

Bilateral Agreement Arrangements Between Services Australia and Other Entities

Across Entities

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Canberra ACT

2 April 2020

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 across entities titled *Bilateral Agreement Arrangements Between Services Australia and Other Entities*. 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

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

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Audit snapshot

Auditor-General Report No.XX 2019–20

Bilateral Agreement Arrangements Between Services Australia and Other Entities



Why did we do this audit?

- ▶ Services Australia provides extensive services and payments to and on behalf of other entities.
- ▶ These are underpinned by bilateral agreements that are non-legally binding, in-principle arrangements between two parties.
- ▶ The relationships between Services Australia and its partner entities need to be managed effectively in order to ensure dual accountabilities are fulfilled.



What did we find?

- ▶ The bilateral agreement arrangements between Services Australia and other entities are largely effective.
- ▶ Services Australia's bilateral agreement framework is effective, and the agreements are generally comprehensive.
- ▶ In managing agreements, improvements are required in risk management, specifying roles and responsibilities, and performance measurement.



Key facts

- ▶ Services Australia delivers a wide variety of payments and services to and on behalf of 34 Australian Government entities under bilateral agreements.
- ▶ In 2018–19, Services Australia received \$4.8 billion in funding, of which \$4.5 billion was direct budget appropriation and \$277.5 million in revenue from the delivery of services to other entities under cost recovery arrangements.



What did we recommend?

- ▶ The Auditor-General made three recommendations — all directed at Services Australia and two also at the other three audited entities.
- ▶ Ensure bilateral agreements are comprehensive and complete.
- ▶ Develop robust approaches to risk planning and management.
- ▶ Incorporate appropriate performance measures into bilateral agreements.
- ▶ All entities agreed or noted the recommendations.

Summary and recommendations

Background

1. On 1 February 2020, Services Australia was established as an Executive Agency within the Social Services portfolio with responsibility for: the design, development, delivery, co-ordination and monitoring of government services and payments relating to social security, child support, students, families, aged care and health programs (excluding Health provider compliance). It also provides the Australian Government with advice on the delivery of government services and payments; and collaborates with other agencies, providers and businesses to deliver convenient, accessible and efficient services to individuals, families and communities.
2. In 2018–19 Services Australia's total income was \$4.8 billion, of which \$4.5 billion was Budget appropriation and \$277.5 million was from own source revenue and gains, primarily funded through cost recovery arrangements with other Australian Government entities under section 74 of the *Public Governance, Performance and Accountability Act 2013*.
3. Services Australia delivers services across four areas: delivery of payments and services on behalf of another entity (such as income support payments); delivery of services to another entity (for example, corporate shared services such as payroll or ICT); provision of shared premises arrangements; and exchange of data or information.
4. Services Australia delivers payments and services to and on behalf of 34 Australian Government entities. These services are underpinned by bilateral agreements between Services Australia and each entity.
5. To provide coverage of the four types of services delivered by Services Australia, three other entities were included in this audit: the Department of Veterans' Affairs (DVA), the Department of Agriculture, Water and the Environment (Agriculture), and the National Disability Insurance Agency (NDIA). Collectively, these entities represent all four types of services that Services Australia either delivers on behalf of other entities or provides to entities.

Rationale for undertaking the audit

6. Services Australia is responsible for whole of government service delivery policy, ICT and ICT procurement policy and is expanding service delivery for other entities, particularly shared services and ICT. An audit of Services Australia's bilateral agreements provides a baseline for the effectiveness of existing arrangements and identifies areas for improvement at a time when Services Australia is reviewing its bilateral arrangements with other Australian Government entities.

Audit objective and criteria

7. The audit objective was to examine the effectiveness of bilateral agreement arrangements between Services Australia and other entities. To form a conclusion against the audit objective, the ANAO adopted the following high level criteria:
 - Were the bilateral agreements effective in supporting the delivery of the payment or service objectives?

- Were effective arrangements in place to support the successful implementation of payments and services under bilateral agreements?

Conclusion

8. The bilateral agreement arrangements between Services Australia and Agriculture, DVA and NDIA are largely effective.
9. Services Australia's Bilateral Agreements Framework underpins a wide range of bilateral agreements that effectively support the delivery of payments and services, except for some agreements that did not include appropriate risk statements or review points.
10. Partly effective arrangements were in place to support the delivery of payments and services under the bilateral arrangements between Services Australia and the three entities. Approaches for managing bilateral arrangements across the entities were largely effective, including for recovering costs. In managing agreements, some improvements are required in risk management, specifying roles and responsibilities, and issues escalation and resolution. There was limited effectiveness in performance monitoring and reporting arrangements between Services Australia and the three entities, with missing service levels, inconsistent reporting and a lack of analysis of performance reports by the three entities receiving services.

Supporting findings

Services Australia's bilateral agreements

11. Services Australia's Bilateral Agreement Framework and associated templates and guidance, supports the effective implementation and management of its bilateral agreements. The branch that oversees the Framework provides advice and support to business areas on developing and implementing bilateral agreements, and undertakes regular status reporting to the Services Australia executive on the agreements under the Framework.
12. The bilateral agreements largely contain the elements expected to be in agreements of this nature. A statement on how the parties will manage risk was not included in 19 of the 64 agreements examined (30 per cent), and eight agreements (13 per cent) did not contain a review clause.
13. Most of the bilateral agreements examined contained appropriate performance measures or service levels. The service levels were largely specific, affordable, relevant and time-based, however there is an opportunity for the entities to ensure service levels are measurable by including targets against all service levels. In addition, eight of 26 sets of measures reviewed were not complete as they did not cover issues such as accuracy or integrity, or cover all services delivered.

Bilateral agreement management

14. Approaches for managing bilateral arrangements between Services Australia and other entities were effective with Agriculture, and partially effective with DVA and the NDIA. Only four of the 13 bilateral agreement documents reviewed for the three entities contained all 11 elements expected in a bilateral agreement with the main exceptions in risk management, performance measures, and roles and responsibilities. The entities had effective management

and oversight of bilateral arrangements through governance committees, and some risk management plans linked to broader departmental processes. Issues escalation/dispute resolution processes and practices were in place for the bilateral arrangements, with varying levels of effectiveness across the four entities. Particular opportunities for improvement included:

- for the NDIA arrangement: strengthening issues escalation processes and practices; strengthening risk plans to comprehensively cover bilateral arrangements; and, when updating the bilateral agreements, more fully addressing risk management, issues escalation, performance measures, and roles and responsibilities;
- for the DVA arrangement, a stronger focus on managing risk by Services Australia and DVA, and inclusion of review, roles and responsibilities, performance measures and risk management, across five of the six agreement documents; and
- Agriculture implementing a risk management plan that addresses its risks in overseeing the Farm Household Allowance.

15. Effective performance monitoring and reporting arrangements are not consistently in place between Services Australia and Agriculture, DVA and the NDIA for the bilateral agreements:

- Agriculture and Services Australia have a set performance measures in place but Services Australia does not consistently report on these measures and Agriculture does not undertake any analysis of the reporting.
- Not all services delivered by Services Australia for DVA and the NDIA have performance measures in place, and not all of those measures in place are reported on by Services Australia. DVA and the NDIA do not undertake any analysis of that reporting.

16. Services Australia's cost recovery processes are largely effective and accurate, however value for money was not able to be demonstrated due to limited information on costing calculations. DVA has appropriate processes in place to provide assurance that charges are accurate, however the NDIA provided limited evidence to support a robust assurance process for invoices received from Services Australia.

Recommendations

17. The audit makes three recommendations — all directed at Services Australia and two also at the other three audited entities.

Recommendation no.1 Services Australia works with other Australian Government partner entities to ensure that bilateral agreements include:
Paragraph 2.43

- (a) statements committing to cooperatively communicating and managing risks associated with the delivery of the program or service;
- (b) agreement review clauses with clear timeframes; and
- (c) effective performance measures and reporting mechanisms.

Services Australia response: *Agreed.*

Department of Agriculture, Water and the Environment response: *Noted.*

Department of Veterans' Affairs response: *Agreed.*

National Disability Insurance Agency response: *Agreed.*

Recommendation no.2 In bilateral agreement arrangements between Services Australia and Agriculture, DVA and the NDIA, each entity develops more robust approaches to risk planning and management within the bilateral agreement arrangements, including:
Paragraph 3.48

- (a) implementing relevant risk management plans;
- (b) regularly discussing and reporting on risk at governance forums; and
- (c) developing strategies to identify shared risks and how these will be managed.

Services Australia response: *Agreed.*

Department of Agriculture, Water and the Environment response: *Agreed.*

Department of Veterans' Affairs response: *Agreed.*

National Disability Insurance Agency response: *Agreed.*

Recommendation no.3 In bilateral agreement arrangements between Services Australia and Agriculture, DVA and the NDIA, each entity ensures that appropriate performance measures (service levels) are:

Paragraph 3.105

- (a) incorporated into services schedules where required;
- (b) accurately and regularly reported against;
- (c) regularly discussed at governance forums; and
- (d) analysed and verified by the entities on a regular basis.

Services Australia response: *Agreed.*

Department of Agriculture, Water and the Environment response: *Agreed.*

Department of Veterans' Affairs response: *Agreed.*

National Disability Insurance Agency response: *Agreed.*

Summary of entities' responses

Services Australia

Services Australia welcomes this report and the ANAO's finding that the bilateral agreement arrangements between Services Australia and the Department of Agriculture, Water and the Environment, the Department of Veterans' Affairs and the National Disability Insurance Agency are largely effective.

The ANAO's report will inform the agency's approach to collaboration with Australian Government partner entities. The agency notes it will continue to transform its service delivery model, placing the customer at the centre of service delivery, which will have the potential to impact how it engages with partner entities. This will include reviewing its approach to governance arrangements and agreements with partner entities.

Department of Agriculture, Water and the Environment

The department welcomes the audit report, and acknowledges the ANAO's overall findings and recommendations.

The report places appropriate importance on the need for timely and robust data and for strengthening risk management processes for the Farm Household Allowance (FHA) program. The department considers the recommendations will foster improvements in these areas.

The department will continue working closely with Services Australia to effectively manage the delivery of FHA, with a sound approach to assessing whether FHA is continuing to meet its policy objectives.

Department of Veterans' Affairs

The Department of Veterans' Affairs (DVA) notes the outcome of the audit and thanks the Australian National Audit Office for the opportunity to participate. The outcome of this audit will be of interest to DVA as it will be to other entities under this shared services arrangement.

National Disability Insurance Agency

The NDIA agrees with the recommendations made in the Australian National Audit Office (ANAO) Audit Report on *Bilateral Agreement Arrangements between Services Australia and Other Entities*.

The NDIA is committed to further improving services delivered to participants, recognising the need for this to be cost effective. To that end, the NDIA will work with Services Australia to implement Whole of Government transformation initiatives, such as the Shared Services Program, for the benefit of participants.

In addition, the NDIA is currently reviewing its Memorandum of Understanding and Services Schedules with Services Australia. The renegotiation of these documents provides the opportunity for an increased focus on risk management, improved service delivery and greater cost transparency.

Key messages from this audit for all Australian Government entities

18. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Accountability in bilateral agreement arrangements

Bilateral relationships in a service delivery context must be fit-for-purpose and reflect the type of arrangement, for example purchaser-provider or partnership. To ensure the effective discharge of respective accountabilities, roles and responsibilities must be clearly defined, risks understood and addressed, and reporting frameworks in place that reflect the type of relationship.

Purchaser-provider arrangements

- The providing entity is responsible for delivering services to the agreed expectations and service levels set out in the bilateral agreement, and should demonstrate value for money for the services provided to the other entity. The purchasing entity should actively monitor the services provided to ensure they are meeting the agreed requirements and expectations, including costs.
- Reporting arrangements should reflect these respective responsibilities. The purchasing entity should negotiate clear and reportable performance measures, supported by timely, relevant and accurate data, and regular analysis of performance including assurance of reporting accuracy by the entity receiving the services.
- The purchasing entity should be aware of the provider entity's service delivery risks, and potential impact on meeting service levels, to mitigate risks to achieving broader program objectives.

Appropriated partnership arrangements

- One entity is accountable to a particular minister or the Australian Government for delivering services and for prioritising that service delivery within its funding budget. The other entity has policy responsibility for the program, so the bilateral agreement must enable effective oversight of the services being delivered by the other entity.
- Reporting arrangements should reflect these respective responsibilities. Both entities should implement clear and reportable performance measures, supported by timely, relevant and accurate data, and regular analysis of performance as discussed above.
- While risks are common or shared, the two entities can have different risk tolerances and organisational priorities. Through the bilateral agreement arrangements, the entities should be aware of each other's risk tolerance and approaches, and manage instances where the tolerances and priorities significantly differ — which may require direction from government.

Audit findings

1. Background

Services Australia's activities and payments

1.1 Under the Administrative Arrangements Order of 29 May 2019, Services Australia was responsible for:

- design, development, delivery, co-ordination and monitoring of government services, social security, child support, students, families, aged care and health programmes (excluding health provider compliance), and Australian Hearing Services;
- whole-of-government service delivery policy;
- whole-of-government information and communications technology; and
- information and communications technology procurement policy and services.

1.2 From 1 February 2020, Services Australia was established as a new Executive Agency within the Social Services portfolio with the following functions:

- design, develop, deliver, co-ordinate and monitor government services and payments relating to social security, child support, students, families, aged care and health programs (excluding health provider compliance);
- provide the Government with advice on the delivery of government services and payments;
- collaborate with other agencies, providers and businesses to deliver convenient, accessible and efficient services to individuals, families and communities; and
- undertake other relevant tasks the Minister may require from time to time.

1.3 In 2018–19, Services Australia delivered payments and services across the following key program areas:

- social security and welfare — Centrelink payments and services;
- aged care — payments to residential aged care, home care and flexible care services;
- health — Medicare, the Pharmaceutical Benefit Scheme, Private Health Insurance Rebate, Australian Immunisation Register, National Bowel Cancer Screening Register, Australian Organ Donor Register, and services for eligible veterans; and
- child support — Child Support Program.¹

1.4 Services Australia administered approximately \$182.5 billion in payments in 2018–19, the majority of which (94 per cent) were on behalf of the Department of Social Services and the Department of Health. Table 1.1 sets out the total payments administered in 2018–19.

1 Services Australia also delivers a range of other services such as disaster recovery relief, Farm Household Allowance, the Tasmanian Freight Equalisation Scheme and myGov.

Table 1.1: Payments administered by Services Australia, 2018–19

Government entities	\$ million
Department of Agriculture	112,026
Department of Education	7,822,892
Department of Employment, Skills, Small and Family Business	2,639
Department of Health	59,013,103
Department of Home Affairs	186,801
Department of Infrastructure, Regional Development and Cities	204,977
Department of Social Services	111,899,225
Department of Veterans' Affairs	3,210,304
Total	182,451,967

Source: *Services Australia Annual Report 2018–19*.

1.5 Services Australia is primarily funded through direct appropriation in the annual Budget cycle but also receives service-related revenue from other Australian Government entities, as well as from some state and territory agencies.

1.6 In 2018–19 Services Australia's total income was \$4.8 billion, of which \$4.5 billion was Australian Government appropriation and \$277.5 million was from own source revenue and gains (see Table 1.2). This revenue is primarily provided through cost recovery arrangements under section 74 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).²

Table 1.2: Services Australia own source revenue, 2018–19

Government entities	\$ million
Australian Digital Health Agency	24.4
Australian Electoral Commission	8.2
Australian Taxation Office	10.9
Department of Employment, Skills, Small and Family Business	5.9
Department of Foreign Affairs and Trade	5.3
Department of Health	28.4
Department of Home Affairs	4.8
Department of the Prime Minister and Cabinet	2.1
Department of Social Services	2.7
Department of Veterans' Affairs	48.1
Digital Transformation Agency	11.2
National Disability Insurance Agency	90.5

2 Section 74 of the PGPA Act relates to receipts of amounts by non-Corporate Commonwealth entities. Accompanying PGPA Rule, section 27 sets out the types of amounts that can be received, including an 'amount that offsets costs in relation to an activity of the entity', which relates to Services Australia's cost recover arrangements.

Government entities	\$ million
Other government agencies (amounts less than \$1 million)	4.5
Other entities	28.1
Other gains	2.4
Total	277.5

Source: *Department Human Services Annual Report 2018–19*.

