

Management of the Implementation of the New Commonwealth Services Delivery Arrangements

[Centrelink](#)

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Canberra ACT
4 December 1997

Dear Madam President
Dear Mr Speaker

In accordance with the authority contained in the *Audit Act 1901*, the Australian National Audit Office has undertaken a performance audit of the Department of Social Security, Department of Employment, Education, Training and Youth Affairs, and the Department of Family Services, and I present this report and the accompanying brochure to the Parliament. The report is titled *Management of the Implementation of the New Commonwealth Services Delivery Arrangements - Centrelink*

Yours sincerely

P. J. Barrett
Auditor-General

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

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Abbreviations/Glossary

Abstudy	a student assistance payment to indigenous peoples
Agency Implementation Team	A term within interim Centrelink which provided strategic direction and operational coordination
AGPS	Australian Government Publishing Service
ANAO	Australian National Audit Office
APS	Australian Public Service
area managers	Senior Executive Service managers of area offices
area agency coordinators	appointed to implement new arrangements locally
ASL	Average Staffing Level
Austudy	a student assistance payment
balanced score-card	a set of performance measures against the range of organisational objectives that allows performance to be identified at each level of the organisation
BPR	business process re-engineering
Centrelink	the trading name for the CSDA
CEO	Chief Executive Officer
CES	Commonwealth Employment Service, DEETYA
Childcare Assistance	income assessed assistance to off-set costs of child care
Childcare Cash Rebate	rebate for child care payments to labour force and education/training participants
CPSU	Community and Public Sector Union
CSDA	Commonwealth Services Delivery Agency

DEETYA	Department of Employment, Education, Training and Youth Affairs
“Day 1”	first day of operation of a Centrelink local office
DoF	Department of Finance
DoFA	Department of Finance and Administration
DHFS	Department of Health and Family Services
DSS	Department of Social Security
DSS/Centrelink	DSS and the interim management of Centrelink prior to 1 July 1997
employment service provider	contracted provider in the new employment services market
FLEX	Service types within the new employment services market
HAPM	Host Area Partnership Model - this formalises the partnership between an area and a major national DSS/Centrelink project
HRM	human resource management
IES5	Integrated Employment System version 5
interim service arrangement	in this report refers to the service arrangement for the provision of services by the Agency for DEETYA between 1 May and 30 June 1997
IT	information technology
KPI	key performance indicators
local offices	regional offices, DSS Offices/CES Offices and Teleservice Centres
MAB/MIAC	Management Advisory Board/Management Improvement Advisory Committee
MOU	Memorandum of Understanding
Newstart	income support payment to the unemployed

“new DEETYA”	DEETYA after the transfer of functions and staff to Centrelink and the establishment of the new employment services market
“new DSS”	DSS following 1 July 1997 (that is, after the transfer of functions and staff to Centrelink)
PEPE	Public Employment Placement Enterprise, a government owned corporation established to be the public provider in the new employment services market
project managers	responsible for managing sub-projects (or project components) in the implementation
project officers	reporting to project managers
purchaser/provider arrangements	contract-like agreements specifying obligations between purchaser and provider
QA	quality assurance
regional managers	managers of regional offices
roll-out	the physical implementation of a Centrelink local office
senior managers National Administration	Senior Executive Service officers i.e. Assistant Secretary through to the Secretary at National Administration (or the national office of DSS/Centrelink)
service arrangement/agreement	local terminology for purchaser/provider arrangements
strategic partnership agreement	local terminology for purchaser/provider arrangements

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Part One

Summary and Recommendations

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Summary

Introduction

1. The Commonwealth Services Delivery Agency, known as 'Centrelink', was established as an independent statutory authority in the Social Security portfolio on 1 July 1997. Centrelink has, or is planned to have, responsibility for the integrated service delivery of a range of Commonwealth social welfare payments and services, under formal purchaser/provider arrangements with the Department of Social Security (DSS), the Department of Employment, Education, Training and Youth Affairs (DEETYA), and the Department of Health and Family Services (DHFS).

