enhancements to increase reporting capabilities, which will be subject to funding and prioritisation across the portfolio.*

3. Resource efficiency

Areas examined

The ANAO examined whether applications for citizenship by conferral had been processed in a resource-efficient manner.

Conclusion

Applications for citizenship by conferral have not been processed in a resource-efficient manner. The department has a suite of initiatives in train that are designed to improve efficiency but implementation has been slow. It has not set external key performance indicators to inform Parliament and other stakeholders of how efficient it has been in processing conferral applications. Further, the department is not checking the quality of the decisions being taken.

Areas for improvement

The ANAO has made one recommendation relating to revising the funding model for citizenship activities based on updated activity levels and efficient costs.

Has Home Affairs optimised the efficiency of its processing staff?

Home Affairs has not optimised the efficiency of its processing staff. The department has a suite of initiatives in train that are designed to enhance efficiency but has been slow in implementing them. The number of decisions taken in the first quarter of 2018–19 increased significantly (by 81 per cent) compared with the number taken in the first quarter of 2017–18, but remains below the number of decisions being taken in earlier years (2014–15 to 2016–17).

3.1 Efficiency is primarily about entities making the most of available resources — that is, optimising the use of inputs to deliver the intended outputs. Achieving efficiency in the processing of applications for citizenship by conferral, therefore, involves Home Affairs optimising the use of its processing staff and related resources so as to finalise applications to the quantity, quality and timing required.

Ratio of staff to decisions

3.2 A common approach to measuring efficiency is to calculate ratios of inputs to outputs. The ANAO therefore calculated the ratio of processing staff to decisions-taken in 2016–17 and in 2017–18.

3.3 The number of staff processing applications for citizenship by conferral fluctuates throughout the year and some staff (particularly in smaller offices) may have duties outside of the conferral stream. Home Affairs provided the ANAO with data on the number of staff considered to have been primarily allocated to the processing of citizenship by conferral applications (from lodgement to decision) per month from 1 July 2016 to 30 June 2018. When this data is averaged out over the respective financial year the number of full-time equivalent staff allocated to processing in 2017–18 was 182.2, which is six per cent lower than the 193.6 staff allocated in 2016–17.

3.4 The ratio of staff to decisions taken for each financial year is presented in Table 3.1. The results indicate an efficiency loss in 2017–18. This result is consistent with the efficiency loss

apparent in the growing gap between the rates of applications lodged and applications finalised each year (see Figure 2.1 on page 18).

Table 3.1: Ratio of staff to decisions taken per year

Year	Full-time equivalent staff (inputs)	Decisions taken (outputs)	Ratio of staff to decisions (inputs:outputs)
2016–17	193.6	153,879	1:795
2017–18	182.2	101,422	1:557

Source: ANAO analysis of Home Affairs data.

3.5 In January 2019, Home Affairs advised the ANAO that:

this analysis could be interpreted as staff being inefficient, when we know that finalisation rates were directly impacted by the introduction of the integrity screening measures. This is a simplified interpretation of what we know was a complex time for the program and what actually occurred during the program year.

Optimising the efficiency of staff

3.6 Home Affairs has a suite of system improvements and other initiatives in train that are designed to improve efficiency. Initiatives relating to how the citizenship program is managed and resources are allocated include:

- the program has shifted from a Total Case Management model, where an officer would ‘own’ a case from start to finish, to a Global Case Management model based on the shared ownership of a case where multiple processing officers may interact with a case from commencement through to finalisation;
- caseloads with similar characteristics and complexity have been centralised to realise economies of scale and ensure consistent treatment;
- the processing of applications requiring referral to the Department of Human Services for the citizenship interview and test component has been centralised to achieve efficiencies through economies of scale and consistent engagement with this partner²⁸;
- the use of WMAN (a workload management tool) has been mandated since 1 July 2018 to assist the citizenship program to manage caseloads;
- the program is planning to transition from its current Citizenship Case Prioritisation Tool to a Program Management Pipeline Tool (or PROMPT) to ‘achieve optimal processing benefits through large-scale data matching across multiple departmental systems and using this consolidated information to prioritise unallocated or on-hand caseload pipeline based on agreed risk/threat/work-effort settings’; and
- multi-disciplinary taskforces have been established to address identity issues across complex caseloads. The first of these taskforces commenced in August 2018, with

28 Home Affairs has an arrangement with the Department of Human Services to conduct citizenship interviews and tests in regional areas on its behalf. The Department of Human Services has reported that 8048 citizenship tests were taken in 33 service centres in regional areas in 2017–18 (which equates to nine per cent of all citizenship tests taken that year).

29.11 full-time equivalent staff drawn from the department's Citizenship and Multicultural Affairs Branch and Identity and Biometrics Specialist Branch.

3.7 The department is seeking to increase the proportion of applicants who choose to lodge online and, via system enhancements, to enable all applications to be lodged online.²⁹ This will allow the redirection of resources currently used to enter data from paper applications. The proportion of applications lodged online rose from 57 per cent in 2016–17 to be 72 per cent in 2017–18. The department is also seeking to put arrangements in place to digitise all paper applications on hand (at 30 June 2018 it had 74,899 paper applications on hand for processing).