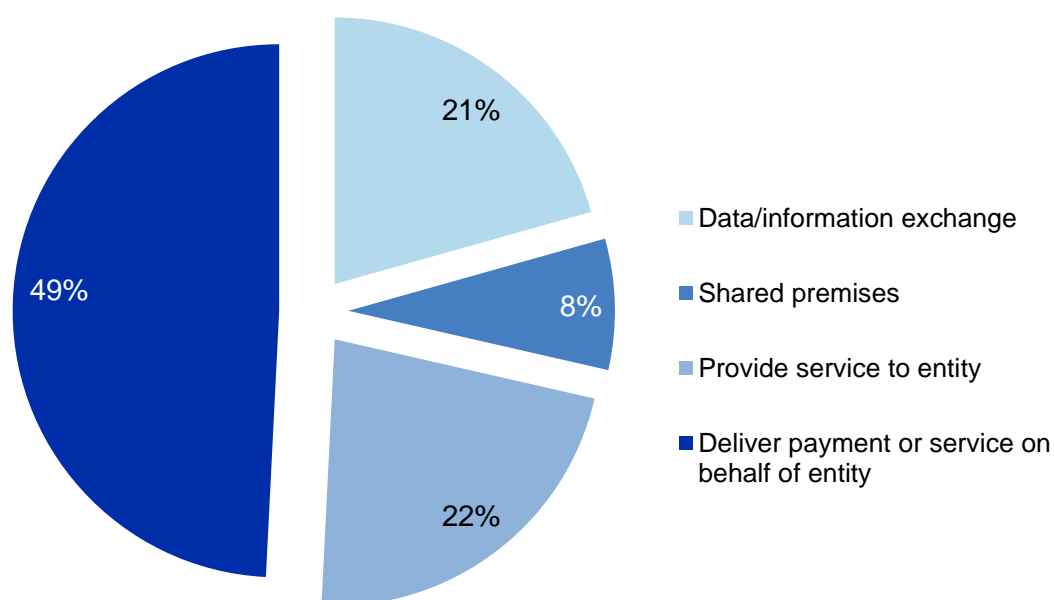
Bilateral agreement arrangements in Services Australia

1.7 Services Australia delivers services on behalf of other entities across four areas:

- delivery of payments and services on behalf of another entity, for example income support payments;
- delivery of services to another entity, for example corporate shared services such as payroll or ICT shared services;
- provision of shared premises arrangements; and
- exchange of data or information.

1.8 Figure 1.1 shows the proportion of the four types of Services Australia's bilateral arrangements in place in 2018–19 with other Australian Government entities. These arrangements are underpinned by bilateral agreements between Services Australia and each entity.³

Figure 1.1: Proportion of bilateral arrangements by type



Source: ANAO analysis of 126 bilateral agreements on the Services Australia Bilateral Agreements Register as at July 2019.

³ Bilateral agreements are non-legally binding agreements between two parties.

1.9 The key purpose of Services Australia's bilateral agreements is to provide a robust basis for service delivery expectations and establish clear deliverables, performance measures (service levels) where required, and risk/issues management and resolution processes. Effective agreements can also limit ambiguity in terms of roles and responsibilities and establish clear governance and controls.

1.10 A critical factor in a service delivery bilateral relationship is accountability. For its appropriated funding, Services Australia is directly accountable to the Australian Government and Parliament for delivering payments and services to the Australian community and for prioritising that service delivery within its funding budget. The policy entities retain policy responsibility for their programs and therefore a bilateral agreement is required so the entities have oversight that programs are being effectively delivered by Services Australia. For services provided under section 74 of the PGPA Act (cost recovery), Services Australia is required to deliver services to entities to the agreed expectations and service levels set out in the bilateral agreement, and demonstrate value for money for those services. The entities are responsible for monitoring the services provided by Services Australia to ensure they are meeting the agreed requirements and expectations.

1.11 Accordingly, within these two types of bilateral relationships, there are separate accountabilities for Services Australia and the other entity. There are also shared risks — that is, risks common to both entities that must be mitigated to enable each entity to effectively discharge its responsibilities. While the risks are common or shared, the two entities can have different risk tolerances and organisational priorities, so the responses to managing the risks are quite different. The primary vehicle to mitigate those risks is the bilateral agreement.⁴

1.12 Services Australia's bilateral arrangements are supported by its Bilateral Agreement Framework, which provides high-level guidance to Services Australia staff on how to negotiate and prepare a bilateral agreement. The Framework has been in place since 2012 and a revised Framework was released in July 2017. The Framework is discussed in detail in Chapter 2.

1.13 As mentioned in paragraph 1.4, the majority of administered payments delivered by Services Australia fall under the social services and health portfolios. The Bilateral Management Arrangements for the Department of Social Services and the Department of Health are long-standing arrangements that underpin the delivery of payments and services by Services Australia on behalf of the two departments. While these arrangements align in some way with the Bilateral Agreement Framework, they are bespoke agreements with specific inclusions not found in other agreements.⁵

1.14 Overall, Services Australia had bilateral arrangements with 42 Australian Government entities, as at December 2019 (see Table 1.3).

4 Risks that should be explicitly addressed in bilateral agreements include those where one entity has a low risk tolerance and the other entity has a high risk tolerance.

5 The Bilateral Management Arrangements were not chosen to be included in this audit as there is regular coverage of those arrangements in the program of performance audits the ANAO undertakes in the social services and health portfolios.

Table 1.3: Service Australia's bilateral agreements with Australian Government entities, December 2019

Australian Government entity	Head Agreement or Statement of Intent?	Number of services schedules or service agreements per entity ^a
Australian Bureau of Statistics	✓	2
Australian Competition and Consumer Commission	✓	1
<i>Australian Criminal Intelligence Commission</i>		1
Australian Digital Health Agency		5
Australian Electoral Commission	✓	2
<i>Australian Financial Security Authority</i>		1
Australian Hearing		1
Australian Institute of Health and Welfare	✓	1
<i>Australian Public Service Commission</i>		3
Australian Radiation Protection and Nuclear Safety Agency		1
Australian Securities and Investments Commission		2
Australian Security Intelligence Organisation		1
Australian Sports Anti-Doping Authority		1
Australian Taxation Office	✓	6
<i>Australian Transaction Reports and Analysis Centre</i>		1
Australian Transport Safety Bureau		1
<i>Commonwealth Superannuation Corporation</i>	✓	0
Department of Agriculture	✓	2
Department of Education and Training	✓	3
Department of Employment	✓	6
Department of Environment and Energy		2
Department of Foreign Affairs and Trade	✓	5
Department of Health	✓	26
Department of Home Affairs ^b	✓	15
<i>Department of Industry, Innovation and Science</i>	✓	1
Department of Infrastructure and Regional Development	✓	2
Department of Social Services	✓	9
Department of the Prime Minister and Cabinet	✓	3
Department of the Treasury		1
Department of Veterans' Affairs	✓	5

Australian Government entity	Head Agreement or Statement of Intent?	Number of services schedules or service agreements per entity ^a
Digital Transformation Agency	✓	2
<i>Fair Work Ombudsman</i>		1
Murray-Darling Basin Authority		1
National Blood Authority		1
National Disability Insurance Agency	✓	4
National Health and Medical Research Council		1
NDIS Quality and Safeguards Commission		3
National Health Funding Body	✓	2
<i>Office of the Commonwealth Director of Public Prosecutions</i>		1
Parliamentary Budget Office		2
Professional Services Review		1
Therapeutic Goods Administration		1
Total	20	130

Note a: Includes letters of exchange and memoranda of understanding.

Note b: The Department of Home Affairs has two head agreements that are being transitioned into one statement of intent.

Notes: This table does not include multilateral agreements but does include eight agreements (in italics) where an entity provides a service to Services Australia.

The names and functions of some of the entities have changed following changes to government departments announced on 5 December 2019, effective 1 February 2020.

Source: ANAO analysis.

1.15 To provide coverage of the four types of services delivered by Services Australia, three entities were included in this audit: the Department of Veterans' Affairs (DVA), the Department of Agriculture, Water and the Environment (Agriculture), and the National Disability Insurance Agency (NDIA). Collectively, these entities represent the full span of the types of services that Services Australia either delivers on behalf of other entities or provides to entities.⁶

Department of Agriculture, Water and the Environment

1.16 Agriculture develops and implements policies and programs to ensure Australia's agricultural, fisheries, food and forestry industries remain competitive, profitable and sustainable, and supports the sustainable and productive management and use of rivers and water resources.

1.17 Services Australia delivers the Farm Household Allowance on behalf of Agriculture, which is a payment introduced in 2014 as part of the Australian Government's contribution to the 2013 *Intergovernmental Agreement on National Drought Program Reform*. It is available to eligible farmers or their partners, and consists of an income support payment, other financial supplements

⁶ The majority of Services Australia's work on behalf of other Australian Government entities involves the delivery of programs or services to the Australian public.

and advice. The program has assisted more than 12,000 recipients since 2014 and provided payments of more than \$343.4 million.⁷ Agriculture is responsible for the development, administration and review of policy for Farm Household Allowance.

1.18 Services Australia is responsible for the delivery of the Farm Household Allowance payment and support services to eligible recipients, including assessing claims, processing payments, reviewing cases and providing support through Farm Household Case Officers. Funding for administering the Farm Household Allowance is included in Services Australia's departmental Budget appropriation (of \$4.5 billion in 2018–19).

Department of Veterans' Affairs

1.19 DVA provides support and information for: veterans and their dependants; Australian Defence Force personnel; war widows/widowers; Australian participants in British Nuclear Tests in Australia; members of the Australian Federal Police; and students, teachers and historians. Some of the services DVA provides are pensions, health care, rehabilitation, counselling, and home care.

1.20 Services Australia has been a long-term provider of support for DVA programs, including processing payments. Bilateral arrangements have been in place between Services Australia and DVA since 2010 for information communications technology (ICT). This initially consisted of ICT hardware previously contracted to a private provider, and in October 2017 was expanded to include all ICT functions. The corporate shared services elements, which are limited to payroll and support services to facilitate payroll, transitioned to Services Australia in May 2018. DVA paid Services Australia \$48.1 million for these services in 2018–19 noting that a direct budget appropriation is also provided for Services Australia's delivery of the Repatriation Pharmaceutical Benefits Scheme.

1.21 As Services Australia receives an appropriation for the Repatriation Pharmaceutical Benefits Scheme but provides all other services under PGPA Act section 74 cost recovery arrangements, two types of relationship occur under the bilateral agreement arrangement (as discussed in paragraphs 1.10 and 1.11). For delivery of the Repatriation Pharmaceutical Benefits Scheme, DVA is accountable for policy but Services Australia is accountable (to Government) for service delivery. For all other programs and services under the bilateral agreement, DVA is accountable for determining the service that is required, ensuring the Services Australia is delivering to the agreed services levels, and paying for those services.

National Disability Insurance Agency

1.22 The NDIA is a corporate Commonwealth entity established in 2013 to implement the National Disability Insurance Scheme (the Scheme), which aims to support a better life for hundreds of thousands of Australians with a significant and permanent disability and their families and carers.

1.23 The NDIA is responsible for managing the Scheme, administering access to the Scheme and approving the payment of individualised support packages.⁸ The allocated budget for Scheme participant expenses increased from \$5.3 billion in 2017–18 to \$16.3 billion in 2019–20.

1.24 Since 1 July 2016, Services Australia has been responsible for providing corporate shared services, ICT shared services, digital access verification, and shared premises to the NDIA.

⁷ Department of Agriculture, *Annual Report 2018–19*, p. 8.

⁸ The NDIA was established on 1 July 2013 as an independent statutory agency to implement the National Disability Insurance Scheme.

Previously, the Department of Social Services provided corporate and ICT services to the NDIA. The NDIA paid Services Australia \$90.5 million for these services in 2018–19. The NDIA is the largest financial contributor to Service Australia’s own source revenue (see Table 1.2) — over 30 per cent since 2016–17.

1.25 During 2018–19, the suite of services provided by Services Australia to the NDIA changed, with further changes being considered. In October 2018 the NDIA National Contact Centre transitioned from the then Department of Human Services to a private third-party contractor. In May 2019, the NDIA commissioned an external review of the corporate shared services arrangements with Services Australia. In August 2019, the NDIA advised Services Australia it was considering alternatives for the record-keeping and procurement services that Services Australia was providing.

Rationale for undertaking the audit

1.26 Services Australia is responsible for whole-of-government service delivery policy, ICT and ICT procurement policy and is expanding service delivery for other entities, particularly shared services and ICT. An audit of Services Australia’s bilateral agreements provides a baseline for the effectiveness of existing arrangements and identifies areas for improvement at a time when Services Australia is reviewing its bilateral arrangements with other Australian Government entities.

Audit approach

Audit objective, criteria and scope

1.27 The audit objective was to examine the effectiveness of bilateral agreement arrangements between Services Australia and other entities.

1.28 To form a conclusion against the audit objective, the following high level criteria were adopted:

- Were the bilateral agreements effective in supporting the delivery of the payment or service objectives?
- Were effective arrangements in place to support the successful implementation of payments and services under bilateral agreements?

Audit methodology

1.29 The audit methodology involved:

- analysing the primary agreements that Services Australia has with each entity it delivers payments or services to or on behalf of — that is, the head agreements or statements of intent (not every services schedule under those);
- undertaking a detailed analysis of the bilateral agreement arrangements between Services Australia and a selection of other entities;
- reviewing relevant documentation including the Bilateral Agreement Framework, performance reports, correspondence, meeting records and other documents; and
- interviewing staff from Services Australia and the other entities.

1.30 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$416,000.

1.31 The team members for this audit were Renina Boyd, Anne Kent, Sonya Carter, Christine Sherman and Andrew Morris.

2. Services Australia's bilateral agreements

Areas examined

This chapter examined whether Services Australia's bilateral agreements with other Australian Government entities are effective in supporting the delivery of payments and services.

Conclusion

Services Australia's Bilateral Agreements Framework underpins a wide range of bilateral agreements that effectively support the delivery of payments and services, except for some agreements that did not include appropriate risk statements or review points.

Areas for improvement

This chapter made one recommendation for Services Australia and all Australian Government partner entities to ensure risk management, review points, performance measures and reporting are included in agreements (paragraph 2.43).

The chapter also suggested that Services Australia considers introducing a customer satisfaction measure for shared services (paragraph 2.41) and a high-level bilateral relationship metric in head agreements (paragraph 2.42).

2.1 Bilateral agreements between Australian Government entities for the delivery of services are used to specify accountabilities and responsibilities, provide clear expectations of each entity, set deliverables and define suitable measures of performance. Services Australia is one of the primary service delivery entities within the Australian Government, delivering to 34 entities with a diverse service reach. Services Australia having a framework that supports the effective implementation of bilateral agreements, including by ensuring the agreements contain applicable key elements and allow for effective performance measurement, will underpin the effective delivery of services.

Does the Bilateral Agreement Framework support the effective implementation of Service Australia's bilateral agreements?

Services Australia's Bilateral Agreement Framework and associated templates and guidance, supports the effective implementation and management of its bilateral agreements. The branch that oversees the Framework provides advice and support to business areas on developing and implementing bilateral agreements, and undertakes regular status reporting to the Services Australia executive on the agreements under the Framework.

Bilateral Agreement Framework

2.2 The Services Australia Bilateral Agreement Framework aims to 'provide a basis for assurance in regard to developing bilateral agreements and managing our relationship with partner entities'⁹. Its key purpose is to provide guidance to Services Australia staff when developing or reviewing a bilateral agreement.

2.3 The Framework was introduced in 2012 and a revised Framework implemented in 2017. The new version is a slightly shorter document (10 pages rather than 14 pages) and has consolidated

9 Services Australia, *Bilateral Agreement Framework 2017*, p. 1.

some sections from the original version. The substance of the document remains the same with some improvements — there are now sections on risk management and measuring performance, clearer principles, and an end-to-end process for developing an agreement.

2.4 The components of the current Framework are:

- definition of a bilateral agreement including in-scope and out-of-scope areas;
- authority to enter into new arrangements, pricing new work, and authorising charges;
- process to develop a bilateral agreement;
- principles of bilateral agreements;
- expectation setting and measuring performance (using the SMART methodology)¹⁰;
- risk management;
- costs and invoicing; and
- reporting and reviews.

2.5 The Framework covers the various forms of bilateral agreements in place in Services Australia, as set out in Table 2.1.

Table 2.1: Types of bilateral agreements in Services Australia

Agreement	Description
Head agreement	The overarching agreement that covers the bilateral arrangement between Services Australia and other entities. The clauses or sections in the head agreement apply to all services schedules that fall under that agreement. The head agreements are comprehensive and contain clauses that essentially cover all aspects of the bilateral arrangement.
Statement of intent	Has the same function as a head agreement but is more streamlined and will eventually replace the head agreements. It sets out the general requirements for managing the bilateral activity such as privacy, information management and risk management. Attachment 2 to the Statement of Intent template outlines how the parties will manage operational matters regarding services to be delivered, including the requirement to enter into services schedules.
Services schedule	Sets out the specific services to be delivered under the head agreement or statement of intent, including performance measures and responsibilities of each party. Services schedules need to be considered in conjunction with the head agreement or statement of intent (never in isolation). Services schedules can contain a number of attachments detailing specific elements of the program or service being delivered.
Services agreement	This is used when no overarching head agreement or statement of intent is required, usually when a single service is being provided.
Memorandum of understanding (MOU)	MOUs are typically in place where arrangements are long-standing and are still documented in the original format, or the partner entity is providing the service/data to Services Australia and the agreement is based on their template.
Shared premises agreement	A standard agreement that documents the arrangement where an entity shares one or more of Services Australia's premises to deliver services.