2. Centrelink aims to apply world's best practice in the delivery of government services to customers. It intends to improve the quality and consistency of services, enhance the access of unemployed people to active participation in the labour market and increase the efficiency and effectiveness of Commonwealth service delivery overall.

3. The implementation of Centrelink is a very important administrative reform in Australia, involving:

- delivery of services estimated to total some \$40 billion in 1996-97, or around 30 per cent of total Commonwealth outlays;
- establishment of new corporate governance arrangements for Centrelink;
- formation of a new regional network from 21 000 ex-DSS staff and 3000 ex-DEETYA staff;
- development of a working environment suitable to progress the new agency;
- re-engineering of administrative processes for the unemployed by integrating the delivery of income support payments and jobseeker registration, assessment and referral services;
- integration of information technology networks;
- development of effective service arrangements with purchaser departments; and
- maintenance of customer service levels while integrating service delivery across 282 local offices, as well as specialist telephone enquiry centres.

4. The establishment of Centrelink and the associated service arrangements is a significant innovation in public sector management and government service delivery. It has been a very large and complex project, involving numerous

interacting elements which required the achievement of significant outcomes within a limited time-frame. In particular, the project has

- required a high level of coordination within and between government agencies;
 - been characterised by the need to develop new approaches to purchaser/provider and governance arrangements; and
 - brought together staff from different cultures and initiated the development of a unified working environment suitable to progress the new agency.
5. This audit was given a high priority by the ANAO because of:
- the value of the services Centrelink is to deliver and the size of its customer base: some 7.8 million recipients of social welfare benefits and services; and
 - the audit's potential to assist the efficient and effective addition of further services to those already delivered by Centrelink and to provide guidance to other agencies in the Australian Public Service (APS) considering similar reforms.

Audit objective, focus and scope

6. The objective of the audit was to determine the extent to which the new Commonwealth services delivery arrangements were implemented efficiently and effectively. The audit focussed on the establishment of Centrelink to deliver services on behalf of purchaser departments and the development of associated purchaser/provider arrangements.

7. The scope of the audit addressed:

- project planning for the establishment of Centrelink, including:
 - implementation structures,
 - development of formal project plans,
 - management of the risks to implementation, and
 - identification of financial and staff resources for the project;
- management of the transition arrangements, in terms of
 - compliance with government direction,
 - effective coordination,
 - processes for cultural change,
 - staging of the implementation, and
 - maintaining customer service standards; and

- establishing the environment for Centrelink's operations, including
 - planning and implementation for business process re-engineering activities applying to the delivery of benefits and services,
 - identification of resources for transfer to the agency,
 - efficiency dividend identification,
 - purchaser/provider arrangements, including that the agreements adequately reflect the roles, responsibilities and accountability arrangements expected between purchasers and providers, and
 - assessment of the environment against key characteristics of successful contracting out projects; namely, links between organisational performance and contractual rewards, links between individual or team rewards and required organisational performance, and on-going changes.

8. The audit was conducted during the formative stages of Centrelink to provide timely feedback to the agencies involved. Specifically, the audit covers the planning and implementation of Centrelink to early July 1997, the time when Centrelink became a legal entity. This audit has not made any assessment of the operation of the service arrangements with Centrelink, as these had not been in operation for a sufficient period of time to make judgments on their success.

9. At the time of the audit fieldwork the transfer of service delivery from DSS and DEETYA to Centrelink largely had been completed, whereas this transfer in relation to DHFS services was approximately six months away. Consequently, the findings and conclusions of this report are based mainly on work undertaken by DSS and DEETYA. Where appropriate, we have included some comment in relation to issues affecting DHFS services.

10. Our analysis of the major issues indicated no significant problems in these areas. Accordingly, a decision was made not to proceed with further examination of such issues, since it was considered that such an examination would not add value at this time.