3.8 Home Affairs has been slow to implement initiatives related to improving efficiency through the tools and guidance available to processing officers. These include:

- Case Note Generator, a tool for compiling consistent case notes by using a combination of free text and check boxes that can be completed by the processing officer. An internal review of 2015–16 had recommended it be made available to citizenship processing officers. Home Affairs advised the ANAO in August 2018 that three principal templates required to record case notes for citizenship by conferral are scheduled to be available to all onshore conferral processing officers by October 2018³⁰;
- Enterprise Correspondence System, a tool that contains template letters to improve efficiency (by reducing manual effort) and consistency in correspondence. An internal review of 2015–16 had recommended that the citizenship program use this system but, as at August 2018, few citizenship-related templates were available to processing officers; and
- producing a full set of instructions (35 in total) to replace the current Australian Citizenship Instructions. Home Affairs advised the ANAO in August 2018 that one instruction had been cleared (but not published), three were undergoing clearance and the remainder were at various stages of drafting. The one instruction cleared was 'Assessing Identity under the Citizenship Act'. It was cleared in July 2018 and addresses an ANAO recommendation that the department had agreed to in May 2015.³¹

Onshore Work Effort Review

3.9 In 2016, the department conducted a review to measure the work effort required to deliver the citizenship program, including processing activity for citizenship by conferral. The Onshore Work Effort Review Report included 13 recommendations for action by the citizenship program, aimed at business improvement opportunities to increase consistency and efficiency. The first stage of the agreed implementation and monitoring process was for an action plan to be put in place by mid-January 2017.

3.10 There was no action plan put in place to implement the 13 recommendations.

29 In January 2019, Home Affairs advised the ANAO that it is seeking to do this 'within the constraints of the department's overall appropriation allocated by Parliament'.

30 In January 2019, Home Affairs advised the ANAO that 'the four principal templates required to record case notes for citizenship by conferral have been completed and made available to all onshore conferral processing officers in December 2018'.

31 Specifically, that the department 'clearly outlines in the Australian Citizenship Instructions, the key elements of identity that decision-makers are to consider when assessing citizenship applications' (Auditor-General Report No.47 2014–15 *Verifying Identity in the Citizenship Program*, Recommendation No. 1, Paragraph 2.22.)

3.11 Home Affairs advised ANAO in August 2018 that another review would be conducted ‘to baseline the current process and undertake ongoing monitoring to assess best practices and gains for further efficiency initiatives planned’. This review was expected to commence in the last quarter of 2018 and be completed in the first quarter of 2019.

Impact on time-efficiency of the number of processing staff

3.12 As part of the Onshore Work Effort Review, in 2015–16 the department timed the work effort that its onshore citizenship offices took to complete each stage in the processing of an application. The department calculated that it took 86 minutes of work effort on average to process an application from receipt to decision. In 2018 the department revised its estimation for planning purposes to be that 80 per cent of applications would indicatively take 88 minutes each to finalise, with medium and high complexity applications taking more time than this.³²

3.13 The various initiatives the department has in train to optimise the efficiency of its staff should help reduce the number of work effort minutes it takes to process each application on average and so have a positive impact on resource-efficiency.

3.14 While reducing average work effort will improve time-efficiency, there is also an opportunity for improvement by reducing the amount of time associated with inactivity. The amount of time applications spend inactive awaiting processing can be substantially longer than the active work effort involved, given ANAO’s analysis on delays in decision-making in Chapter 2 of this audit report and given:

- Home Affairs’ estimation that 80 per cent of applications would indicatively take processing officers 88 minutes of work effort from receipt to decision (excluding integrity screening); combined with
- the ANAO’s calculation that 80 per cent of applications were decided within 337 days of receipt (see paragraph 2.15).

Proposed temporary increase in staff

3.15 Home Affairs advised the ANAO of the ‘externally imposed [Average Staffing Level] Cap which prevented the Department from increasing staffing commensurate with increased activity’. The department further advised the ANAO that:

The Department operates an agile budget process to manage competing priorities and operate within funding constraints. The Department’s budget allocation is regularly reassessed to deliver on organisational objectives efficiently and effectively. Funding allocations reflect reprioritisation decisions, performance to date, changes in available funding and takes into account other relevant information.

32 The ‘work effort minutes’ reflect the work of the citizenship application processing officers and do not include time that may be spent by other staff, such as by those integrity screening applicants or facilitating citizenship ceremonies. The minutes are spread across the processing cycle (not worked as a single block of time) to accommodate the period between the citizenship interview being scheduled and being conducted and the time afforded applicants to provide further documentation where requested. The 2018 estimations included an indicative 111 minutes for medium complexity applications, and 450 minutes for high complexity applications, but the department has since advised the ANAO that ‘more recent analysis suggests the work effort for high risk cases is far greater than that previously stated’.

3.16 In May 2018, the citizenship program put forward an internal request for an additional 156 full-time equivalent staff (FTE) 'to support the program increase finalisations, revenue and reduce processing times'.

3.17 Home Affairs advised the ANAO in November 2018 that, following a budget exercise, the Refugee, Citizenship and Multicultural Programs Division staff ceiling was increased 'by an additional 100 full-time equivalents to address the Citizenship backlog, with an opportunity to request additional staff at a later date'. Further, that this 'allows for growth of up to 128 additional FTE for the Division this financial year' and that:

The bulk of the additional FTE will be allocated to the citizenship by conferral caseload...

Staffing numbers fluctuate over time, based on a large number of factors including staff turnover, the ability of the Department to recruit replacements quickly, internal movements, staff leave, etc. However it is estimated that around 300 FTE will be allocated to the processing of citizenship by conferral applications in June 2019...

Based on current projections the Department is forecasting around 190,000 finalisations for the citizenship by conferral stream this financial year. However, this will be dependent on a range of factors including: the actual caseload mix and time taken to process individual cases across the low-high complexity spectrum, the time taken to on-board and train all new staff, the capacity of new staff to become productive quickly, and any emerging strategic objectives of the Department/Government.