¹⁰ The SMART methodology refers to performance measures that are Specific, Measurable, Affordable, Relevant and Time-based.

Agreement	Description
Letter of exchange	Usually used as an interim form of agreement while a new bilateral agreement is being developed or extended, or for temporary/short-term services.

Source: ANAO analysis.

2.6 The Framework contains various references to areas within Services Australia that can assist in developing an agreement, for example, Governance Branch for assistance with risk management plans. Due to a number of restructures within Services Australia since the commencement of the 2017 version of the Framework, some references were to areas that are no longer current. The Framework document was updated in January 2020 to reflect current departmental structure and roles of the relevant divisions, branches and sections.

2.7 The statement of intent template is a high-level document that primarily aims to set out the bilateral relationship's objectives, principles and governance arrangements. It also sets out how Services Australia and the entities will manage 'business as usual' activity and has sections on general administrative matters such as information and data management, cyber security, fraud, audit and privacy. The program services schedule template was designed to complement the statement of intent and sets out the detail of the particular program or service to be delivered, as well as issues such as the roles and responsibilities of Services Australia and the entity.

2.8 The Framework states that head agreements will move to the newer statement of intent format 'over time'. This means when the need arises, for example, when an agreement is due for review or there has been a change in circumstances such as machinery-of-government changes. This is a reasonable approach rather than expending resources in moving head agreements to the statement of intent format prior to the scheduled review timeframe. Since its introduction, four head agreements have moved to the statement of intent format, and at the time of audit fieldwork in September 2019, two more entities were transitioning to the new format.

2.9 The statement of intent and services schedule templates incorporate drafting guidance to assist staff in preparing the agreements. In particular, the guidance in the services schedule advises staff that where a clause is already contained in the Statement of Intent, it does not need to be duplicated in the services schedule and should be deleted. This minimises duplication between the two documents and helps ensure they complement each other.

2.10 Other resources available to staff include a summary of the Bilateral Agreement Framework that sets out the key elements in a diagrammatic two page format. There is also a Frequently Asked Questions document on the Services Australia intranet that provides additional guidance to staff on developing an agreement including: templates; sign-off requirements; updating an agreement; inclusions in agreements; record-keeping requirements; and the review process. The document is clearly written and the guidance is practical.

Implementation of the bilateral agreement framework by Services Australia

2.11 Oversight of the Bilateral Agreement Framework was undertaken by Services Australia's Family Programmes and Strategic Partnerships Branch within the Families, Veterans and Partnerships Division. From 1 February 2020 this function was transferred to the new Customer Values Branch in the Customer Outcomes Division.

2.12 The relevant business areas¹¹ within Services Australia are responsible for bilateral agreement preparation and reviews, and the ongoing engagement and management of the relationship with entities and delivery of the services. Management of the relationship by business areas is undertaken through established governance arrangements, monitoring and reporting against agreed performance measures, and the identification, escalation and mitigation of issues.

2.13 There are also overarching account managers (Deputy Secretary level) with responsibility for the strategic aspects of the relationship with partner entities. These roles were established in mid-2018.

2.14 Although direct and day-to-day management of the bilateral agreements is devolved to business areas, central oversight of the application of the Bilateral Agreement Framework within Services Australia assists in ensuring the framework is appropriately implemented.

2.15 Customer Values Branch supports the business areas through three key ways: providing advice; maintaining an agreements register; and monitoring the agreements under the framework via reporting to the executive. Central oversight of the Bilateral Agreement Framework ensures it is implemented effectively across Services Australia.

Advice and support

2.16 Customer Values Branch supports the business owners with their bilateral agreement responsibilities by:

- providing advice and support on topics at pre-agreement, agreement creation and execution stages;
- holding monthly meetings with relationship managers to raise awareness of upcoming developments for bilateral agreements, and to align organisational processes where possible; and
- delivering programme and project management training for bilateral agreement reviews as required.

2.17 Customer Values Branch also participates in an interdepartmental forum on MOUs. In 2018 the Australian Taxation Office established an MOU Community of Practice that brings a range of Australian Government entities together to explore options for modernising and simplifying bilateral agreements and sharing better practice. The first Community of Practice was held on 28 September 2018 with further meetings held in November 2018, March 2019 and July 2019. Representatives from Customer Values Branch attended all meetings.

Agreements Register

2.18 An Agreements Register is maintained by Customer Values Branch to provide a central record of all bilateral agreements and assist with monitoring implementation of bilateral agreement reviews. The Framework requires business areas to provide an approved copy of agreements to Customer Values Branch and report to that branch on the status of the bilateral agreement, how performance measures are tracking, major issues and risks, review status, and

11 The term 'business area' is used in this report to generically refer to a branch or service zone overseen by a SES Band 1 National Manager. Business areas have authority to enter into, vary or terminate an agreement.

the expected review date. This information is recorded in the Agreements Register, which forms the basis of information reported to the Executive (discussed from paragraph 2.21 to 2.24).

2.19 The Agreements Register reviewed by the ANAO included information on upcoming reviews, and some discussion of recent work undertaken relevant to the Framework. For example, in January 2018 it included work to strengthen the oversight of invoicing arrangements under section 74 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the management of data and information exchanges. In August 2019, the Register had less commentary and focussed on agreement expiry and review dates.

2.20 Customer Values Branch advised that it keeps the Agreements Register up-to-date by ensuring business areas provide copies of new or reviewed agreements once finalised. The branch also advised that it updates the Register as new information is received, and checks the information in the Register when compiling the quarterly Bilateral Agreement Report.

Reporting to the Services Australia executive

2.21 The Bilateral Agreement Framework as at July 2019 stated that quarterly reporting will be provided to the Services Australia Executive Committee on bilateral agreement reviews, performance measures and issues related to the health of bilateral relationships..

2.22 Following the implementation of the new 2017 Framework six quarterly bilateral agreement reports were provided to the Executive Committee between July 2017 and October 2018. The reports provided updates on key topics, relationship information, and monitoring of expiry and review dates.

2.23 The bilateral agreement report format and distribution changed as the revised Framework matured. From February 2019, a more streamlined bilateral agreement report was provided to all General Managers (SES Band 2) in place of reporting to the Executive Committee.¹² This version became more of a status report that focused on monitoring expiry and review completion dates, which aligns with the latest format of the Bilateral Agreement Register (paragraph 2.19 above). In May 2019, reporting and distribution was further changed with tailored bilateral agreement reports provided to each general manager, listing those agreements for which they have responsibility and key information to prompt reviews.

2.24 In January 2019, Services Australia advised that the former Government Partnerships and New Work Branch no longer needed to report to the Executive Committee on bilateral agreements. Executive oversight of the Bilateral Agreement Framework was to occur at a more operational level, with reports on bilateral agreements being provided to General Managers (SES Band 2).¹³

12 The membership of the Executive Committee consists of the accountable authority (for the purposes of the *Public Governance, Performance and Accountability Act 2013*) and the accountable authority's direct reports.

13 In January 2020, Services Australia updated the Bilateral Agreement Framework to reflect the new reporting structure.

Do the agreements contain the key elements expected to be included in a bilateral agreement?

The bilateral agreements largely contain the elements expected to be in agreements of this nature. A statement on how the parties will manage risk was not included in 19 of the 64 agreements examined (30 per cent), and eight agreements (13 per cent) did not contain a review clause.

2.25 There are no formal standards or whole-of-government guidelines to guide Services Australia and other entities as to what elements to include in bilateral agreements. In the absence of standards, the audit drew on Services Australia's Bilateral Agreement Framework, along with the Department of Finance's guidance on developing national partnerships (which are also bilateral arrangements), to identify some of the fundamentals that agreements should address.¹⁴

2.26 On this basis, effective bilateral agreements should comprise the following elements:¹⁵

- a clear objective of the agreement;
- defined roles and responsibilities of each party;
- suitable governance arrangements;
- performance measures (discussed further in paragraphs 2.33 to 2.42);
- reporting and communication arrangements;
- statements regarding risk management;
- issues identification and dispute resolution processes;
- funding arrangements;
- level of approval/sign-off;
- term of agreement; and
- review points and provisions.

2.27 A selection of 64¹⁶ of Service Australia's agreement documents were reviewed against these elements, consisting of:

- every head agreement, statement of intent, MOU and service agreement (28 in total);
- twenty-nine services schedules selected under the above agreements;
- three shared premises agreements; and
- four letters of exchange.

2.28 Table 2.2 outlines the assessment of these agreements against the key elements.

14 Department of Finance: *Federal Financial Relations Circular 2015/01*, Developing National Partnerships Under the Federal Financial Relations Framework, available from http://www.federalfinancialrelations.gov.au/content/circulars/Circular_2015_01_v2.pdf [accessed 16 October 2019].

15 Nine of the eleven elements are in both the Finance guidelines and the Bilateral Agreement Framework. Reporting and risk are in the Bilateral Agreement Framework only.

16 The audit reviewed 64 individual agreement documents out of a total of 169 documents contained in the list of bilateral agreements provided by Services Australia in July 2019.

Table 2.2: Summary analysis from the review of agreements

Elements	Findings	Exceptions
Clear objective	All 64 agreements included a clear objective for the agreement.	None
Defined roles and responsibilities of both parties	Sixty-three agreements clearly described the roles and responsibilities of each entity.	One MOU did not clearly describe roles and responsibilities of the entities.
Governance arrangements	Fifty-six agreements contained sections on governance arrangements. Six agreements did not require governance sections as this was covered by the statement of intent, or were shared premises agreements.	Two agreements did not contain governance sections.
Performance measures	Twenty-six agreements had clear performance measures (often described in the agreements as service levels). Thirty-five agreements did not require performance measures, including head agreements/statements of intent, shared premises, and some automated data exchange agreements	Three agreements did not include any performance measures.
Reporting processes	Fifty-three agreements included information on regular reporting processes for the agreement. Eight agreements did not require a regular reporting process as they were for data exchanges.	Three agreements did not include reporting processes when they should have.
Risk planning or management	Forty-five agreements contained a risk management section or outlined a risk planning/management process.	Nineteen agreements did not have any specific information about how risk would be managed. ^a
Issues escalation and dispute resolution	Sixty-two agreements included a process for issues and dispute resolution between the entities.	Two letters of exchange did not include information on issues/dispute resolution when they should have.
Funding arrangements — direct appropriation, cost recovery, or no cost	Fifty-eight agreements included detail on the funding arrangements applicable to the agreement. The five statements of intent do not contain details of funding but these are outlined in the services schedules.	One letter of exchange did not contain details on the funding.

Elements	Findings	Exceptions
Appropriate approval/sign-off level	Sixty agreements included appropriate level of sign off.	Four agreements were signed off at a National Manager level rather than a General Manager level in contravention of the Framework.
Term (length of agreement)	Fifty-eight agreements included a reference to the term of the agreement, whether that was a specified period, or was ongoing.	Six agreements did not indicate a term for the agreement however five of these had suitable review points and the overarching statement of intent governs the term (which is ongoing).
Agreement review processes	Fifty agreements specified a review point, and of these, all had evidence of a recent or current review in line with the agreement schedule. Six agreements did not contain a review point, but did not need to as they were short term, or it was included in an overarching schedule.	Eight agreements did not include an expectation of when a review of the agreement would be conducted.

Note a: Twelve agreements mention risk in other areas of the document such as change management, but not in any detail.

Source: ANAO analysis of 64 Services Australia bilateral agreements.

2.29 An overarching section on risk was not included in over 30 per cent of the agreements. Head agreements or statements of intent should include a section committing to the development and implementation of risk management plans at the appropriate level for both parties to the agreement, and this section would then cover any services schedules that fall under those head agreements. Services schedules could also include more detailed sections on how the entities will work together to address risks that may arise regarding the provision or delivery of the service/s under the bilateral arrangement, in particular shared risks. One of the elements of the Commonwealth Risk Management Policy is understanding and managing shared risk, and the policy states that 'Each entity must implement arrangements to understand and contribute to the management of shared risks'.¹⁷

2.30 An example of an appropriate risk planning section found in one of the services schedules was:

The parties agree to cooperatively communicate and manage any identified risks and to discuss in good faith the requirements (including key resources, activities, deliverables and timeframes) for the conduct of risk assessments, privacy impact assessments, fraud assessments and other assessments. Each party agrees to participate cooperatively in any assessments that are determined by the parties to be necessary for the proper and efficient conduct of the Programme and the Services. During the term of this Services Schedule, each party will keep the other party informed of risks and issues relating to the performance of the Services that come to its attention...

2.31 Eight of the 64 agreements did not include a statement that indicated that the agreement was to be reviewed and the frequency of this review. The remainder generally included an annual or three yearly review. There is a risk that agreements without review clauses may become

¹⁷ Department of Finance, *Commonwealth Risk Management Policy*, 2014, p. 16.

outdated — performance measures and governance arrangements may not remain appropriate, and the agreement may no longer be fit-for-purpose. Services Australia should ensure that all agreements incorporate a review clause and timeframe.

2.32 Services Australia's Bilateral Agreement Framework states that authority to enter into, vary or terminate a letter of exchange, service agreement or a services schedule is with the relevant business owner at General Manager (SES Band 2) level, or higher where appropriate. However, in four of the 64 agreements reviewed, the agreements were entered into by a National Manager (SES Band 1). This was not consistent with the Framework.

Do the bilateral agreements contain appropriate performance measures or service levels?

Most of the bilateral agreements examined contained appropriate performance measures or service levels. The service levels were largely specific, affordable, relevant and time-based, however there is an opportunity for the entities to ensure service levels are measurable by including targets against all service levels. In addition, eight of 26 sets of measures reviewed were not complete as they did not cover issues such as accuracy or integrity, or cover all services delivered.

2.33 Good quality performance information allows a meaningful performance story to be told, which helps to demonstrate that outputs and outcomes are being achieved. In bilateral agreements, good performance information also helps to ensure a common understanding of the standards and specifications to which the outputs are to be delivered.

2.34 Services Australia's Bilateral Agreement Framework outlines five criteria required for performance measures: specific (unambiguous and singular); measurable (quantitative or qualitative and auditable); affordable (achievable and funded); relevant (relevance and aligned strategically); and time-based (timeliness and regular review). These are known as SMART criteria.

2.35 Performance measures were expected to be found in service agreements, services schedules and MOUs. The performance measures are usually called service levels in most of Services Australia's agreements, and primarily reflect the performance of the outputs of the service/program.¹⁸

2.36 As detailed in Table 2.2 above, three schedules contained no performance measures. This is despite these schedules being for services delivered by Services Australia on behalf of the other entities, for which tracking and reporting on expectations and outputs to the service is important to its success.

2.37 Table 2.3 outlines the analysis against the SMART criteria of the 26 schedules where service levels were included.

18 Service levels were not expected to be seen (nor were they included) in the head agreements. Service levels were also not crucial for shared premises agreements, and automatic data exchange agreements as the key measure of success is that those services were provided.

Table 2.3: Analysis of performance measures included in a selection of Service Australia's bilateral agreements

Criteria	Number of agreements that met the criteria	Percentage that met the criteria (%)
Specific	23	88
Measurable	21	81
Affordable	26	100
Relevant	23	88
Time-based	24	92

Note: The analysis excludes the three agreements where no performance measures were provided.

Source: ANAO analysis of the 26 schedules where service levels were included.

2.38 The service levels contained in the bilateral agreements largely met the SMART criteria. However, five agreements contained some service levels without targets, which meant they were not measurable. For example, two services schedules examined¹⁹ outlined a key performance measure regarding relationship management, however there were no targets or ways to measure the success of this measure outlined.

Completeness of performance measures

2.39 In addition to the SMART criteria above, the bilateral agreements were also assessed for their completeness. Completeness examines the package of performance measures as a whole to assess whether the measures collectively address the purpose of the agreement (whether the service levels cover all of the components of the services schedule). Completeness also includes assessing the balance of the measures, for example, if they contain both quantitative and qualitative measures, contain efficiency measures, and whether effectiveness measures such as timeliness and accuracy are included (where relevant).²⁰

2.40 Eight of 26 sets of performance measures in the services schedules analysed were assessed as not fully complete. These schedules include some payment schedules that were missing accuracy or integrity measures, and measures that did not cover all of the services delivered under the schedule.

2.41 One services schedule for a face-to-face service to customers included a performance measure on customer satisfaction. There is merit in Services Australia considering implementing this more broadly to assist setting expectations and ensuring that the service is performed not only in a timely and accurate way, but in a way that meet the needs of end users. A measure of customer satisfaction would be particularly useful for support services such as ICT and corporate shared services. Services Australia measures customer satisfaction across a range of payments and services outside of the bilateral agreement arrangements, and reports this in its annual reports.