Overall conclusion

11. The ANAO considers that to a large extent the implementation has been efficient and effective. The project has met its major milestones within the planned timeframe. Project planning was consistent with good practice. Generally, transition arrangements were managed well and, while noting opportunities for improved practices in the future, the ANAO is satisfied with the environment being established for Centrelink's operations. Given the complexities of this project, the

ANAO considers that there has been a high level of achievement within a limited timeframe.

12. Notwithstanding the above, the ANAO considers that the parties should ensure that the service agreements clearly specify the respective roles and responsibilities in a way which accurately reflects the intent of the purchaser/provider arrangements.

Key Findings

13. To assist other Commonwealth government agencies undertaking similar projects, the ANAO identified and summarised the key factors that have contributed to the success of the project to date. These factors relate mainly to project planning and management of the transition arrangements, as follows. The key factors include:

- a high level of ownership in and demonstrated commitment to the project from executive managers;
- implementation structures which assisted in clarifying the lines of reporting and accountability and providing a coordination structure across the project;
- the development of formal plans for the project to assist in fully identifying and monitoring progress against implementation tasks and their milestones;
- effective coordination across a wide range of stakeholders;
- the incorporation in the implementation project of a cultural change process designed to assist the development of a unified working environment suitable to progress the new agency; and
- staging the implementation to build on successes and minimise the risks.

14. In addition to the above items of good practice, the ANAO considered that several other issues have been addressed satisfactorily to date in the process of implementing Centrelink. These issues relate mainly to the transition arrangements and include:

- adherence to government legislation and direction;
- managing risks to the implementation;
- identifying resources for transfer;
- planning and initial implementation of reengineered business processes arising from the integration of services; and
- maintaining customer service during the transition.

15. While noting good practice in planning and managing the transition to the new arrangement, the ANAO found scope in the future for improvement in several areas relating to planning and establishing the new environment, as follows:

- overall resources requirements were not determined in the planning stage of the implementation project, nor were the actual resources used during the project reported. The ANAO acknowledges that the relevant Commonwealth guidelines were applied correctly and that, in this case, the boundaries between the developments already underway and those tasks solely required to establish Centrelink were difficult to define. Nevertheless, managing costs against an approved project budget is fundamental to sound project management and provides essential information for both decision-making and accountability purposes. Therefore, the ANAO considers that in the development of future purchaser/provider arrangements (including additions to the services currently delivered by Centrelink) both the potential purchaser department and the provider agency should identify the full costs of setting up such arrangements;
- there is now an opportunity for Centrelink to work with DoFA, and in consultation with its purchaser departments, to identify the processes to be used to determine future efficiency dividends. Understandably, the approach to setting the current efficiency dividend was based on a broad assessment in the absence of more comprehensive information on the operations and synergies of the new agency;
- there are a range of differences between the service arrangement documents that formalise the arrangements between DSS and DEETYA, and Centrelink. These include:
 - structure of the documents;
 - aspects of performance information within the documents, such as links between service objectives and performance information, processes for changing performance information and developing standards, and mechanisms for collecting and reporting performance information that takes account of cost efficiency; and
 - level of responsibility given to Centrelink in how services are delivered. Given that outsourcing service delivery on the scale of these arrangements is new for the Commonwealth and there is a recognition that it will take time to develop the most efficient and effective arrangements, there is an opportunity for the agencies involved in the arrangements to draw on recognised good practice in the above areas, particularly the examples identified within existing service arrangement documents; and
- Centrelink should ensure that there are direct links between the performance information required by purchaser departments and that used to assess the performance of individuals or teams. Centrelink has several initiatives in

progress which have the potential to achieve this objective, but the potential needs to be realised.

16. None of these areas is likely to significantly affect the immediate environment in which Centrelink operates. However, to address the scope for improving each of these areas, the ANAO has developed four recommendations, listed on page vi and discussed in detail in the relevant chapters (Chapters 2 and 4).