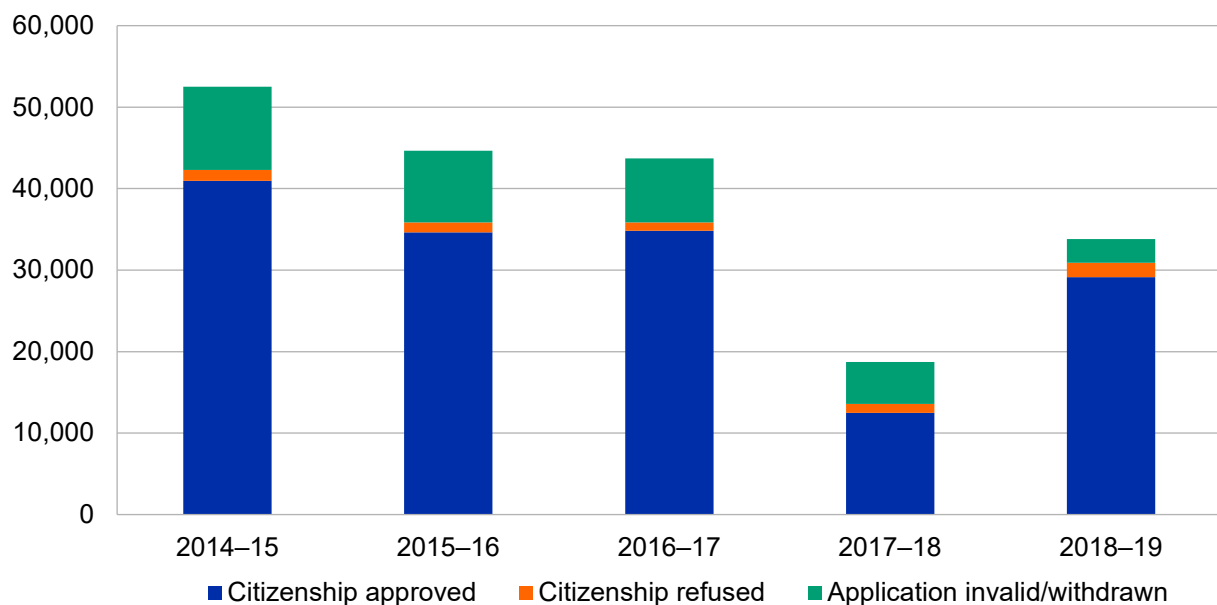
3.18 If the department's indicative forecasting of 190,000 applications being finalised in 2018–19 is achieved, then this would represent an 87 per cent increase on its 2017–18 results. This is likely to start reducing the numbers on hand.

First-quarter performance in 2018–19

3.19 The number of decisions taken in the first quarter of 2018–19 increased significantly (by 81 per cent) compared with the number taken in the first quarter of 2017–18. This indicated an improvement in processing performance compared with the equivalent period of the prior year. There was also an increase in the proportion of decisions to approve citizenship (86 per cent in the first quarter of 2018–19, up from 67 per cent in the first quarter of 2017–18), largely the result of fewer applications being assessed as invalid (down from 27 per cent in the first quarter of 2017–18 to nine per cent in the first quarter of 2018–19). The proportion of refusal decisions remained similar (six per cent in the first quarter of 2017–18 and five per cent in the first quarter of 2018–19).

3.20 The number of decisions in the first quarter of 2018–19, whilst well above that in the first quarter of 2017–18, was below that being achieved prior to 2017–18. This is illustrated by Figure 3.1.

Figure 3.1: Decisions taken in the first quarter of the last five years



Source: ANAO analysis of Home Affairs data.

Has Home Affairs checked the quality of the decisions taken?

Home Affairs has not checked the quality of the decisions taken to approve or refuse Australian citizenship in 2017–18. This was notwithstanding that its Quality Management Framework outlined that two per cent of the decisions should have been checked. As at August 2018 the department had not implemented an ANAO recommendation it agreed to in May 2015 relevant to assessing the quality of decisions taken, and had partially implemented another.

3.21 There is often a balance to be struck between the quality, quantity and timing of the outputs delivered when seeking to improve efficiency. ANAO therefore examined whether Home Affairs had checked the quality of the decisions taken.