2.42 Relationship management metrics were identified in three services schedules. These measures assist in demonstrating the overall quality and health of the relationship between the

19 These schedules were the Labour Market Policy & Student Payments Service Arrangement and Family Assistance and Child Support Service Arrangement.

20 Services Australia advised that it monitors its delivery of payments and services using a suite of measures and tools and not all performance measures are included in the bilateral agreements.

entities, and would also be suitable for inclusion in head agreements that outline the overarching arrangements between entities. Services Australia could include in its Bilateral Agreement Framework a requirement for the inclusion of a high-level relationship management metric in the statement of intent.

Recommendation no.1

2.43 Services Australia works with other Australian Government partner entities to ensure that bilateral agreements include:

- (a) statements committing to cooperatively communicating and managing risks associated with the delivery of the program or service;
- (b) agreement review clauses with clear timeframes; and
- (c) effective performance measures and reporting mechanisms.

Services Australia response: *Agreed.*

2.44 *Within the next 12 months, the agency will review its Bilateral Agreement Framework and its bilateral agreement templates to take account of the requirements of this recommendation. This will include reviewing its guidance on developing effective performance measures and reporting arrangements for bilateral agreements.*

2.45 *Within the next 18 months, Services Australia will work with Australian Government partner entities to make appropriate amendments to bilateral agreements in relation to managing risk, undertaking reviews and measuring performance. The agency notes it requires the cooperation and commitment of Australian Government partner entities to make changes to bilateral agreements.*

Department of Agriculture, Water and the Environment response: *Noted.*

2.46 *The department is committed to working closely with Services Australia to ensure that agreements include statements committing to cooperatively communicating and managing risks associated with the delivery of the program. The department notes review clauses should be included with timeframes and effective performance measures and reporting mechanisms.*

Department of Veterans' Affairs response: *Agreed.*

2.47 *DVA has already commenced its annual agreement review process, including negotiation of service standards and associated performance reporting, as well as risk management.*

2.48 *Additional work is in progress to improve transparency in costing issues and performance measurements.*

National Disability Insurance Agency response: *Agreed.*

2.49 *The NDIA supports all recommendations made in the Australian National Audit Office (ANAO) Audit Report on Bilateral Agreement Arrangements between Services Australia and Other Entities.*

3. Bilateral agreement management

Areas examined

This chapter examined whether effective arrangements were in place to support the successful delivery of payments and services under the bilateral arrangements between Services Australia and the Department of Agriculture, Water and the Environment (Agriculture); the Department of Veterans' Affairs (DVA); and the National Disability Insurance Agency (NDIA).

Conclusion

Partly effective arrangements were in place to support the delivery of payments and services under the bilateral arrangements between Services Australia and the three entities. Approaches for managing bilateral arrangements across the entities were largely effective, including for recovering costs. In managing agreements, some improvements are required in risk management, specifying roles and responsibilities, and issues escalation and resolution. There was limited effectiveness in performance monitoring and reporting arrangements between Services Australia and the three entities, with missing service levels, inconsistent reporting and a lack of analysis of performance reports by the three entities receiving services.

Areas for improvement

The chapter made two recommendations directed at Services Australia, Agriculture, DVA and the NDIA to develop more robust approaches to risk planning and management (paragraph 3.48), and improve performance measures in bilateral agreements (paragraph 3.105).

The chapter also included suggestions that: the four entities include all key elements when renegotiating agreements (paragraphs 3.12, 3.16 and 3.17); Services Australia renegotiates performance measures for all services listed in the Corporate Shared Services Catalogue (paragraph 3.97); the entities analyse and are able to gain assurance about performance reports provided by Services Australia (paragraphs 3.77, 3.93 and 3.104); the NDIA strengthens the issues escalation processes (paragraph 3.66); and Services Australia ensures all costings are transparent (paragraph 3.130).

3.1 In delivering services on behalf of or to other entities, Services Australia is accountable for effective service delivery and meeting agreed requirements and expectations. However the entities themselves are accountable for the services they purchase and/or are delivered on their behalf by Services Australia. Accordingly, it is important that governance arrangements for bilateral relationships support the management of accountabilities, shared risks, monitoring of performance, resolution of contentious issues, and value for money.

Are effective approaches in place in Services Australia and the other entities to manage the bilateral arrangements?

Approaches for managing bilateral arrangements between Services Australia and other entities were effective with Agriculture, and partially effective with DVA and the NDIA. Only four of the 13 bilateral agreement documents reviewed for the three entities contained all 11 elements expected in a bilateral agreement with the main exceptions in risk management, performance measures, and roles and responsibilities. The entities had effective management and oversight of bilateral arrangements through governance committees, and some risk management plans

linked to broader departmental processes. Issues escalation/dispute resolution processes and practices were in place for the bilateral arrangements, with varying levels of effectiveness across the four entities. Particular opportunities for improvement included:

- for the NDIA arrangement: strengthening issues escalation processes and practices; strengthening risk plans to comprehensively cover bilateral arrangements; and when updating the bilateral agreements more fully addressing risk management, issues escalation, performance measures, and roles and responsibilities;
- for the DVA arrangement, a stronger focus on managing risk by Services Australia and DVA, and inclusion of review, roles and responsibilities, performance measures and risk management, across five of the six agreement documents; and
- Agriculture implementing a risk management plan that addresses its risks in overseeing the Farm Household Allowance.

3.2 As discussed in Chapter 1, to assess Services Australia's bilateral relationships with other Australian Government entities, the audit examined three entities that collectively provide a comprehensive view of the range of services that Services Australia delivers: Agriculture; DVA; and the NDIA.

3.3 This section assesses the effectiveness of approaches in place to implement those arrangements by examining for each arrangement the: bilateral agreements; governance committees; risk management; issues escalation; and continuous improvement processes.

Appropriateness of bilateral agreements

Department of Agriculture, Water and the Environment

3.4 The delivery of Farm Household Allowance by Services Australia, and Agriculture's oversight of the program, is underpinned by a bilateral agreement that primarily²¹ consists of a head agreement and a services schedule specifically for Farm Household Allowance. Table 3.1 provides an assessment of the head agreement and schedule against the key elements expected to be included in a bilateral agreement (discussed in Chapter 2, paragraph 2.26).

Table 3.1: Services Australia and Agriculture bilateral agreement elements

Elements	Head agreement	Services schedule	Comments
Clear objective	●	●	The head agreement and schedule both contain clear statements on the objective of the agreement and services to be delivered.
Defined roles and responsibilities of both parties	●	●	The head agreement contains relationship principles and a section on relationship responsibilities that clearly sets out the respective roles and responsibilities of Agriculture and Services Australia. The services schedule also has comprehensive sections on Services Australia's deliverables and Agriculture's activities to oversee the program.

21 There is also a services schedule for National Emergency Call Centre Surge Capability Services but that service is only activated following an emergency/disaster, and has not been activated for a number of years. As it is not an active schedule and not a part of business-as-usual processes, it has not been included in the analysis.

Elements	Head agreement	Services schedule	Comments
Performance measures	NA	●	A set of performance measures is included in the services schedule, which cover timeliness, accuracy and correctness, and quality. The effectiveness of those measures is discussed at Table 3.7.
Governance arrangements	●	●	The head agreement and services schedule set out the governance arrangements.
Reporting processes	●	●	The head agreement has a standard clause and refers specific reporting requirements to the services schedule, which is more detailed.
Risk management	NA	●	The schedule has an appropriate risk planning section.
Issues escalation and dispute resolution	●	NA	The head agreement uses the issues clause from the standard template, and outlines a comprehensive process to manage material (serious) issues.
Funding arrangements	●	●	The head agreement and schedule both contain appropriate funding sections.
Appropriate approval/sign-off level	●	●	The head agreement was signed by the Secretaries of each department and the schedule was signed by SES Band 2 officers as required by the Framework.
Term (length of agreement)	●	●	Specified term clauses are in the head agreement and schedule.
Agreement review processes	●	●	The head agreement and schedule state that they should be reviewed annually. Both documents were updated in 2019 as per the term clause (above).

Key:

●	Met
◐	Partly met
○	Not met
NA	Not applicable

Source: ANAO analysis.

3.5 The head agreement and services schedule between Services Australia and Agriculture are comprehensive and include all key elements required of an effective bilateral agreement.

3.6 Examples of better practice include the issues escalation process and definitions of roles and responsibilities.²² For the latter, the relevant sections provide clear explanations of each entities' responsibilities so that both parties have a shared understanding of their respective responsibilities within the bilateral relationship. Some examples from the head agreement are set out below:

Agriculture is responsible for:

- development, administration and review of government policy;

²² In particular, *Section 7 Relationship Responsibilities* in the head agreement, and *Section 8 Services* and *Section 11 Roles and Responsibilities of Agriculture* in the services schedule.

- establishing agreed policy positions with those departments and agencies with overlapping policy responsibilities. Agriculture will involve Human Services in relevant discussions where appropriate;
- providing advice on business requirements to Human Services in respect to new or amended legislation or policy guidelines relevant to the delivery of Services and agreement on costings parameters.

Human Services²³ is responsible for:

- providing the Services as specified in the Service Schedules;
- providing feedback to Agriculture on service delivery aspects that might affect policy development and review if requested;
- continually improving the quality, effectiveness and efficiency of the Services and their delivery.

3.7 The head agreement and services schedule were reviewed in September 2019, with the next annual review scheduled for 2020.

Department of Veterans' Affairs

3.8 Services Australia's bilateral arrangements with DVA comprises a statement of intent and five services schedules.²⁴ These schedules cover:

- ICT services (all ICT functions including infrastructure and support for older systems). DVA uses 28 service offers²⁵ provided by Services Australia;
- corporate shared services: payroll, human resources and shared premises²⁶;
- program delivery, for the Repatriation Pharmaceuticals Benefit Scheme (provided through the Pharmaceuticals Benefit Scheme system), Child Dental Benefits Scheme (automatic data extraction and sharing) and Treatment Account Processing (13 services including manual, online and electronic claims lodgement for health services for veterans);
- data exchange; and
- myGov capabilities.

3.9 Table 3.2 provides an assessment of the DVA statement of intent and five schedules against the key elements expected to be included in a bilateral agreement.

23 This refers to the former Department of Human Services, which at the time was the entity that entered into the bilateral agreement arrangement with Agriculture.

24 Service Australia and DVA also partner in other projects and specific Budget funded activities, which are not in scope for this audit as they are one off initiatives.

25 A service offer document may include information about the service such as description, service levels, responsibilities, and cost.

26 The arrangements with DVA differ to some other entities, in that the shared premises agreement is included in the corporate shared services schedule, rather than being a separate schedule.

Table 3.2: Services Australia and DVA bilateral agreement elements

Elements	Statement of Intent	ICT Services	Corporate Shared Services	Program Delivery	Data Exchange	myGov	Comments
Clear objective	●	●	●	●	●	●	A clear objective is described in all agreements, most often in the Background section.
Defined roles and responsibilities of both parties	●	●	◐	◐	◐	◐	Roles and responsibilities are clearly outlined in the Strategic Principles section of the Statement of Intent. Roles and responsibilities are not clearly outlined in four schedules.
Performance measures	NA	●	◐	◐	◐	●	Six of nine services under the data exchange and program delivery schedules contain service levels. The Corporate Shared Service catalogue outlines service levels for only some offerings.
Governance arrangements	●	●	●	●	●	●	Governance arrangements are documented in the Statement of Intent and schedules.
Reporting processes	●	●	●	◐	◐	●	All but one agreements contain a section detailing the reports that Services Australia will provide to DVA. Exceptions are two of the six data exchange services, and one of the three program delivery services.
Risk management	NA	●	○	●	●	●	Risk is not covered in the Corporate Shared Services schedule. ^a The myGov schedule contains a good example of risk, including committing both parties to risk assessments and active management of risk.
Issues escalation and dispute resolution	●	●	●	●	●	●	Dispute resolution is covered in the six agreements. The schedules commonly refer to the Statement of Intent for detail on the process.
Funding arrangements	●	●	●	●	●	●	Funding arrangements are covered in all agreements.
Appropriate approval/sign-off level	●	●	●	●	●	○	All agreements are signed off at the appropriate level in Services Australia apart from the myGov schedule, which is signed off by a National Manager rather than a General Manager.

Elements	Statement of Intent	ICT Services	Corporate Shared Services	Program Delivery	Data Exchange	myGov	Comments
Term (length of agreement)	●	●	●	●	●	●	Term of the agreements is specified in all agreements.
Agreement review processes	○	●	○	●	●	○	The statement of intent, Corporate Shared Services and myGov schedules do not contain information about frequency of review.

Key:

- Met
- ◐ Partly met
- Not met
- NA Not applicable

Note a: Risk is included in the July 2019 Services Australia statement of intent template.

Note: For reviews, risk, and issue escalation, the details outlined in the program delivery and data exchange schedules are assumed to be applicable for the related attachments. The attachments include a subset of sections from the schedule, and outline background, application of services schedule, term, services, service levels (sometimes) and fees.

Source: ANAO analysis.

3.10 Only the ICT services schedule contained all 11 elements, and the remaining agreements primarily had exceptions with review processes, roles and responsibilities, performance measures and risk management.

3.11 DVA is currently reviewing all schedules, with a view to developing a comprehensive Shared Services Assurance Framework. This will particularly examine and assess the maturity of governance, performance measurement and reporting arrangements in place for each schedule, with a view to identifying areas for improvement.

3.12 Once this process is complete, when re-drafting the schedules, DVA and Services Australia should ensure that schedules contain all expected elements including those currently absent in some schedules, such as risk and performance measures.

National Disability Insurance Agency

3.13 Services Australia's bilateral arrangements with the NDIA includes a statement of intent, three services schedules, and a shared premises agreement. These cover:

- the delivery of corporate shared services such as payroll, accounting operations, procurement and record keeping;
- ICT business and infrastructure services including portals, network desktop and end user computing services;

- provision of business services, which allow the authentication and verification of NDIA staff through PRODA, Services Australia's online provider digital access system ; and
- the NDIA's use of Services Australia premises.

3.14 Finalisation of the NDIA statement of intent and three services schedules occurred between June 2016 and August 2017. There was no statement of intent template at this time, so the NDIA and Services Australia developed a custom statement of intent specific to the bilateral arrangements between the two entities.

3.15 The audit reviewed the five documents and compared them against the key elements expected to be included in a bilateral agreement. The results are summarised in Table 3.3.

Table 3.3: Services Australia and NDIA bilateral agreement elements

Elements	Statement of intent	ICT Services	Corporate Shared Services	Business Services	Shared premises	Comments
Clear objective	●	●	●	●	●	A clear objective is documented in all agreements, aligned to the Bilateral Agreement Framework template.
Defined roles and responsibilities of both parties	◐	●	◐	●	●	Responsibilities outlined in the statement of intent and corporate shared services schedule are based on broad relationship principles. Clearer delineation of the relationship and service responsibilities would assist in setting clearer expectations.
Performance measures	NA	●	◐	●	NA	Performance measures (service levels) are included in the business services, ICT and corporate services schedules, but for the latter not every service has a corresponding performance measure.
Governance arrangements	●	●	●	●	NA	Governance arrangements are documented in the statement of intent and three schedules. Specific responsibilities are outlined in the respective committee terms of reference.
Reporting processes	●	●	●	●	NA	Management reporting requirements are documented in all agreements (not required for shared premises).

Elements	Statement of intent	ICT Services	Corporate Shared Services	Business Services	Shared premises	Comments
Risk management	NA	●	○	●	◐	A risk section is not included in the corporate shared services schedule. Risk is incorporated into the shared premises agreement in the sections on indemnity and insurance, but there is no risk management clause.
Issues escalation and dispute resolution	●	●	●	◐	○	The statement of intent and two schedules contain issues clauses, and the business services schedule references a committee that will resolve issues, however that committee is no longer in operation. The shared premises schedule does not include an issues clause.
Funding arrangements	NA	●	●	●	●	The schedules all mention that services are funded under cost recovery arrangements.
Appropriate approval/sign-off level	●	●	●	●	○	The shared premises agreement remains unsigned by the NDIA. ^a
Term (length of agreement)	●	●	●	●	NA	The statement of intent has a three-year term, and renegotiation of all schedules is due to be completed by August 2020, when the terms expire. The unsigned shared premises agreement is ongoing. ^a
Agreement review processes	●	●	●	●	◐	The shared premises agreement has no review date and may be varied at any time by both parties.

Key:

Met



Partly met



Not met

NA

Not applicable

Note a: Services Australia advised that the overarching shared premises agreement does not have a review date as the underlying individual premises agreements (for each premises that the NDIA occupies) change very regularly due to lease expiry or changes in requirements. Services Australia advised that it has requested the NDIA to sign the shared premises agreement.

Source: ANAO analysis.

3.16 Only the ICT services schedule contained all of the elements, and the remaining documents primarily had issues with risk management, issues escalation, performance measures for corporate

shared services, and roles and responsibilities. Renegotiation of the statement of intent and the three services schedules is due by August 2020 and the agreement would be strengthened if these elements are improved in the updated versions. The shared premises agreement also needs to be signed by the NDIA.

3.17 In terms of defined roles and relationship responsibilities, the objective in the statement of intent is for the two entities to work collaboratively to support the effective rollout of the Scheme, primarily through the NDIA utilising Services Australia's expertise and capability in service delivery, and in the delivery of shared corporate and ICT services. Despite the inclusion in the agreement of high level guidance in the 'relationship responsibilities' and 'partner principles' sections of the statement of intent, both entities confirmed different cultures have contributed to relationship challenges. Acknowledging that the agreement is due for renegotiation in 2020, setting clearer expectations of each entity's roles and responsibilities as the purchaser and provider should assist to strengthen the bilateral arrangement. Services Australia and the NDIA should also develop underpinning issues notification/escalation procedures at the operational level, to support the high-level processes set out in the bilateral agreement.

Governance committees

3.18 To support effective bilateral arrangements, relevant governance committees should discuss key aspects of those arrangements on a regular basis to ensure proactive management and oversight of the program/service. Arrangements regularly discussed can include: risks; issues escalation and resolution; performance and reporting; funding, budget or payment issues (where applicable); and any continuous improvement or upcoming changes.

3.19 The audit examined the governance arrangements in place between Services Australia and the three entities by reviewing the terms of reference and a selection of committee papers, and conducting interviews with key staff from the entities.

Department of Agriculture, Water and the Environment

3.20 Two forums are in place to manage the Farm Household Allowance: the Governance Committee and the Services Schedule Contact Officers Forum. For the Governance Committee, the meeting minutes were analysed for the four meetings held in 2018–19, and for the Contact Officers forum, the action item lists were analysed for the 13 meetings in 2018 and the seven meetings held from January to July 2019. Table 3.4 provides the analysis of the two forums.

Table 3.4: Services Australia and Agriculture governance forums

Forum	Members	Frequency	Purpose	Analysis
Governance Committee	SES Band 2, SES Band 1 and EL2 from the two entities	Quarterly	As set out in the Terms of Reference, the role is to provide high-level strategic oversight and decision-making to facilitate effective administration of the Farm Household Allowance. Other specific items to be discussed include key issues, Key Performance Indicators (KPIs), evaluation and future program.	Risks were specifically discussed at one of the four meetings held in 2018–19. There are risk ratings against all agreed action/status items. There was active discussion of the performance reports including the need to revise the performance measures in early 2020. All meetings discussed collaboration and policy changes to Farm Household Allowance including the 2019 Review. No other issues (that is, problems or challenges) were discussed at the meetings.
Services Schedule Contact Officers forum	EL2 and EL1 from the two entities	Monthly (or more often as required)	The role is more operational and is to focus on issues such as data, policy and service delivery issues, evaluation, financials, customer complaints, the operational framework and general day-to-day work.	For the meetings analysed, the forum discussed each of the required issues (set out in previous column), as well as items arising from the Farm Household Allowance Governance Committee.

Source: ANAO analysis.

3.21 The Governance Committee and Contact Officers forum are effective in overseeing the Farm Household Allowance and bilateral relationship between Services Australia and Agriculture. There is evidence in the meeting minutes of regular discussion of performance, collaboration and general risks. Any specific discussion of risk planning and management should be recorded in the minutes to confirm that the entities are being proactive in managing issues and monitoring potential threats to the effective delivery of Farm Household Allowance.

Department of Veterans' Affairs

3.22 Six forums are in place (with two more being established) to manage the DVA–Services Australia bilateral agreements. A summary of the analysis of these arrangements is at Table 3.5.

Table 3.5: Services Australia and DVA governance forums

Forum	Members	Frequency	Purpose	Analysis
DVA-Services Australia Secretaries Strategic Meeting	DVA and Services Australia: Secretaries and Deputy Secretaries	Monthly	Overall strategic decision making and guidance on work impacting DVA and dealing with issues escalated to it.	Unable to assess as not minuted. Agendas include corporate shared services and ICT services, DVA transformation, and other current topics.
DVA-Services Australia Partnership Forum	Deputy Secretaries and SES Band 2	Every eight weeks or more frequently as required	Address critical strategic and operational issues impacting the health of the partnership.	Discussed issues escalation, performance and funding. Received reporting on ICT and on corporate shared services.
Corporate Shared Services Operational Committee	DVA and Services Australia SES Band 1 members	Quarterly	Oversee scope, performance and escalation of ongoing operational business issues associated with corporate shared services provided by Services Australia to DVA.	Discussed issues escalation, performance and funding.
Joint Services Management Committee	DVA and Services Australia SES Band 1 and EL2 members	Monthly	Guide and monitor the operations of the ICT services in accordance with the ICT Shared Services Schedule and supporting Service Offers.	Discussed issues escalation, performance and funding.
Data Exchange Operational Committee	DVA and Services Australia SES Band 1 members	Quarterly	Facilitate discussion, assessment, review and, if necessary, resolution of any matters relating to the Data Exchange Services Schedule.	Unable to assess as committee did not meet during the audit.
Program Delivery Operational Committee	DVA and Services Australia SES Band 1s members.	NA	Facilitate discussion, assessment, review and, if necessary, resolution on any matters relating to the Program Delivery Services Schedule.	Unable to assess as committee was not established during the audit.

Notes: The statement of intent also lists the Transformation Programme Board, which meets monthly and provides specific operational oversight of the Veteran Centric Reform program. The Transformation Programme Board reports to and advises the DVA/Services Australia Partnership Forum.

The myGov Member Service Forum is mentioned in the myGov schedule, but not the statement of intent. As it is a multilateral committee with members from various entities, rather than a joint Services Australia–DVA committee, it has not been reviewed as part of the analysis.

Source: ANAO analysis.

3.23 The governance committees are effective in overseeing the bilateral arrangements and managing the relationship between Services Australia and DVA. They regularly discuss issues escalation, performance and funding.

3.24 In addition, none of the strategic governance committees regularly discuss items related to data exchange and program delivery agreements, and the operational governance committees to cover issues or performance of the program delivery is not in place. In February 2020, DVA advised that the Data Exchange and Program Delivery operational committees were being combined, and would meet every six months.

National Disability Insurance Agency

3.25 The governance arrangements established to manage the Services Australia–NDIA bilateral agreement include Board committees, a Secretary/CEO-level committee and three joint committees. A summary of the analysis of these arrangements is at Table 3.6.

Table 3.6: Services Australia and NDIA governance forums

Forum	Members	Frequency	Purpose	Analysis
NDIA CEO and Services Australia Secretary meeting	NDIA CEO and the Services' Australia Secretary supported by relevant Deputy Secretaries.	Quarterly	Monitor progress in relation to the implementation of the NDIS.	Unable to assess as not minuted. Services Australia advised that topics included progress on the annual ICT Shared Services Schedule renewal, updates on NDIA ICT requests and issues, and the transition to another provider of the NDIA Contact Centre.
Shared Services Strategic Governance Committee	Co-chaired by the NDIA Chief Information Officer and attended by relevant SES Band 2 level staff.	Monthly, or at a frequency determined by the co-chairs. ^a	Provide strategic oversight over the bilateral agenda including initiatives and business as usual activities.	Discussed arrangements to implement the ICT, business and Corporate Shared Services schedules including providing feedback on reporting requirements. Performance reporting has been provided to this committee since March 2019.
Corporate Shared Services Operational Committee	Chaired by the National Manager, Corporate Shared Services. Attended by SES Band 1 and EL2 level staff from relevant service areas from both entities.	Quarterly	Collectively address ongoing operational business issues associated with corporate shared services to the NDIA.	Discussed operational issues such as property and human resources — with a monthly volumes report, quarterly Executive Dashboard report, and quarterly performance report established in December 2018.

Forum	Members	Frequency	Purpose	Analysis
ICT joint services management sub-committee	Co-chaired by Services Australia National Manager ICT shared Services Branch and NDIA Business Manager ICT Services Branch. Attended by relevant SES Band 1 and EL2 level staff.	Monthly	Guide and monitor the operations of the ICT Services provided to the NDIA.	Discusses issues and receives updates on ICT projects. There is a standing item of issues for escalation to the Shared Services Strategic Governance committee.

Note a: Shared Services Strategic Governance Committee meetings were held quarterly between July 2018 and May 2019.

Note: The Business Services Operational Committee was established with responsibility for managing the Business Services schedule, and ceased in October 2018 following cancellation of two of the three schedule services that were no longer required. In November 2019, Services Australia advised: regular updates are provided directly to the NDIA; and issues related to Business Services Schedule (PRODA Services) can be discussed at the monthly Strategic Governance Committee meetings.

Source: ANAO analysis.

3.26 The governance committees are effective in overseeing the bilateral arrangements and managing the relationship between Services Australia and the NDIA. They regularly discuss issues escalation and performance.

Risk management

3.27 Management of risk is an intrinsic part of delivering services and overseeing bilateral arrangements. Risk management plans should be in place at the appropriate level (depending on the types of services being delivered by Services Australia) and risk and key issues²⁷ considered on a regular basis at governance committees.

Department of Agriculture, Water and the Environment

3.28 The services schedule for the delivery of Farm Household Allowance references risk in three key areas: governance; assurance of services; and risk planning.

3.29 Services Australia has two risk management plans in place for the delivery of Farm Household Allowance:

- a payment integrity plan with four risks associated with payment accuracy, claims processing, overall program integrity (including systems), and processing Financial Improvement Agreements; and

²⁷ For the purposes of this audit, an issue is defined as an unplanned, material event that requires management action. Alternatively, an issue is a risk that has eventuated.

- a program plan with five risks associated with the application of the relevant legislation²⁸, governance and performance reporting, information management, and overall achievement of payment integrity.²⁹

3.30 The plans utilise the Services Australia risk management plan template. This is comprehensive and covers the key aspects of risk assessment and planning including risk identification, causes, consequences, controls, risk ratings and final risk level. The two plans relating to Farm Household Allowance were comprehensively completed noting that the treatment sections were not required to be completed because the risk assessment deemed (endorsed by the National Manager SES Band 1) that the controls were adequate to accept the risk.

3.31 Agriculture has mandated risk plans at the divisional level that collectively form the department's overall enterprise risk framework. The risk plan for Farm Support Division (which oversees Farm Household Allowance) identifies eight strategic risks primarily relating to departmental matters such as staffing and advice to government. There is one risk that covers programs such as Farm Household Allowance, however, the information contained in the risk plan is high level and the detail is limited.

3.32 Agriculture does not have a specific risk management plan for Farm Household Allowance and its bilateral relationship with Services Australia. It would be beneficial for Agriculture to develop a risk plan that covers the risks for the department in terms of overseeing — and ultimately having ownership and accountability for — Farm Household Allowance. Services Australia and Agriculture should consider shared risks in the development of their risk registers, noting this is a mandatory part of the Commonwealth Risk Management Policy (discussed at paragraph 2.29).

3.33 Risk was discussed in the general context of program, policy and proposed changes. For example, in the meeting minutes of the Farm Household Allowance Governance Committee for the July and October 2018 meetings, discussion of policy changes, project updates and implementation of an operational framework all included an element of risk identification and management.

Department of Veterans' Affairs

3.34 As outlined in Table 3.2, no risk statement was included in the statement of intent or the Corporate Shared Services Schedule.

3.35 DVA recognises the risk of outsourcing by including the bilateral arrangements in its enterprise risk assessments. Overall accountability for delivering on its outcomes rests with DVA. DVA's enterprise risk management plan includes two risks relating the bilateral arrangements between DVA and Services Australia:

- Enterprise risk one — the ability of DVA to deliver programs that improve the health and well-being of veterans and their families, involves a control related to the Services Australia provision of IT services.
- Enterprise risk seven — the ability of DVA to effectively engage and deliver claims processing, entitlements and services to clients, includes a control of having dedicated

²⁸ *Farm Household Support Act 2014*.

²⁹ Payment integrity refers to Services Australia's four pillars of payment correctness — right person; right program; right rate; right date.

shared services branches in both DVA and Services Australia to manage the relationship, provide strong governance, and manage issues and risk.

3.36 In addition, DVA's Fraud Risk Register contains a risk regarding the fraudulent use of, or attacks against, IT systems and data controlled or used by DVA, with recognition that DVA is reliant on Services Australia for controls to be implemented. Treatment includes establishing the provision of ongoing assurance regarding the effectiveness of relevant ICT controls.

3.37 DVA's Risk Management Framework indicates that where DVA is involved in implementing projects, programs, policy initiatives or other arrangements with third parties, efforts must be made to understand and contribute to the management of shared risk. DVA's partnership arrangements with Services Australia is provided as a major example, including DVA's establishment of a dedicated branch to operate as a centralised, internal administration function to manage the ongoing strategic partnerships with other Australian Government agencies as part of managing shared risk.

3.38 The shared risks within the Risk Management Framework demonstrate how a shared risk assessment should be undertaken, including a joint risk register, clarity of risk ownership that is integrated into agreements, and joint risk review meetings. Consistent with this approach, the Veteran Centric Reform program³⁰ has a shared risk management plan between DVA and Services Australia that identifies risk control owners in Services Australia and DVA.

3.39 DVA has one effective overarching risk plan in place for the bilateral arrangements at an operational level. Further, it has effective risk management plans in the Services Schedule for myGov Capabilities.

3.40 In line with the departmental Risk Management Framework, Services Australia and DVA should consider adopting a shared risk management approach within their bilateral arrangements.

3.41 Services Australia has arrangements to manage risks associated with the delivery of services to other entities, including DVA (and NDIA as discussed in paragraph 3.46). A risk plan is in place for:

- Corporate Shared Services — The Corporate Shared Services branch risk register includes five risks related to service standards, the Enterprise Resource Planning system, internal direction and executive support, and the consumer agency changing direction. Appropriate consequences, controls, and timeframes are documented however, key elements missing include risk ratings, causes, control effectiveness, control owners. Six of the nine treatments listed have been recorded as 'on hold' or 'not commenced'.
- Services associated with ICT and the delivery of ICT — The Chief Information Group comprehensively sets out a risk plan that includes seven risks with description, cause, consequence if risk realised, controls, control owner, control effectiveness, the next review date, treatment, and risk ratings.

3.42 There is no evidence that risk is proactively discussed at any of the operational or strategic governance committees. Both entities should ensure that risk assessments are in place at the appropriate level and that risk is actively managed through regular discussions of the operational and strategic risks to the bilateral relationship and underlying services.

30 The VCR program commenced in July 2017 and aims to transform DVA's business processes and culture, improve service options, and redevelop its information and communications technology.

National Disability Insurance Agency

3.43 Following the implementation of the 2017 Services Australia Bilateral Agreement Framework, a statement of intent template was developed that includes a standard section on risk management. The NDIA agreement was developed prior to that template and does not include a section on risk. The three services schedules include limited general guidance on risk.

3.44 Responsibility for oversight and management of risk related to the bilateral agreement is documented in the three joint committees' terms of reference. A review of the three committees' papers was undertaken to identify evidence that risk was routinely considered, including reporting upwards to the Shared Services Strategic Governance Committee; however, this was not found.

3.45 The NDIA has arrangements in place to manage risks related to shared service arrangements within the organisation. The NDIA risk management arrangements include an enterprise risk plan, and risk registers managed by the areas responsible for the schedules. The details are summarised below:

- The NDIA enterprise risk management plan, dated July 2019 includes two risks associated with Service Australia's service delivery — handling of personal information, and the ICT operating environment (applications, network, connectivity and infrastructure). Key aspects of risk assessment are covered in the plan. Appropriate causes and treatments are documented.
- The NDIA risk register for corporate services, dated October 2019 includes two risks related to the bilateral arrangements — management of organisational data, and an inability to deliver critical shared corporate services to the agency. The register covers key aspects of risk assessment and planning including risk identification, causes, consequences, risk ratings and risk level.
- The NDIA Chief Executive Officer Critical and High Operational Risk Heat Map includes a risk about the ability of Services Australia to deliver the NDIA's priorities, and has been rated as high. Key mitigation activities have been documented with due dates for the activities included. The risk map register includes no detail about causes, controls, consequences or responsible risk owners.

3.46 Services Australia has arrangements to manage risks associated with the delivery of services to the NDIA. As discussed in paragraph 3.41:

- Risks related to the delivery of corporate shared services have been identified with key elements documented. The inclusion of risk ratings, causes, control effectiveness, control owners, and planned dates for implementation of treatments currently listed as 'on hold' or 'not commenced' would improve the plan.
- The Services Australia Chief Information Officer Group risk plan comprehensively sets out key risks associated with ICT and the delivery ICT to entities including the NDIA.