Quality Management Framework

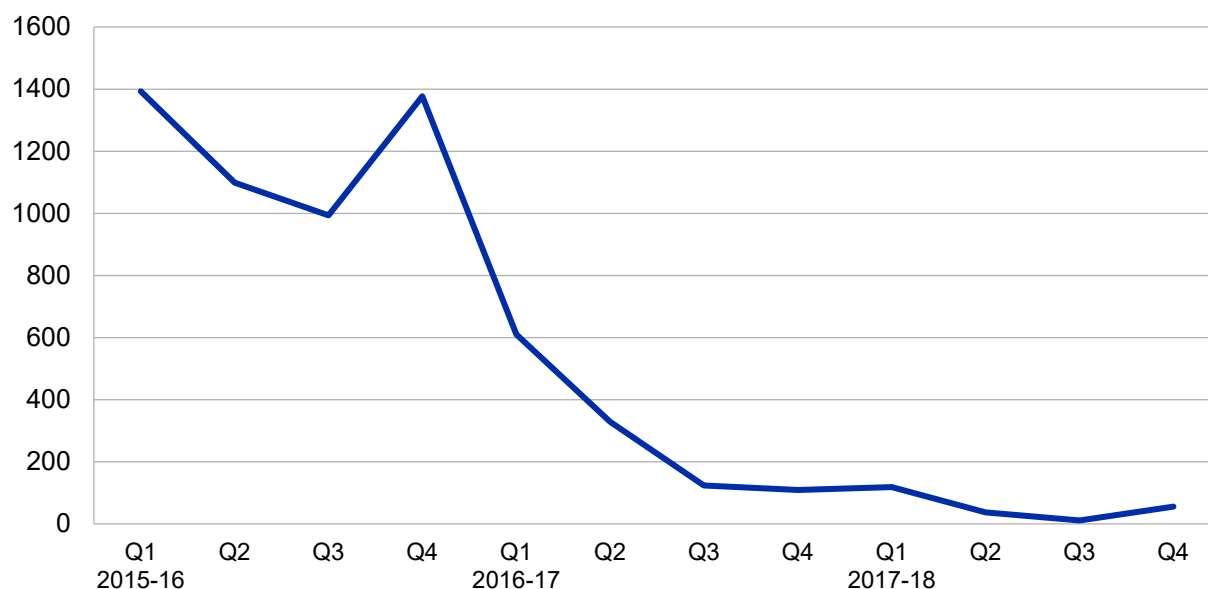
3.22 Home Affairs' Visa and Citizenship Quality Management Framework is intended 'to guide the processes of assuring that decisions made in visa and citizenship processing are of good quality'. According to the framework, quality assurance checks are to be conducted on at least two per cent of the citizenship applications finalised each month.³³ The checks are to be conducted using the department's EQuIP tool (Evidence of Quality in Performance) which was designed in-house specifically to measure the quality of visa and citizenship decisions. EQuIP contains sets of questions that are 'devised to test the quality of decisions within a business process'. Quarterly reports are provided to the department's executive.

3.23 The quarterly reports include the total number of quality assurance checks conducted via EQuIP of applications for citizenship by conferral, for citizenship by descent and for evidence of

³³ This is a decrease from the five per cent of cases that were to be checked at the time fieldwork was conducted for Auditor-General Report No.47 2014–15 *Verifying Identity in the Citizenship Program* (as per paragraph 3.45).

Australian citizenship (combined). The data provided to the department's executive each quarter over the period July 2015 to June 2018 is presented in Figure 3.2 and shows a marked decline in checks conducted.

Figure 3.2: Number of quality assurance checks conducted per quarter on finalised applications for citizenship by conferral, citizenship by descent and evidence of citizenship (combined)



Source: ANAO presentation of Home Affairs' data.

Checks conducted of applications for citizenship by conferral

3.24 Only one quality assurance check was conducted through EQuIP in 2017–18 in respect of the applications for citizenship by conferral; that is, one out of the 101,422 applications finalised (0.001 per cent) was formally checked. The previous year, quality assurance checks were conducted on 742 of the 153,879 applications finalised (0.5 per cent), which was still well below the two per cent sample required. In respect of the number of checks undertaken, Home Affairs advised the ANAO in August 2018 that:

The decline was due to the perception across the citizenship program that the established formal QA process through the EQUIP tool was not producing meaningful outcomes. Quality Assurance activities declined in anticipation of an improved process.

3.25 Home Affairs also advised that the Quality Management Framework was under review and that it anticipated a revised framework would be implemented in 2019–20.

External review of citizenship decisions

3.26 In relation to external review of citizenship decisions, in 2016–17 and 2017–18 the Administrative Appeals Tribunal either affirmed or set aside the department's decision in respect to a total of 278 applications. Across those two years, the Tribunal in total set aside 55 per cent of the decisions (55 per cent in 2016–17 and 56 per cent in 2017–18).

Implementation of previous ANAO recommendations

3.27 The ANAO undertook a 2014–15 performance audit to assess the effectiveness of the identity verification arrangements for applicants in the citizenship program.³⁴ The recommendations made in the 2014–15 audit included the following two that relate to checking the quality of decisions taken:

Recommendation No. 2

To more effectively assess and report on the objectives of the Citizenship Program, the ANAO recommends that the Department of Immigration and Border Protection develops and reports against key performance indicators assessing the quality of the department's citizenship decisions.

Recommendation No. 3

To improve the quality assurance process for the Citizenship Program, the ANAO recommends that the Department of Immigration and Border Protection extends its quality assurance program to include a risk based approach and consideration of the appropriateness of decisions, including whether the identity of the applicant has been properly verified.

3.28 Home Affairs agreed to the recommendations in May 2015. As at August 2018, it had not implemented Recommendation No.2.

3.29 Home Affairs had partially implemented Recommendation No.3. In late 2015 the department conducted a risk-based quality assurance exercise on applicants who had been approved but who had not yet attended a citizenship ceremony so as to address issues raised by the ANAO around identity verification. The department quality checked 502 applications that it considered to be of higher risk. Of those checked, 351 were considered to have no unresolved findings that required further action and so the applicants proceeded to ceremony.

3.30 The remaining 151 applications (30 per cent) were found to require further consideration under the relevant sections of the *Australian Citizenship Act 2007*. The resolution of these applications, and the ongoing processing of complex applications that present higher identity risk, has been aided by the introduction of complex case officers from June 2015. As at 30 June 2018 there were 26.11 full-time equivalent officers in this role at the higher Australian Public Service 5 and 6 levels.