3.47 Overall, there is documentation of some appropriate risk plans in place within Services Australia and the NDIA, and some evidence of discussion of shared risk at the governance committees. Services Australia and the NDIA would benefit from holding regular joint risk management and planning discussions, as well as developing some shared risks so that shared accountabilities can be identified and managed.

Recommendation no.2

3.48 In bilateral agreement arrangements between Services Australia and Agriculture, DVA and the NDIA, each entity develops more robust approaches to risk planning and management within the bilateral agreement arrangements, including:

- (a) implementing relevant risk management plans;
- (b) regularly discussing and reporting on risk at governance forums; and
- (c) developing strategies to identify shared risks and how these will be managed.

Services Australia response: *Agreed.*

3.49 *Within the next 12 months, the agency will review its Bilateral Agreement Framework and its bilateral agreement templates to take account of the requirements of this recommendation.*

3.50 *Within the next 18 months, the agency will also engage with Australian Government partner entities to ensure shared risks are identified, managed and discussed at governance forums.*

Department of Agriculture, Water and the Environment response: *Agreed.*

3.51 *The department notes ANAO's comment that approaches for managing bilateral arrangements between Services Australia and Agriculture were effective, and that the Department has risk plans at the divisional level that collectively form the Department's overall enterprise risk framework.*

3.52 *The department is investigating options to implement a more detailed risk management plan that addresses its risks in overseeing Farm Household Allowance (FHA), including a plan that covers the risks for the department in terms of overseeing and having ownership and accountability for FHA. We agree to consider in consultation with Services Australia the shared risks in the development of risk registers, and note this is a mandatory part of the Commonwealth Risk Management Policy.*

Department of Veterans' Affairs response: *Agreed.*

3.53 *DVA has already commenced its annual agreement review process, which incorporates risk management. In addition, DVA has developed an Enterprise Level Risk Management Plan incorporating Shared Services Risks, and this will lead to the development of a separate Shared Services Risk Management Plan to advance the identifying and monitoring of the risks to Shared Services.*

National Disability Insurance Agency response: *Agreed.*

3.54 *The NDIA is committed to strengthening internal governance arrangements to ensure risks and issues associated with Services Australia service provision are monitored and managed.*

3.55 *As part of the continual refinement and development of the relationship between the NDIA and Services Australia, the NDIA will introduce a range of formal measures into the Statement of Intent, which is currently being renegotiated and due to come into effect in August 2020. A key objective of this will be to strengthen risk planning and management within the bilateral agreement arrangement.*

3.56 *This specifically includes:*

- *Development and maintenance of risk management plans;*
- *Development of a comprehensive risk assessment, assurance and management process;*
- *Introduction of standing agenda items regarding risk, control and assurance at the respective governance committees;*
- *Introduction of a formal issues management, escalation and dispute resolution process; and*
- *Better definition of the relationship roles, responsibilities and authorities including decision frameworks.*

Issues management

Department of Agriculture, Water and the Environment

3.57 The head agreement between Agriculture and Services Australia contains a comprehensive issues/dispute resolution process, which is based on the Services Australia head agreement template. This process is more detailed than the issues resolution section in the new statement of intent template as it states how to determine the seriousness of an issue (impacts and consequences), timeframes for escalation and responsibilities of various officers. The statement of intent template only contains high-level guidance on who issues will be escalated to, for example, committee, Deputy Secretary or Secretary rather than an actual process.

3.58 In terms of enacting the formal process in the head agreement, Agriculture and Services Australia advised that no major issues have arisen over the past two years, and therefore the issues escalation and resolution process have not been activated.

Department of Veterans' Affairs

3.59 Account managers are appointed for each entity, and have day-to-day responsibility for managing any issues that arise regarding the bilateral arrangements. Activity trackers are in place to manage issues for ICT, and for administering the schedules more broadly. Issues as outlined in the activity tracker (issues log) were discussed at the Corporate Shared Services Operational Committee.

3.60 An escalation process is outlined in the statement of intent. Services Australia has formal escalation processes in place for ICT services and corporate shared services. There was no evidence that similar formal processes are in place for the program delivery and data exchange and myGov schedules. A DVA and Services Australia Partnership Forum review indicated instances of escalation occurring directly up to Secretary level instead of through channels such as the governance committees. There is no operational committee in place as yet for program delivery and data exchange schedules, and no evidence of activity trackers regarding these services.

3.61 As indicated at paragraph 3.23, the governance committees currently in place discuss issues to be resolved, and escalate them where appropriate. Further, Services Australia has modified the terms of reference of the governance committees, including the proposed data exchange operational committee, to help ensure that issues are raised and managed appropriately.

3.62 In terms of tracking issues, a joint Shared Services DVA Activity Tracker is in place (the ANAO reviewed version dated 26 November 2019) — which is a spreadsheet that sets out identified issues,

business owners, actions/resolutions, status and date closed. It includes open items (where issues are being addressed) and closed items (which sets out what the end result was). There is no activity tracker, or issues logs are not in place, for the data exchange and program delivery schedules. However, Services Australia advised that issues are often managed in other ways rather than through a shared issues log.

3.63 There is a dispute resolution process in place to manage potential issues arising from the bilateral arrangement. However, due to inconsistent tracking of activities, it is not possible to give an overall view of how many issues occurred or if the formal process was enacted.

National Disability Insurance Agency

3.64 The NDIA–Services Australia bilateral agreement includes guidance for issues management and dispute. The statement of intent states that dispute resolution will be managed within the governance committee structure. The Shared Services Strategic Governance Committee terms of reference confirms this role as ‘deciding on, and driving actions to help resolve issues while leveraging existing resolution mechanisms where possible’.³¹

3.65 Sections on issues management are included in three services schedules:

- The ICT services schedule includes issues escalation arrangements in the governance section and states that the ICT Incident Management process will address any operational issues and that Services Australia incident management policies and procedures will apply.
- The Corporate Shared Services Schedule includes guidance on issues resolution. Both entities are required to promptly report to the other party an issue, and endeavour to resolve the issue. If this is not achieved within ten business days it is to be referred to the Shared Services Strategic Governance Committee.³²
- The shared premises agreement includes a dispute resolution section requiring the local representatives to initially manage an issue, and refer to executive management if not resolved within 14 days.

3.66 There is no issues management approach set out in the Business Services schedule, which references the Business Services Operational Committee, to manage any escalated issues. However, this committee is no longer operational.³³

3.67 Review of the three committees’ papers found evidence of some operational issues being discussed at each meeting, and updates recorded in decision registers, action item registers and minutes. For the ICT schedule, a report on ICT incident and problem management is used in the ICT Joint Services Management Sub-committee to guide discussions on issues. A Shared Services Tracker (issues register) is used by the Corporate Shared Services Governance Committee to manage issues and includes information about dates, responsibility for issues, actions and resolution. In January 2020, Services Australia advised issues are noted in this register and can be

31 The Strategic Governance Committee is required to report and escalate any unresolved issues, problems or disputes to relevant Deputy Secretaries for consideration and resolution as required.

32 Corporate Shared Services Branch has a customer support structure in place, documented at a high level in the Corporate Shared Services catalogue, but does not include guidance on why and when to escalate issues.

33 Services Australia advised that with the Business Services Operational Committee no longer in operation, issues relating to PRODA (documented in the business schedule) can be raised at the monthly Strategic Governance Committee meetings if needed.

discussed at weekly account manager meetings with NDIA. There is no clear guidance to support this process.

3.68 These documents provide evidence that some key issues discussed at the meetings are being managed or reported to higher committees. Meeting papers for the Corporate Shared Services Operational Committee reflect discussions about issues needing to be followed up on an ad-hoc basis, by both parties, rather than reflecting a systematic approach.

3.69 The NDIA expressed concerns to the ANAO about unresolved issues with Services Australia, and the NDIA was looking at alternative options, for example, for its records management services. Although governance arrangements and procedures are in place on how to advise Services Australia of issues, and a Corporate Shared Services Tracker is in place, analysis of the meeting minutes did not demonstrate that all issues raised at meetings were consistently addressed. If there were clearer expectations set out in the bilateral agreements and clearer operational issues escalation processes, this would provide a vehicle to hold productive discussions on any issues that may arise.

3.70 One example of an unresolved issue was the overarching shared premises agreement between Services Australia and the NDIA, which to date has yet to be signed by the NDIA even though four versions have been released since 2016. As at February 2020 the agreement remains unsigned by the NDIA. The NDIA advised in November 2019 that version four of the agreement was being reviewed internally by its legal team. Services Australia advised that in the absence of the shared premises agreement being signed by the NDIA, it relies on approved agreements for each individual shared premises. Both entities have not identified any consequences of the agreement not being approved, suggesting the risk is low. However the agreement remains unsigned by the NDIA, which effectively means the agreement cannot be relied upon, and the matter has not been managed in reasonable timeframes.

3.71 Not having clear issues notification and escalation processes in place at an operational level between Services Australia and the NDIA raises the risk that not all issues are assessed and prioritised using a standard approach, and escalated to the appropriate decision-making level (within the committee structure or not), in a timely manner and monitored through to resolution. Relying on issues to be escalated to committees can result in significant delays in resolving the issue.

Continuous improvement and better practice

3.72 From the analysis undertaken during the audit, there were some continuous improvement and better practice elements advised or observed in the Services Australia and Agriculture and DVA bilateral arrangements and these are set out in Appendix 2.

Are effective arrangements in place to monitor and report on performance?

Effective performance monitoring and reporting arrangements are not consistently in place between Services Australia and Agriculture, DVA and the NDIA for the bilateral agreements:

- Agriculture and Services Australia have a set performance measures in place but Services Australia does not consistently report on these measures and Agriculture does not undertake any analysis of the reporting.

- Not all services delivered by Services Australia for DVA and the NDIA have performance measures in place, and not all of those measures in place are reported on by Services Australia. DVA and the NDIA do not undertake any analysis of that reporting.

Performance measures and reporting

Department of Agriculture, Water and the Environment

3.73 A set of performance measures are included in the services schedule for Farm Household Allowance and the analysis of these measures is at Table 3.7.

Table 3.7: Performance measures and reporting for the delivery of Farm Household Allowance

Schedule	Observations	Reporting requirements
Farm Household Allowance	<p>There are 11 performance measures within the schedule covering:</p> <ul style="list-style-type: none"> • Initial customer contact (timeliness); • Claims processing (timeliness); • Reviewing financial improvement agreements (timeliness); • Undertaking audits (correctness); • Customers accessing education or training; • Payment of supplements (timeliness); • Customers advised of end of payment timeframe; • Customer debt management; and • Access to a Farm Household Case Officer. <p>There are two identical measures relating to the financial improvement agreements (however these are only reported on once).</p> <p>There is one measure that is now out of date, relating to customers on the pilot program back in 2014.</p> <p>Overall the measures are largely SMART and complete (which is discussed from paragraph 3.74 below).</p>	<ul style="list-style-type: none"> • Monthly management reporting against the performance measures.

Source: ANAO analysis

Reporting

3.74 Analysis of the reporting against the measures has revealed some anomalies with the measures. Services Australia provides monthly reports to Agriculture as per the requirements of the services schedule. The reports are amalgamated into quarterly reports, and contain each of the performance measures in the services schedule, with traffic light ratings and some commentary. For the reports produced in 2017–18 and 2018–19 (eight quarters):

- two measures were regularly reported however they consistently did not meet the targets (see paragraph 3.72 below);
- four measures reported on a different performance measure;
- two measures were not regularly reported; and
- two measures were never reported against.

3.75 For the two measures on claims processing, performance was consistently and significantly not at the required standard. In order to improve timeframes, Services Australia advised that it undertook various measures in consultation with Agriculture to improve claim timeframes including: allocating additional staff resources; prioritising Farm Household Allowance claims to meet the increased demand in 2018 and 2019; streamlining the claims process and form; and utilising service centres. Performance timeframes improved in the June and September 2019 quarters.

3.76 As discussed in Table 3.7, there is duplication of one measure and another measure is no longer required. Services Australia and Agriculture are planning to review the performance measures once the next round of legislative changes to Farm Household Allowance are implemented (expected to be in early 2020). This was agreed to by the FHA Governance Committee at the July 2019 meeting. This review should ensure that measures are developed that can be consistently and accurately reported against.

3.77 Agriculture advised that it does not independently verify the accuracy of the performance reports provided by Services Australia. There was also no evidence that the reports are analysed internally within Agriculture or any internal reporting to the Agriculture executive or Secretary.³⁴

3.78 Assurance and analysis of Services Australia's performance should occur within any entity that Services Australia is delivering on behalf of, as the final accountability for the program rests with the entity.

Department of Veterans' Affairs

3.79 Performance measures for the bilateral arrangements are typically described in the service levels. DVA's services schedules and attachments describe service levels in nine of 15 agreement documents.³⁵ For the data exchange schedule, four services include service levels and two do not.

3.80 Table 3.8 outlines the analysis of the performance measures (including against the SMART criteria) and reporting against the five services schedules (and corresponding attachments) where service levels were included.

34 Agriculture advised that performance reports are reviewed and discussed at the governance meetings however their usefulness in identifying service performance is limited.

35 As discussed in paragraph 3.8, DVA's bilateral arrangements include a Statement of Intent, and five services schedules. There are three attachments to the program delivery schedule and six attachments to the data exchange schedule that describe discrete services. This comprises 15 agreement documents in total.

Table 3.8: Performance measures and reporting included in Services Australia's bilateral agreements with DVA

Schedule	Observations ^a	Reporting requirements ^b
ICT Services	<p>There are 23 service levels within the 28 service offers.</p> <ul style="list-style-type: none"> These measures are not complete because they only relate to service availability. There are no measures to cover timeliness of implementation, meeting user requirements, and ensuring the end user is satisfied with performance. The measures generally meet the SMART criteria. 	<ul style="list-style-type: none"> Monthly Service Levels report Monthly Application Availability Metrics for transferred Applications Monthly ICT Shared Services report
Corporate shared services	<ul style="list-style-type: none"> DVA accesses 44 services from Services Australia, but only 24 services levels can be reported on in the Corporate Shared Service catalogue. The remaining services have no service levels. The Service levels that are available meet the SMART criteria. Service levels are not complete, as they do not cover quality or customer satisfaction. 	<ul style="list-style-type: none"> Monthly People Advisory Centre Scorecard DVA Corporate Shared Services Monthly Report.
myGov	<ul style="list-style-type: none"> One service level in place, regarding service availability and service response. Service levels are not complete or specific, as they do not cover all eight core capabilities listed in the schedule, only the availability and response. 	<p>The myGov Member Services Handbook specifies:</p> <ul style="list-style-type: none"> Monthly service level reports^b Biannual functional change forecast Monthly Customer Usage Reports (myGov Performance Report) Monthly incident reports Once off forecast of demand report Annual system security compliance statement.
Program Delivery — Attachment A Child Dental Benefits Schedule	<ul style="list-style-type: none"> One measure specific to the data exchange. Meets SMART criteria, is not complete as missing accuracy measure. No reporting on this service level and schedule. 	Nil outlined in the schedule

Schedule	Observations ^a	Reporting requirements ^b
Program Delivery — Attachment C Treatment Accounts Processing	<ul style="list-style-type: none"> Twenty-six service levels outlined in the schedule, though only six are reported against. Meets SMART criteria and is complete, apart from measurable as targets not provided for all levels. 	<p>Schedule indicates that reporting is in accordance with the Service Definition Reporting and Data Exchange Service.</p> <p>Reporting provided by Services Australia under this attachment is quarterly, with annual executive summaries per calendar year and financial year.</p>
Data Exchange — Attachment A Access to Information Services	<ul style="list-style-type: none"> Nine service levels included. Meets the SMART criteria. Not complete. Lack of accuracy, efficiency and quality measures. Also no measures of customer satisfaction which is important for face to face services. Minimal reporting provided, only number of VIS services. No reporting against other eight service levels provided. Only the monthly VIS contact numbers report was provided. 	<ul style="list-style-type: none"> Weekly Visitors Information service (VIS) contact information — details of those who used the VIS service Monthly VIS contact numbers (numbers of with Services Australia VIS officers) Monthly Community Engagement Services Reports
Data Exchange — Attachment B Aged Care	<ul style="list-style-type: none"> One service level provided, which was high level, not specific or measurable. Not complete as does not include accuracy or quality measures. No reports were provided. 	<ul style="list-style-type: none"> Veterans' Affairs Quarterly Review Monthly Veterans' Affairs Liability Accrual Report Ad hoc — Notification of any anomalies in the system to be raised with Services Australia Ad hoc — Data extracts on specific issues (for example pre-entry leave)
Data Exchange — Attachment E Provision of Managed Investments and Listed Securities Data	<ul style="list-style-type: none"> Two service levels, one for each data package. Meets SMART criteria. Not complete as no accuracy of data measures. No reports were provided. 	<ul style="list-style-type: none"> Managed Investment Exception Report — monthly when issues arise Shares & Securities Exception Report — monthly when issues arise Ad hoc Identified Issues Report

Schedule	Observations ^a	Reporting requirements ^b
Data Exchange — Attachment F Special Disability Trust Information Exchange and Defence Force Income Support Allowance (DFISA/DFISA-like), Clearances and Debt Recovery	<ul style="list-style-type: none"> • Six service levels included. • Levels were not clearly relevant or specific to the services provided. • Not complete as no accuracy of data measures. • No reports were provided. 	Nil outlined in the schedule

Note a: None of the measures contained completeness elements of balanced (efficiency, short medium and long term elements).

Note b: Only the myGov monthly service level reports were analysed as part of the audit as they were more relevant in terms of the bilateral relationship.

Source: ANAO analysis.

3.81 The majority of service levels were not assessed as complete, primarily due to a lack of service levels for customer satisfaction (where relevant), and limited service levels for quality and accuracy. Although four of the schedule met the SMART criteria, the remaining five did not meet at least one of the elements. Reporting was not provided for four of the services.

3.82 The ICT measures outlined in the service offers are mostly about system or platform availability targets (as well as service hours, channels and timeframes of service support). The ICT performance measures are not complete as they do not address the broader quality or performance of the ICT services provided. Therefore, the measures do not adequately demonstrate how well the ICT services area being provided and do not provide entities with a clear view as to whether the ICT services are being delivered to their expectations and requirements.

3.83 Service levels are outlined in the Corporate Shared Services Catalogue. The current version of the catalogue (version six, November 2019) and the previous version five, do not contain service levels or targets for a significant number of services offered. Service levels were previously included for all services in version four of the catalogue. Only 26 of the 44 services that DVA accesses have service levels in the current Corporate Shared Services Catalogue. This is particularly low in payroll and on-boarding elements, where only one out of 15 services have service levels. This is further discussed for the NDIA at paragraph 3.97 below.

3.84 Between July and September 2019, DVA conducted a gap analysis of the ICT services it received, which identified a gap between the service offer documentation available to DVA and the Services/Service Options being invoiced. This included 43 services/options for which DVA was invoiced in 2018–19 but had no corresponding service offer/option. DVA and Services Australia advised that they are working to address any discrepancies. However, Services Australia advised that DVA was billed only for services they had received.

Reporting

3.85 Although regular performance reports are produced by Services Australia for DVA as outlined in the bilateral agreements, there are gaps in this reporting.

3.86 In general, there are limited service levels for corporate shared services that Services Australia delivers to DVA. The one service level relating directly to payroll (end of year financial processing) is not reported on by Services Australia. The remainder of the ancillary corporate shared service levels that support payroll are reported against.

3.87 As outlined in Table 3.8, reporting is not produced for all services under the program delivery and data exchange schedules. Of the nine services under these schedules, only six had service levels. Of those six service levels, Services Australia produced reporting on two of the sets of service levels — Treatments Accounts Processing and one element of the Access to Information Services schedule. These two sets did not report against all service levels included in the schedules. For instance, for Treatment Accounts processing, only six of the 26 levels in the schedules are reported against.

3.88 Where reporting is available, performance against most service levels outlined in the agreements were met. Reporting from Services Australia demonstrates that most service levels for DVA's corporate shared services are being met (12 out of 14, with 10 services not accessed in the period), apart from two relating to the responsiveness of the people advisory service, which were not met in quarter one, two or three, but were met in quarter four. It should be noted though that the majority of the primary elements required for DVA payroll do not contain service levels, so these levels that are reported on primarily relate to ancillary support services for payroll.

3.89 Service availability, the only service level outlined in the ICT service offers, is included in ICT reporting. Services Australia largely met the service availability targets for applications, network and telephone in the year to October 2019. Other ICT reporting covers total support requests (incidents) and service requests resolved, and the number of support requests within service level timeframe as outlined in the ICT Services Schedule. The reporting on ICT service requests indicates that Services Australia is currently not meeting its targets, with only 55 per cent of service requests resolved within agreed timeframes in September to October 2019. The reporting on ICT incidents demonstrates that Services Australia is also consistently not meeting service levels of timeliness against each priority level, varying from 37 per cent to 62 per cent of incidents resolved within the priority timeframe target for May to October 2019. At the relevant governance committee, these statistics are often noted but not raised as an issue by members, with the exception of May 2019.

3.90 Services Australia reports on the myGov service level regarding service availability and service response. Service availability on a per day basis indicates that myGov was available more frequently than the percentage set out in the service level. The reporting for service response does not clearly address the performance expectation. Other reporting provides limited DVA-specific information, such as total member services links, and total number of navigations to the site in the month.

3.91 The program delivery and data exchange programs lack service levels, and reporting against levels that were present was minimal. Of the nine programs delivered on behalf of DVA and the data exchange services, six had service levels and Service Australia only reported against one of these levels. The treatment accounts processing service contained 26 service levels³⁶, although only six are reported on in the quarterly and yearly reporting provided by Services Australia. In the four

36 These service levels are primarily about processing times through different channels of lodgement.

quarterly reports examined, targets were generally met, with the yearly reports often providing an explanation for those not met and plan to return to performance levels.

3.92 DVA's *Annual Report 2018–19* outlined DVA's performance against the expectations stated in its Corporate Plan. The performance statements include the following performance measure in Enabling 4.4: Partner with other Commonwealth agencies including Defence, Health and Human Services. DVA reported that it 'achieved' against the following elements: *Governance arrangements are established and reviewed in accordance with respective agency agreements—Human Services*. However, as outlined in para 3.24, governance arrangements are not yet in place for program delivery, which is inconsistent with the 'achieved' result.

3.93 As outlined in Table 3.5, performance reports for corporate shared service and ICT are discussed in the DVA-Services Australia Partnership Forum, Corporate Shared Services Operational Committee and the Joint Services Management Committees. However, no committee currently receives or discusses reporting on any of the program delivery, face to face or data exchange services.

3.94 DVA has recognised a need for internal review and analysis of key concerns, including developing trend data and issues that need escalation. DVA also identified in an internal audit report that it has no visibility of the appropriateness and effectiveness of Services Australia's internal controls and general management assurance processes for DVA's payroll. These issues should be addressed to provide DVA with sufficient assurance of the effectiveness of Services Australia's processes.

National Disability Insurance Agency

3.95 Performance measures are documented in the three services schedules but not in the shared premises agreement. Table 3.9 outlines the analysis of the performance measures (including against the SMART criteria) and reporting against the three schedules where service levels were included.

Table 3.9: Performance measures and reporting included in Services Australia's bilateral agreements with the NDIA

Schedule	Observations	Reporting
ICT Services Schedule	<ul style="list-style-type: none"> There are 26 service levels recorded within the 29 service offers. The service levels are not complete as they only relate to service availability rather than broader service performance, timeliness of implementation, and meeting user requirements. 	<p>Reporting requirements documented in the schedule are:</p> <ul style="list-style-type: none"> monthly Service Levels report monthly ICT Services report.

Schedule	Observations	Reporting
Corporate Shared Services	<ul style="list-style-type: none"> The NDIA is able to access 78 services from Services Australia and 40 of these have a service level in the Corporate Shared service catalogue. The service levels that are available meet the SMART criteria. Service levels are not complete as they do not cover all of the services provided or any customer satisfaction measures. 	<p>Reporting requirements are not specifically documented in the schedule. Reports provided by Services Australia are:</p> <ul style="list-style-type: none"> Corporate Shared Services Executive report; NDIA Corporate Shared Services Monthly Report.
Business Services	<ul style="list-style-type: none"> For the PRODA^a services, there is one performance measure relating to manual identity verification. The standard relates to: the quantity of documents processed and timeliness and the other service level standard is an annual target. 	Services Australia is required to report against the measure within 10 business days after the end of each defined reporting period.
Shared Premises Agreement	<ul style="list-style-type: none"> Performance measures are not required in the shared premises agreement as there are specific requirements throughout the agreements that cover provision of an appropriate, safe premises. 	NA

Note a: The Provider Digital Access System (PRODA) is an online identity verification and authentication system that allows eligible users to securely access government online services.

Source: ANAO analysis.

3.96 Overall, the available service levels were assessed as SMART but only partially complete, primarily due to limited service levels for quality of service (ICT), for customer satisfaction where relevant, and service levels were missing for a significant number of corporate shared services. The ICT performance measures outlined in the service offers are about system or platform availability rather than the broader quality or performance of the ICT services provided.

3.97 As discussed in Table 3.9 and previously at paragraph 3.83, the current version of the Services Australia Corporate Shared Services Catalogue (version six 2019) does not include a significant number of service level targets relating to payroll and human resources. This means that both the NDIA and DVA are unable to hold Services Australia to account for shortcomings in performance or if there is a dispute. Services Australia should develop appropriate and reportable service levels for each service offer in the next version of the Corporate Shared Services Catalogue, in consultation with the NDIA and DVA.

3.98 The *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2019* report noted:

There is an opportunity to strengthen governance arrangements by incorporating greater detail in agreements relating to HR services. It is recommended that agreements clearly articulate roles

and responsibilities and require service providers to issue formal certifications improving an entity's understanding of control effectiveness and unmitigated risks.

Reporting

3.99 Management reporting has been established for the ICT and corporate shared services schedules. In December 2018, a monthly volumes report, quarterly executive dashboard report, and quarterly performance report was agreed by the Services Australia and NDIA Corporate Shared Services Operational Committee. In February 2019, the three reports were first presented to the Shared Services Strategic Governance committee. The NDIA ICT Services Report includes information on the business relationship, incident and problem management, and the top issues for discussion. This report acts as a guide for the ICT Joint Services Management Sub-committee's consideration of issues.

3.100 Performance reporting targets for the corporate shared services schedule are based on timeliness or the number of tasks completed, and sometimes both, but quality of service provision is not mentioned. Using the NDIA Service Standards Performance Report for the period April–June 2019 as an example, performance reporting included two components:

- a spreadsheet that details the service, the service category (people, financial, other service, or systems/support/maintenance) and each target measurement, as well as the result for each of the previous four quarters, and the target result is coloured green or red; and
- a summary quarterly report that acts as a snapshot of results, summarises the spreadsheet results including: the total service standards met for the quarter (32/32 (100 per cent)); previous quarterly results; services standards met by category; Service standards not met; and a general comment (by quarter and year to date).

3.101 Of the 78 services documented in the Corporate Shared Services Catalogue 2019, 40 services include a performance measure and of those 34 were reported on for the NDIA in 2018–19. Of these 34, the majority of measures met their targets.

3.102 Due to the gaps in measures for some corporate shared services, and the lack of measures to assess the performance of the quality of the services, the two reports discussed at paragraph 3.99 above do not provide a comprehensive view of the results.

3.103 The reports provided for the ICT services schedule did not include sufficient information to provide an assessment of performance. They included reporting on incidences but performance measures were not included; however, incident and problem management data was recorded and monitored.

3.104 Overall the performance reporting across the ICT and corporate shared services schedules would benefit from being more comprehensive and consistent, with measures developed against each service offer/deliverable and clear and accurate reporting undertaken regularly. The performance reports should be able to be validated so that a clear view of Services Australia's performance can be obtained by the NDIA.

Recommendation no.3

3.105 In bilateral agreement arrangements between Services Australia and Agriculture, DVA and the NDIA, each entity ensures that appropriate performance measures (service levels) are:

- (a) incorporated into services schedules where required;
- (b) accurately and regularly reported against;
- (c) regularly discussed at governance forums; and
- (d) verified and analysed by the entities on a regular basis.

Services Australia response: *Agreed.*

3.106 *Within the next 12 months, the agency will review its Bilateral Agreement Framework and its bilateral agreement templates, including its guidance on developing effective performance measures and reporting arrangements for bilateral agreements.*

3.107 *Within the next 18 months, Services Australia will work with Australian Government partner entities to make appropriate amendments to bilateral agreements in accordance with this recommendation. This will include reviewing current services schedules to determine what performance measures are suitable for measuring entities' expectations and requirements. The agency notes it requires the cooperation and commitment of Australian Government partner entities to make changes to bilateral agreements.*

Department of Agriculture, Water and the Environment response: *Agreed.*

3.108 *It should be noted that the department has only recently begun receiving information on certain performance measures and in most cases the department cannot verify information because there is no secondary source.*

3.109 *As noted by the ANAO, the department and Services Australia will be reviewing performance measures once the next round of legislative changes come into effect. This review will incorporate a number of legislative changes that came into effect in January and those that are due to come into effect in June and July 2020.*

3.110 *These considerations will inform the department's response to the ANAO's broader recommendations on monitoring and evaluating and ensuring its use fits the quality of the data. The department will ensure that the evaluation asks specific questions to flesh out answers to 'how well is the scheme meeting its defined policy objectives?' and 'how well is the scheme being administered?' This will allow for better insights into the impact of the Scheme on all stakeholders and the true cost of providing the Scheme.*

3.111 *The department is committed to building on the progress it has already made in relation to continuous improvement and better practice, as outlined in Appendix 1 of the proposed report.*

3.112 *Overall, the department will continue working closely with Services Australia to effectively manage the delivery of FHA, with a sound approach to assessing whether FHA is continuing to meet its policy objectives.*

Department of Veterans' Affairs response: *Agreed.*

3.113 DVA has already commenced its annual review process of the Statements of Intent and their Attachments. SLA's are under development, with the intent of creating measurable and objective deliverable frameworks for incorporation into the relevant schedules and attachments.

3.114 Performance reporting is also being reviewed, and will form a key feature of governance conversations.

National Disability Insurance Agency response: Agreed.

3.115 The NDIA is committed to ensuring appropriate performance measures and service level agreements are in place and monitored as part of the Services Australia service provision.

3.116 In 2019, an internal review into the Corporate Shared Services Schedule and broader arrangement between the NDIA and Services Australia was conducted by the NDIA. The review found a number of deficiencies in the current arrangement. As a result, the NDIA are working on a series of improvement initiatives with Services Australia.

3.117 This builds on process improvements NDIA has made to date, particularly in relation to the verification, processing and analysis of invoices. The NDIA has introduced routine random samples on invoicing to ascertain whether the claimed volume and basis for the invoice is accurate. On several occasions, Services Australia invoices have been rescinded on the basis that they were unable to be substantiated.

3.118 This work will be further progressed as part of the renegotiation of the bilateral agreement arrangements with Services Australia, in which the NDIA aims to introduce a range of measures to monitor service performance, quality and standards.

3.119 These include:

- Implementation of a customer satisfaction survey;
- Revision and adaptation of a number of agreement clauses;
- Redesign and maturation of performance measures, which more accurately demonstrate acceptable service standards;
- Improvements to Services Australia's consultation on pricing and the transparency of costing models and costings for new work requests;
- Definition of the Services Australia consultation process for service catalogue reviews;
- Working with Services Australia to introduce a range of reports to enable the NDIA to independently verify data across all services; and
- Integration of the NDIA's Business Shared Services, Property and Shared Premises Schedules into the Corporate Shared Services Schedule management framework and centralisation to a single team to ensure consistency.

Are cost recovery processes effective, accurate and represent value for money?

Services Australia's cost recovery processes are largely effective and accurate, however value for money was not able to be demonstrated due to limited information on costing calculations. DVA has appropriate processes in place to provide assurance that charges are accurate, however the NDIA provided limited evidence to support a robust assurance process for invoices received from Services Australia.

3.120 The nature of the bilateral relationship between Services Australia and other entities differs when services are being delivered to an entity and costs recovered under section 74 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), as opposed to Services Australia delivering on behalf of another entity and being funded by direct Budget appropriation. The former is more of a purchaser-provider relationship whereas the latter is a partnership arrangement with clear accountabilities and shared risks. Nevertheless, for both types of arrangements, transparency and communication are crucial to maintaining a positive and collaborative bilateral arrangement.

3.121 Services Australia receives a direct Budget appropriation for delivering Farm Household Allowance on behalf of Agriculture, and for providing systems and processing support to the Repatriation Pharmaceutical Benefits Scheme on behalf of DVA. For all other DVA service delivery and provision, as well as all services provided to the NDIA, these are provided under cost recovery arrangements as per section 74 of the PGPA Act.

Costing processes

External costing requests

3.122 Services Australia has an internal *Costing Process Document* (June 2019) that guides staff in developing costings. The Budget Costings Branch within Services Australia provides the first point of contact for costing requests and is responsible for costing new policy proposals, business initiatives and proposals.

3.123 For all new programs or services (whether funded by direct appropriation or section 74 cost recovery), Services Australia undertakes an External Costing Request process with the relevant entity to determine the necessary requirements for delivering the program or service, such as system/ICT requirements or staff requirements. This process does not focus solely on costs (which is the end outcome) but determines the overall requirements and tries to ensure a common understanding of exactly what needs to be delivered or provided by Services Australia.