3.31 Notwithstanding the quality assurance activity of late 2015, the previous audit's findings underpinning Recommendation No.3 were still applicable in 2017–18, being that:

The department is, however, yet to incorporate into its quality assurance activities:

- a risk based approach, so that quality assurance efforts focus on higher-risk cases; and
- a focus on the appropriateness of the decision, so that the department has insight into the quality and consistency of decision-making across the decentralised citizenship network.³⁵

3.32 Home Affairs advised the ANAO in October 2018 that:

A formal review has commenced of the Immigration and Citizenship Services Group's (ICSG) approach to quality management, and broader processes, systems and support material. Outcomes from this Group-level review will inform the development and implementation of an

34 Auditor-General Report No.47 2014–15 *Verifying Identity in the Citizenship Program*.

35 Auditor-General Report No.47 2014–15 *Verifying Identity in the Citizenship Program*, paragraph 3.58.

overarching structure within ICSG to deliver greater oversight, management and reporting of assurance efforts and results, and position the Group to better manage and respond to new and emerging risks. The revised Quality Management Framework will mandate expectations and requirements relating to quality activities, and will monitor compliance with required levels.

It is anticipated that the revised quality management framework, a key element of the Visa and Citizenship Operating Model (VCOM2020), will be implemented in the 2019–20 program year. This will inform enhanced quality approaches across Divisions and Branches. Citizenship has been identified as the first caseload to be incorporated into the revised quality management framework.

Informal quality checks continue to be undertaken across the program. This generally includes reviewing the decisions (refusals and approvals) of new staff and random checks as required for more experienced staff. A supervisor reviews most refusal decisions, including all complex decisions, prior to being finalised.

3.33 In December 2018, the ANAO sought from Home Affairs evidence that: informal quality checks are undertaken; the decisions of new staff are reviewed; random checks of the decisions of more experience staff are conducted; and a supervisor reviews most refusal decisions prior to being finalised, including all complex decisions. In response, Home Affairs asserted that:

The department has an expectation that all draft refusal decisions are reviewed by a team leader/manager prior to finalisation. Team Leaders and managers also undertake consistent reviews of their team's performance through regular interactions and team meetings which occur on an ongoing basis.

These general interactions, including feedback on cases, are generally provided verbally. The department acknowledges that these less formal quality control measures can be strengthened by implementing a formal quality checking regime using Equip. A project team will be stood up in January to progress this work.

There are many checks and balances for the program built into business as usual processing and system requirements. For example, the delegation of staff members to make decisions under the Act is regularly reviewed, while the ICSE processing system has several inbuilt functions to ensure case officers consider specific information (e.g. adverse MAL alerts) and prevent decisions being made where indicators haven't been addressed (e.g. a case officer cannot approve an application if integrity screening is outstanding).

There are existing feedback loops built into the program which also ensure the integrity of decision making. These include;

- The Citizenship Helpdesk which regularly provides advice to decision makers on cases
- The review of AAT outcomes and application of any findings for future cases
- Consideration of issues raised through the Global Feedback Unit and Ministerial Correspondence and adjustment to procedures as appropriate
- The issuing of formal direction to the network on issues such as policy or procedural changes, identification of best practice or solutions to identified issues, all support processing consistency.

3.34 The above quoted assertions do not provide a basis on which the ANAO could conclude that the recommendation has been implemented.

Is the administration of the citizenship activities consistent with the Australian Government cost recovery framework?

The administration of the citizenship activities has been largely consistent with the Australian Government cost recovery framework. However, analysis of the department's processing timeframes indicates the actual cost may exceed the efficient cost.

3.35 The Australian Government charges for a range of regulatory activities by recovering some or all of the efficient costs of those activities. The efficient costs are the minimum costs necessary to provide the activity while achieving the policy objectives and legislative functions of the Australian Government. The citizenship activities are regulatory charging activities.

3.36 Home Affairs is to recover the efficient costs of the citizenship activities by charging applicants on a full cost recovery basis. Cost recovery activities such as these are subject to the Australian Government Cost Recovery Guidelines (the 'Guidelines'). The Guidelines set out the requirements and better practice under which government entities design, implement and review cost recovered activities. The Australian Government Charging Framework builds on the Guidelines; it encourages a common approach and supports the legislative responsibilities of Commonwealth entities as detailed in the *Public Governance, Performance and Accountability Act 2013*.

Policy approval to cost recover

3.37 Home Affairs complied with the requirement in the Guidelines that 'the responsible government entity must have policy approval from the Australian Government to cost recover'. In the 2015–16 Budget the Australian Government decided to move from partial to full cost recovery for citizenship activities from 1 January 2016. Home Affairs was to recover the full costs associated with the processing of certain applications made under the *Australian Citizenship Act 2007* for:

- Australian citizenship by conferral, by descent and through adoption; and
- evidence, resumption and renunciation of Australian citizenship.

Statutory authority to charge

3.38 Home Affairs complied with the requirement in the Guidelines to 'have statutory authority to charge'. The *Australian Citizenship Act 2007* states that an application made for citizenship must 'be accompanied by the fee (if any) prescribed by the regulations'. Schedule 3 of the *Australian Citizenship Regulation 2016* sets out the fee to accompany each type of application.

3.39 To implement the decision to move to full cost recovery, the majority of the fees set out in Schedule 3 of the applicable regulations were amended by the *Migration Legislation Amendment (2015 Measures No. 3) Regulation 2015*.³⁶ The amended fees commenced on 1 January 2016 and are outlined in Table 3.2.

36 At the time the application fee schedule was amended, the applicable regulations were the *Australian Citizenship Regulations 2007*.

Table 3.2: Citizenship application fees amended on 1 January 2016

	Conferral with test	Conferral without test	Descent or adoption	Resumption	Evidence	Renunciation
Old fee	\$260	\$130	\$120	\$70	\$60	\$285
Amended fee	\$285	\$180	\$230	\$210	\$190	\$205
Variation	↑ 10%	↑ 38%	↑ 92%	↑ 200%	↑ 217%	↓ -28%

Note: Generally you can apply for citizenship by: 'descent' if you were born outside Australia and one or both of your parents were Australian citizens when you were born; 'adoption' if you were adopted in accordance with the Hague Convention on Intercountry Adoption or a bilateral arrangement; 'resumption' in certain cases where you previously ceased to be an Australian citizen; or by 'conferral' if you cannot apply under the other categories and you are a permanent resident of Australia. Existing citizens can apply for a citizenship certificate as 'evidence' of being Australian or can apply to 'renounce' their Australian citizenship if they already have another country's citizenship.

Source: ANAO analysis of citizenship legislation.

3.40 Items in Schedule 3 that provided for a concessional, reduced or nil fee were not amended as the Australian Government decided not to increase the amounts recovered against these items. These provisions may result in expenses not being fully cost recoverable.

Alignment between expenses and revenue

3.41 A requirement of the Guidelines is that the entity ensure alignment between the expenses of the activity (the costs involved in providing it) and the revenue (the income generated through charges for it).

3.42 In accordance with the financial reporting rules, the financial statements of the entity must include a note providing financial information for its regulatory charging activities at an aggregate level. The note is intended to provide 'industry, the Parliament and the public with assurance that these activities are being managed in a way that aligns expenses and revenues over time'.³⁷

3.43 Home Affairs has complied with the requirement to provide a note in its financial statements. The note for 2017–18, which includes 2016–17 comparison figures, was:

The Department implements cost recovery arrangements for processing applications to acquire, renounce or resume Australian citizenship. Activities that are cost recovered include the assessment of applications and management of citizenship test resources, the provision of call centre and online support to applicants, the production and distribution of certificates, and the facilitation of some citizenship ceremonies. Costs are recovered through fees charged on applications, which are administered in nature. Fees differ by the type of application and eligibility of the applicant, and are set to recover the cost of processing each application. Charges recovered in relation to citizenship totalled \$61.986 million (2016–17: \$51.600 million). Expenses totalled \$58.757 million (2016–17: \$63.045 million).

3.44 The revenue generated by the 250,514 applications on hand at 30 June 2018 has been recognised in the financial statements but the costs to finalise these applications will extend into future financial years.

³⁷ Section 34A, Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 made under the *Public Governance, Performance and Accountability Act 2013*.

3.45 While revenue exceeded expenses by five per cent in 2017–18, this result was overbalanced by lodgements exceeding finalisations by 84 per cent (as can be calculated from the figures presented in Table 3.3).

Table 3.3: Aggregate revenue, expenses and application data for citizenship activities

Year	Revenue	Expenses	Applications lodged	Applications finalised	Applications remaining at 30 June
2016–17	\$51.600 m	\$63.045 m	274,795	227,060	111,218
2017–18	\$61.986 m	\$58.757 m	305,220	165,963	250,514

Note: The figures in this table relate to applications: for citizenship by conferral, by descent or through adoption; and for evidence, resumption or renunciation of citizenship.

Source: ANAO analysis of Home Affairs citizenship activity summary reports and financial data.

3.46 Applications for citizenship by conferral accounted for 81 per cent of total revenue generated for citizenship activities in 2017–18. Expenses are not costed at the individual activity level.

Application fees to reflect the full efficient cost

3.47 According to the Guidelines, the application fees should be set to recover the full efficient costs of the specific citizenship activity. An indication of actual costs relative to application fees can be derived from the figures presented in Table 3.3. That is, in:

- 2016–17 the cost per application was \$278, which was 48 per cent higher than the \$188 in revenue generated per application (on average); and
- 2017–18 the cost per application was \$354, which was 74 per cent higher than the \$203 in revenue generated per application (on average).³⁸

3.48 The above analysis suggests that actual costs have increased beyond that foreseen in 2015. This does not necessarily mean that application fees should be increased to reflect the full actual cost. The overall findings of this ANAO audit indicate that actual costs likely exceed the efficient costs of processing applications for citizenship by conferral (which accounts for the majority of the costs recovered). For this reason it could not be determined if the application fees are currently set to recover the full efficient costs of the citizenship activities.

Portfolio charging review

3.49 Departments of state are to conduct periodic reviews of all existing and potential charging activities within their portfolios at least every five years, in accordance with a published schedule of portfolio charging reviews or at other times agreed by the Minister for Finance. Home Affairs is scheduled to conduct a portfolio charging review in 2018 with the review outcomes to be brought forward in the 2019–20 Budget context. A portfolio charging review report must be submitted to the responsible minister and a copy must be provided to the Minister for Finance.

3.50 The potential gap between the efficient cost and the actual cost of each citizenship activity should be considered in the portfolio charging review and in other reviews of the citizenship

³⁸ The average revenue generated per application increased in 2017–18 because the number of applications lodged for citizenship by conferral (which attracts the highest fee) increased by 17 per cent while four of the other six citizenship activities experienced a decrease in applications lodged.

application fees. This is as per the requirements of the Guidelines and of the Australian Government Charging Framework.

Publicly available documentation and reporting

3.51 Home Affairs has largely complied with the requirements outlined in the Guidelines to 'maintain up-to-date, publicly available documentation and reporting' of its cost recovery arrangements.

3.52 In addition to reporting at an aggregate level in its annual financial statements, Home Affairs published activity-level information on its website in the 'Cost Recovery Implementation Statement: Australian Citizenship Charges 2015–16'. This document was published before the amended application fees commenced, as was required. Home Affairs should have since republished it with updated financial and non-financial performance information. This is because such Statements are intended by the Guidelines to be a 'continuous disclosure tool'.