3.124 The Budget costings are then reviewed by the Department of Finance (Finance), which communicates directly with Services Australia to discuss the costing assumptions and query any issues or anomalies, prior to providing final agreement. The relevant partner entity is usually not involved in this part of the process.

3.125 The audit analysed one example of an External Costing Request for a Budget-funded measure (a DVA income support payment — Veterans Assistance Payment). It found that suitable detail on service requirements was included in the costing request and there was a line of sight with the final costing agreed to by Finance. Business assumptions, ICT specifications and costing calculations were reviewed by the audit team and were found to be satisfactorily documented in the Veterans' Assistance Payment Budget costing.

3.126 There was little evidence of additional consultation or liaison with DVA on the final costing for this program, or the underlying cost assumptions. Services Australia advised that this is because the funding for the service delivery component is agreed by Finance and allocated directly to Services Australia. Therefore, there is limited need to include DVA during that phase of the Budget costing.

3.127 The audit also examined a DVA ICT costing for services provided under section 74 cost recovery arrangements for Submariner Special Operations. There was sufficient detail on the service and ICT requirements completed by DVA in the external costing request, and there was some basic information on Services Australia ICT requirement. The two solutions briefs, which should set out the underlying assumptions and the final ICT costing, contained some basic costing variables but generally minimal detail and no clear underlying assumptions.

3.128 Both the NDIA and DVA expressed frustration on the lack of transparency on the costing process, specifically provision of information on Services Australia's cost assumptions. This makes it difficult to ascertain whether they are getting value for money.

3.129 Services Australia undertook an internal review in 2018 that sought the views of a selection of entities on the quality of Services Australia's service provision and program delivery. One of the findings was that the entities advised there was limited transparency on Services Australia's costs and the costing process.

3.130 It is important that Services Australia is transparent in developing costings and service solutions for other entities, and setting priorities. If entities are paying for a service, then they are accountable for determining whether the service cost is efficient and value for money. Services Australia is also accountable to those entities in providing the services to the agreed performance standard and for an appropriate price.

Corporate shared services costings.

3.131 The principles underpinning the Services Australia *Corporate Shared Services Catalogue* are based on Finance's *Shared and Common Services Program – Funding Guidelines Framework 2016*. Finance is responsible for coordinating the shared service program and ensuring agencies have transparent pricing and service offers, and the Framework provides high level guidance to agencies on pricing principles.

3.132 Services Australia developed a *Pricing Strategy for Consuming Entities* in 2018 (available to entities), which discusses the development of a shared services catalogue and sets out the methodology for an activity based costing model.

3.133 The *Corporate Shared Services Catalogue* is based on the activity based costing (ABC) model, which forms the basis of the pricing in the *Corporate Shared Services Catalogue*. The model is reviewed annually and the cost calculations are based on Finance's *Funding Guidelines Framework*. The model allocates costs based on prior year actuals, prior year processing volume and average staffing levels to determine the costing price for each item identified in the *Corporate Shared Services Catalogue*. Once a unit cost is developed, on-costs are added to the services to determine a final service price. From the costing model reviewed, the audit determined that the calculation of costings was sound and in accordance with Finance's costing model.

3.134 For version six of the *Corporate Shared Services Catalogue*, negotiations with DVA and the NDIA commenced in January 2019 around proposed changes to reviewing the catalogue, including

a three-year rolling program of price reviews for services. This approach resulted in approximately half of the services being reviewed for version six of the catalogue. This primarily consisted of changes in pricing to People and Financial Services offered by Services Australia, with the remaining prices subject to an indexation adjustment to reflect APS salary movement.³⁷ No evidence was provided that indicated DVA and the NDIA were consulted following the pricing revisions. In addition, no documented approval from the NDIA or DVA was provided to the ANAO regarding version six of the *Corporate Shared Services Catalogue*.

3.135 The costs for Services Australia's Corporate Shared Services are benchmarked against other hubs in the Shared and Common Services Program (provided by Finance). The benchmarking for 2018–19 used Finance's benchmark data from 2017–18 as this had yet to be updated. Evidence of suitable pricing was demonstrated in the NDIA review of the shared and common Services arrangements with Services Australia in 2019, which found the following services represented value for money: payroll and travel services; financial services; fleet, security and contact centre; and property services.

ICT shared services costings

3.136 The audit tested two costing proposals for Services Australia's ICT shared services. ICT services are not in a catalogue but instead are set out in individual service offers known as 'ICT Service Definitions'. These include the service description, capability, capacity, inclusions, exclusions, vital functions, stakeholders, service levels, options, reporting and responsibilities.

3.137 The service charges are calculated on an individual basis, that is, specific to each ICT Service Definition. From the two costings reviewed, there was evidence that the pricing process was robust and included sufficient detail on the requirements, exclusions and clear cost calculations.

Cost recovery payment arrangements

Services Australia invoicing arrangements

3.138 Services Australia sends invoices quarterly to all entities to which it provides (billable) services. Attached to the invoices are relevant spreadsheets, reports and other supporting documentation that assists the receiving entity to check the quantity and prices of the services received from Services Australia. These prices are applied on a consistent basis between entities and the selection of invoices examined by the audit showed that the approach and pricing was similar for DVA and the NDIA for its corporate shared services and ICT services.

3.139 Testing of the integrity of the invoices was undertaken during the 2018–19 ANAO financial statements audit. A process flow diagram was provided by Services Australia that sets out the accounts receivable process. The ANAO financial audit team tested the end-to-end financial process for raising invoices and found it was consistent with the process flow diagram and met the financial management requirements for Australian Government departments.

Entity assurance of accurate costs and charges

3.140 DVA provided evidence of robust processes for its goods receipting of the Corporate Shared Services and ICT invoices received from Services Australia (quarter four of 2018–19, invoice dated 14 June 2019). DVA performs reasonable and sufficient procedures to verify the completeness and

37 Productivity improvements are expected to offset salary increases under APS workforce agreement arrangements.

accuracy of the charges in the invoice prior to recommending approval of the payment by the delegate.

3.141 As part of the goods receipting process, the relevant business areas in DVA will request further information from Services Australia. An example of this is the provision of email services (inboxes) to the department. DVA requested a staff listing from Services Australia and then analysed that against the list of active email inboxes that were in place in DVA. Through this process, DVA was able to identify numerous email inboxes that were no longer required, and therefore was able to make some savings in ICT costs.

3.142 The NDIA has established a process to confirm the accuracy of Corporate Shared services invoices. The audit's walkthrough of the process identified that the NDIA business areas were requested to check the relevant section of the invoice for correctness and confirm this to the NDIA corporate services area. The invoice is then 'goods receipted' in the payment system, and the delegate has provided approval for payment. The NDIA is looking to further refine these assurance processes, to ensure a more robust approach and ownership from the relevant business areas that confirm the charges are correct.

3.143 The NDIA performs limited processes to verify the accuracy of charges by Services Australia for ICT related services. The audit performed a walkthrough of the goods receipting process within the NDIA (for an ICT services invoice). There was some evidence provided by the NDIA, however it was difficult to determine how effective the NDIA's internal processes are in ensuring the ICT services received from Services Australia are correct. The NDIA provided evidence of authorisation to make payment and the final minute to the delegate but limited documentation of analysis undertaken to substantiate the authorisation of payment (that is, confirmation of correctness).

3.144 The NDIA did provide evidence of a process it undertook with Services Australia in early 2019 to conduct a stocktake of the number of tablet devices and computer monitors in use across the NDIA, and to locate any missing, broken or unused devices. Following completion of the process, the NDIA was able to ascertain how many devices could not be accounted for, and therefore had them disabled from the network.



Grant Hehir
Auditor-General

Canberra ACT
2 April 2020

Appendices

Appendix 1 Entity responses



Australian Government
Services Australia

Our Ref: EC20-000700

Interim Chief Executive Officer
Amanda Cattermole

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

Services Australia's response to the ANAO proposed report on *Bilateral agreement arrangements between Services Australia and other entities*

Thank you for providing Services Australia (the agency) with the opportunity to comment on the Australian National Audit Office's (ANAO's) proposed report on *Bilateral agreement arrangements between Services Australia and other entities*.

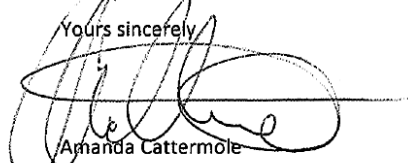
The agency welcomes the ANAO's findings and agrees with the recommendations. The agency is pleased the ANAO found its Bilateral Agreement Framework supports the effective implementation and management of its bilateral agreements and that the bilateral agreement arrangements between the agency and other entities are largely effective. I note the opportunities for improvement identified in the report relating to governance, risk management and performance reporting, and Services Australia will use this advice to inform work with our partner agencies.

As you would be aware, Services Australia was established as an Executive Agency within the Social Services Portfolio on 1 February 2020. Our new operating context provides an opportunity to review the way we engage with the Portfolio Department and partner entities. The ANAO's report will inform the agency's approach to collaboration with Australian Government partner entities. The agency notes it will continue to transform its service delivery model, placing the customer at the centre of service delivery, which will have the potential to impact how it engages with partner entities. This will include reviewing its approach to governance arrangements and agreements with partner entities.

Attachment A to this letter provides the agency's response to the ANAO's proposed report and to the recommendations as they relate to the agency.

I would like to thank the ANAO for its cooperative and professional approach throughout the audit process.

Yours sincerely



Amanda Cattermole

12 March 2020



Australian Government
Department of Agriculture,
Water and the Environment

ANDREW METCALFE AO
SECRETARY

24 March 2020

Mr Grant Hehir
Auditor-General for Australia
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Dear Mr Hehir

Thank you for providing the Department of Agriculture, Water and the Environment (the department) with the opportunity to comment on the Australian National Audit Office Proposed Report under S.19 of the *Auditor-General Act 1997* Bilateral Agreement Arrangements Between Services Australia and Other Entities—Services Australia, Department of Agriculture, Water and the Environment, Department of Veterans' Affairs and National Disability Insurance Agency.

The department notes recommendation 1 directed at Services Australia and agrees with recommendations 2 and 3 that relate to this department. The report places appropriate importance on the need for timely and robust data and for strengthening risk planning and management processes for the Farm Household Allowance program. The department considers the recommendations will foster improvements in these areas.

The department's response is enclosed for publication in the final Report.

If you require any further clarification, please contact Ms Kerren Crosthwaite, Assistant Secretary, Financial Policy and Farm Business Support Branch, Drought and Bushfire Response Division, on 02 6272 3717 or kerren.crosthwaite@awe.gov.au.

I would like to thank you and the audit team for the collaborative and professional approach adopted during the audit process, and the audit team's willingness to engage with us. We look forward to the upcoming tabling of the final Report.

Thank you again for the opportunity to comment on the proposed report.

Yours sincerely

Andrew Metcalfe AO

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Australian Government
Department of Veterans' Affairs
 OFFICE OF THE SECRETARY
 PRESIDENT REPATRIATION COMMISSION

Mr Grant Hehir
 Auditor-General for Australia
 Australian National Audit Office
 GPO Box 707
 CANBERRA ACT 2601

Dear Mr ~~Hehir~~ Grant,

Thank you for your email of 19 February 2020, providing the proposed audit report on *Bilateral agreement arrangements between Services Australia and other entities*.

The Department of Veterans' Affairs (DVA) notes the outcome of the audit and thanks the Australian National Audit Office for the opportunity to participate. The outcome of this audit will be of interest to DVA as it will be to other entities under this shared services arrangement.

Should you have any queries, please do not hesitate to contact Ms Bronwyn Worswick, Chief Audit Executive, on 6289 6003.

Yours sincerely

Liz Cosson AM CSC
 Secretary

15 March 2020

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Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

ANAO Audit Report on Bilateral Agreement Arrangements between Services Australia and Other Entities

Thank you for your correspondence of 19 February 2020, containing the Section 19 Proposed Report for the Australian National Audit Office (ANAO) performance audit *Bilateral Agreement Arrangements between Services Australia and Other Entities*. The National Disability Insurance Agency (NDIA) appreciates the opportunity to review and comment on the Proposed Report.

The NDIA welcomes the review of the Bilateral Agreement Arrangements between Services Australia and Other Entities and recognises the value of the ANAO providing independent analysis and insights into the performance of such arrangements.

The NDIA acknowledges the findings of the report and supports the recommendations and the opportunities they provide for improvements in the Shared Services Program. The NDIA remains committed to participating in the Shared Services Program, as a Whole-of-Government transformation initiative.

The NDIA will use the findings and observations from the report to introduce a range of formal measures into the Statement of Intent, which is currently being renegotiated with Services Australia. In particular, the NDIA will look to develop more robust approaches to risk planning and management, as well as strengthening measures to ensure appropriate service levels are incorporated into the revised Statement of Intent.

We would appreciate the factual changes we proposed being incorporated in the final report and will work with your team to clarify the facts.

The NDIA appreciates the constructive engagement of the ANAO Audit Team through the conduct of this performance audit and remains committed to assisting you with the successful completion of this audit. We look forward to the upcoming tabling of the Final Report.

Yours sincerely

Dr Helen M. Nugent AO
Chairman
National Disability Insurance Agency

Delivered by the
National Disability
Insurance Agency

Appendix 2 Examples of continuous improvement and better practice

Department of Agriculture

1. There are a number of areas where Services Australia and Agriculture have collaborated to improve Farm Household Allowance policy and program management (including delivery).
2. In July 2018, Agriculture and Services Australia developed an operational framework to support the Farm Household Case Officers (Services Australia staff) and the Rural Financial Counsellors (employed through a grant program administered by Agriculture) to better work together to ensure customers receive coordinated assistance during their time accessing Farm Household Allowance. The framework outlines the roles and responsibilities of both positions, and the processes the officers will follow to collaborate and complement their respective roles.
3. Since the Farm Household Allowance program was implemented on 1 July 2014, Services Australia advised that it had implemented multiple improvements, some examples of which are provided below:
 - The application form for Farm Household Allowance was simplified in September 2018, reducing the number of pages from 15 to 10, and grouping together crucial eligibility questions at the beginning of the form. This reduces the likelihood of an applicant completing some of the form before realising that they are not eligible.
 - In August 2018 the claims process was streamlined for return customers, reducing the need for customers to supply additional information when it had previously been provided. Customers can also now orally confirm where their circumstances have remained the same.
 - The first customers to exit Farm Household Allowance program began in June 2017 with the bulk exiting between June 2017 and December 2017. Services Australia developed a pathway to provide further assistance to customers to manage the transition off payment.
4. Since mid-2016, Agriculture has provided Services Australia with policy advice on a range of topics, for example:
 - prescribed advisors — clarification on which people can provide financial advice;
 - the activity supplement — clarification on what charges the activity supplement (payable as part of receiving Farm Household Allowance) can cover;
 - the off-farm income offset — Agriculture providing information on exercising its delegations in terms of whether to apply the income offset, and guidance to Services Australia; and
 - the scope of primary production and farm enterprises — clarification on types of farm activity eligible for the program.
5. One of the results of the interactions between Services Australia and Agriculture on requests for policy advice and other matters of clarification is that a number of changes have been made since the introduction of Farm Household Allowance, through amendments to the *Farm Household Support Act 2014* and/or changes to the *Farm Household Support Minister's Rule 2014*.

Department of Veterans' Affairs

6. The Veterans Centric Reform Program has been one of the drivers for an effective relationship between DVA and Services Australia. The Veteran Centric Reform program commenced in July 2017 and aims to transform DVA's business processes and culture, improve service options, and redevelop information and communications technology.³⁸

7. The National Manager of the DVA Transformation Branch in Services Australia occupies a nominal position within the DVA structure to formally recognise the Services Australia-DVA partnership and to underline the commitment by Services Australia and DVA in collaborating on transformation activities. This includes being based at DVA at least one day a week, to help facilitate engagement and collaboration between Services Australia and DVA.

8. In mid-2019, the Services Australia–DVA Partnership Forum conducted a review of their operations and the health of the relationship between Services Australia and DVA more generally. Recommendations include to:

- restructure the Terms of Reference to emphasise investment in the long term strategic partnership;
- work with contributing operational committees to strengthen their role and ensure there are clear escalation pathways and processes that align with the Services Australia–DVA Partnership Forum; and
- implement regular evaluation and monitoring mechanisms across the DVA–Services Australia relationship.

9. A further range of actions have been proposed to more broadly strengthen the partnership, such as cross team building activities, an SES exchange program, and mixed training sessions.

38 The reforms are intended to support the department's clients and their families, and focus particularly on enabling younger veterans to gain early access to treatment and support and improve the transition from the Australian Defence Force to civilian life. The 2017–18 Budget allocated \$166.6 million over four years to the Veteran Centric Reform program, and an additional \$111.9 million over four years in the 2018–19 Budget.