Does the funding model contain an incentive to finalise applications efficiently?

The citizenship services funding model contains an incentive for Home Affairs to finalise applications efficiently. The assumptions on which the funding model was based are outdated.

3.53 The citizenship services funding model has fixed and variable components. Variable funding is adjusted to reflect actual movements in workload drivers, being the number of citizenship applications finalised. As part of an annual funding model reconciliation process, any movements in funding earned are recognised as adjustments to Revenue from Government in the current financial year.

3.54 In simple terms, while applicants pay the required fee upfront, Home Affairs is in part 'paid' per finalisation. The price per finalisation is common across the citizenship activities and is adjusted at each budget round to take into account the annual wage cost increase and annual efficiency dividend applied. The price per finalisation in 2016–17 was \$262.77 and in 2017–18 was \$257.25.

3.55 The assumptions on which the funding model was based have become outdated. For example, in 2007–08 (the year on which the funding model was based) 0.8 per cent of applications for citizenship by conferral were assessed as invalid, whereas 15 per cent of applications were assessed as invalid in 2017–18. To decide an application is invalid costs the department less than to process an application through to approval or refusal stage. Another example is that the model does not factor in the costs associated with the introduction of increased integrity screening of applicants from June 2017.

Recommendation no.3

3.56 The Department of Home Affairs agree with the Department of Finance a revised funding model for citizenship activities that is based on updated activity levels and efficient costs.

Department of Home Affairs' response: *Agreed.*

3.57 *The Government tasked the department with transforming Australia's visa and citizenship system in response to rising traveller volumes and complex risks at the border. The department plans to review citizenship costs and funding arrangements as part of the Government's broader immigration reform program.*



Grant Hehir
Auditor-General

Canberra ACT
11 February 2019

Appendices

Appendix 1 Entity response



Australian Government
Department of Home Affairs

Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
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Dear Mr Hehir

Thank you for the opportunity to comment on the Australian National Audit Office's (ANAO) report on the *Efficiency of the Processing of Applications for Citizenship by Conferral* performance audit. The Department of Home Affairs (the Department) acknowledges the value of the ANAO providing independent analysis of and insights into the citizenship conferral process.

There is no greater privilege than Australian Citizenship and the Department takes its responsibility to efficiently and effectively process applications within the law very seriously. The enhanced integrity measures adopted by the Department over the last three years to protect Australia's national security and community safety are delivering results. We will always prioritise these efforts over speed.

Increased Integrity Measures

Under Australian Citizenship legislation passed by the Australian Parliament, the decision maker must be satisfied that an applicant for Australian Citizenship is of good character, and they must not be assessed as a direct or indirect risk to Australia's national security. The threshold for verifying identity for citizenship applicants is a high bar, greater than the level of identity assurance required for the grant of a visa.

The 2015 Joint Commonwealth – NSW Government review into the Martin Place Siege recommended that the Department should better assess the possible risks posed by individuals at the pre-visa, post-visa, and pre-citizenship stages. Also in 2015, the ANAO report into verifying identity in the citizenship program found that there were shortcomings in the way the Department verified the identity of applicants for Australian Citizenship.

In response to these reviews, commencing in 2015, a series of additional integrity measures were introduced across the program, in particular to strengthen existing processes for verifying the identities of citizenship applicants, and in 2017, to enhance processes to confirm there is no adverse character information known to the Department.

These stronger program integrity measures have already led to improved community safety outcomes:

- The proportion of citizenship applications being refused have doubled, from 3.4 per cent in 2014–15 to 6.8 per cent in 2018–19 to 30 November 2018. This includes 144 individuals who were identified as having engaged in serious criminal conduct that was not declared on their citizenship application form.
- The Department has also identified 1,440 instances of potential identity fraud, where individuals provided different identity information on their citizenship application to that previously provided to the Department between August 2016 and October 2018.

Further, since December 2014, 29 individuals had their Australian Citizenship revoked for criminal conduct or for citizenship or migration fraud and 12 individuals ceased to be an Australian Citizen, either because they engaged in terrorism-related conduct offshore, or been in the service of a declared terrorist organisation offshore.

The Department has dedicated significant resources to addressing these national security, community safety and program integrity risks and notes that cases with adverse indicators take a disproportionate level of effort and time to resolve, often requiring the assistance of various other agencies and partners.

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Increased Citizenship Applications

At the same time the Department implemented these stronger integrity measures, the number of people applying to become citizens (by conferral) increased significantly from an already high base:

- between 2010-11 and 2017-18 applications grew by 177 per cent,^a and
- the announcement of the Government's planned citizenship reforms on 20 April 2017, along with subsequent related announcements, led to atypical peaks in applications for the corresponding periods, with close to 89,000 applications received in just three months.

Applications from former humanitarian visa holders increased by 297 per cent between 2010-11 and 2017-18, and applications from former illegal maritime arrivals (IMAs) also peaked at over 5,900 applications in 2015-16 and remained high (5,684) in 2016-17.^b Verifying the identity of humanitarian visa holders and former IMAs is significantly more complex, requiring additional time and effort to cross-check information and in many cases, undertake detailed client interviews. This is because these applicants are more likely to supply no identity documentation from their country of origin or provide identity documentation that is unreliable.

The cumulative impact of additional integrity measures, the increased volume of applications generally and the number of complex identity cases required to be resolved, has understandably increased the number of applications on-hand and average processing times.

The Department disagrees with the ANAO's findings that the processing of citizenship applications has not been done efficiently.^c The Department acknowledges that it must continue to evolve the way it operates to keep pace with increased lodgements and changing risk profiles. System-wide reforms to the way the Citizenship program is delivered are well underway and the Department is already acting to address a number of issues identified by the ANAO in this audit. The Department will continue to take further actions as appropriate.

The Department also disagrees with the ANAO recommendation that we should publish further information, particularly around key performance indicators of processing times. Given that each application for citizenship is assessed upon its merits and individual circumstances, in our view this information would not be meaningful and may be misleading to our clients.^d

Business Improvement Initiatives

The number of citizenship by conferral applications decided by the department has increased by 97 per cent so far this financial year (July to the end of November 2018), compared with the same period in the previous year (July to the end of November 2017)^e and near record numbers of people are expected to become Australian Citizens on Australia Day 2019. This reflects the early positive outcomes from business improvement initiatives implemented or underway, which include:

Client Communication and Client Experience Improvements:

- Updating client communications on the Department's external website to make it easier for clients to understand what they need to do to apply for Australian Citizenship and the eligibility requirements. This has been completed, however, in light of the ANAO's recommendations, the Department will enhance information on processing times to more clearly distinguish between the time taken to approve applications for citizenship and the time to be allocated to attend a ceremony.
- Implementing ICT enabled, auto-generated client correspondence to improve consistency in client communications and reduce manual work effort so that these resources can be refocused on decision making.
- Increasing the number of counter appointments to provide greater flexibility to clients, and the establishment of an online booking system.

Capacity Enhancements:

- Engaging additional citizenship processing officers to enable the Department to reduce the current on-hand caseload.

Integrity Enhancements:

- Embedding specialist capability to focus on the resolution of cases that involve complex identity or criminality issues. This work has been completed.

- Implementing identity awareness training and new identity assessment guidelines to support all delegated officers. This work has been completed.
- Increased use of biometrics to validate claimed identity information. This work has been completed.
- Ongoing refinement of the targeting of risk and threat profiles that inform checking arrangements to focus effort on those individuals who may present a threat, and streamline the assessment process for those individuals that don't present a threat. The first phase of this work has been implemented.
- Improving quality assurance by formalising existing quality control checking that occurred through management practice into the Quality Assurance system 'Equip' to enable greater reporting on quality control outcomes and improved feedback loops into guidance and training.
- Establishing a centralised area to assist with fostering consistency in decision-making, sourcing country-specific information from overseas posts, developing training and new information resources for decision makers and providing expert technical advice.
- Reviewing and updating Australian Citizenship Instructions to improve the quality and consistency of decision-making.

Business Operating Model Improvements:

- Undertaking an end-to-end review of processes and practices, including reviewing the average time to process applications across the citizenship caseload to identify better practice and potential efficiency improvements.
- Implementing new internal processing standards to further drive efficiency improvements and help to identify training or capability improvement areas.

Enhancements to Facilitate Global Case Management:

- Implementing new work management and prioritisation ICT tools that use data matching to enable rapid identification of cases with or without risk indicators enables automated case allocation and provides improved oversight of the stages of processing of the on-hand citizenship caseload to assist in the more effective management of the citizenship program.
- Consolidating the processing of caseloads with similar characteristics into one location to enable greater specialisation and to realise economy of scale benefits. This work has been completed.
- Delivering a Case Notes Generator ICT tool that ensures consistent and high quality case notes and improves record keeping.
- Implementing interactive Citizenship performance monitoring reporting dashboards designed to support both strategic and day-to-day decision-making. This work has been completed.

The Department will continue to refine and build on these initiatives.

I would like to thank you for the collaborative approach taken by you and your officers in conducting this audit and the appreciation of the potential complexities in auditing and reporting upon the citizenship program.

Yours sincerely


Megan Seccull
 Acting Chief Audit Executive

17 January 2019

ANAO notes on page 2 of Home Affairs' response

a: In its response, Home Affairs uses 2010–11 as the date from which it calculates application growth. The department's 2010–11 Annual Report stated that the number of applications received in 2010–11 was 32 per cent less than for 2009–10 and that a likely reason for this decrease was that transitional residence requirements ceased at the end of 30 June 2010. As per paragraph 2.2 of this Auditor-General report, application lodgements increased by 25 per cent between 2014–15 and 2017–18.

b: Applications from former illegal maritime arrivals are a sub-set of those from former humanitarian visa holders. Applications from former humanitarian visa holders decreased by nine per cent between 2014–15 and 2017–18 from a low base. Applications from the skilled visa stream, which are relatively non-complex to process, increased by 41 per cent over this same period from a high base (see paragraphs 2.34 and 2.35).

c: Chapter 2 of this Auditor-General report outlines the evidence and analysis in support of the ANAO's independent assessment of the department's time efficiency, including that processing times have increased, long delays are evident between applications being lodged and decisions being taken on whether or not to confer citizenship, along with significant periods of inactivity being evident. Similarly, chapter 3 examines resource efficiency.

d: The lack of externally reported key performance indicators for processing time efficiency means transparent and meaningful information is not being provided to the Parliament and other stakeholders so as to hold Home Affairs accountable for its performance. Publishing service standards and targets, and performance against them, is an approach used in other countries (see paragraph 2.28).

e: Paragraphs 3.19 and 3.20 of this report recognise that the number of decisions in the early part of 2018–19 was well above the equivalent period in 2017–18. The ANAO's analysis, outlined in Figure 3.1, was that the number of decisions taken in the early part of 2018–19 nevertheless remained well below that being achieved prior to 2017–18.