17. In general, the agencies supported the recommendations. However, the qualifications expressed in relation to a number of the recommendations, may indicate a need for clarification of the respective roles and responsibilities in the purchaser/provider arrangements.

Recommendations

Set out below are the ANAO's recommendations with the Report paragraph reference and agencies' abbreviated responses. The ANAO considers that the agencies should give priority to Recommendation Nos. 1 and 2. More detailed responses and any ANAO comments are shown in the body of the report.

Recommendation No. 1
Para. 2.56

The ANAO recommends that Centrelink and relevant agencies identify the full cost of establishing any new service delivery arrangements in order to better inform decision-making, assist effective project management and improve accountability.

Centrelink: Agreed

DSS: Agreed

DEETYA: Agreed

DHFS: Agreed

Recommendation No. 2
Para. 4.31

The ANAO recommends that Centrelink and DoFA reach early agreement on the processes to be used to determine future efficiency dividends. The identification of the efficiency dividends should be undertaken in consultation with Centrelink's purchaser departments.

Centrelink: Agreed

DSS: Agreed

DEETYA: Agreed

DHFS: Agreed

Recommendation No. 3
Para. 4.78

The ANAO recommends that Centrelink, in consultation with its current purchaser departments, identifies those essential features which would form the core of any future partnership agreements, including:

- explicit links between service objectives and performance information upon which Centrelink

is required to report;

- the process for changing performance information and developing achievable standards that include timeframes, where relevant;
- specification of the mechanism for collecting and reporting performance information that takes account of cost efficiency; and
- a high level of responsibility for Centrelink in how the services are to be delivered.

Centrelink: Agreed

DSS: Agreed

DEETYA: Agreed

DHFS: Agreed with qualification

Recommendation No. 4
Para. 4.84

The ANAO recommends that Centrelink directly links the performance information required by purchaser departments to that which is used to assess the performance of individuals or teams in Centrelink to assist in ensuring that all Centrelink staff work towards the targets required by the organisation as a whole.

Centrelink: Agreed

DSS: Agreed

DEETYA: Agreed

DHFS: This is a matter for Centrelink

Other Comments

Privacy Commissioner: The report fairly reflects the Office of the Privacy Commissioner's experience with the Centrelink implementation process. The recommendations do not relate to the responsibilities of the Privacy Commissioner, and therefore we have no comment to make.

Part Two

Audit Findings and Conclusions

2 Management of the Implementation of the New Commonwealth Services Delivery Arrangements

1. Introduction

This chapter describes the background to the audit and sets out its objectives, scope, focus, approach and criteria.

Background

1.1 The Commonwealth Services Delivery Agency, known as 'Centrelink', was established as an independent statutory authority in the Social Security portfolio on 1 July 1997. Centrelink has, or is planned to have, responsibility for the integrated service delivery of a range of Commonwealth social welfare payments and services, under formal purchaser/provider arrangements with the Department of Social Security (DSS), the Department of Employment, Education, Training and Youth Affairs (DEETYA), and the Department of Health and Family Services (DHFS).

1.2 The implementation of Centrelink has involved the transfer of 24 000 staff, the integration of a range of services, and the establishment of purchaser/provider arrangements, together making for a very significant administrative reform.

1.3 A more detailed description of Centrelink and its implementation arrangements is provided later in this chapter.

Reasons for the audit

1.4 There is considerable international attention being given to the delivery of services by governments as part of a fundamental reassessment of the role of the public sector generally.

1.5 A range of different approaches to the delivery of social services is employed overseas. However, there is a general trend to devolve benefits delivery and to separate policy and delivery functions.¹

1.6 In Australia, consumers have been expecting a higher standard of government service delivery, driven partly by the view that competition in the private sector has resulted in higher standards of service delivery. Consumer expectations include increased responsiveness and the elimination of bureaucratic boundaries in the delivery of Commonwealth and State/Territory government services.

¹ 'Delivering Social Security: A Cross-National Study', Dr Helen Bolderson and Dr Deborah Mabbett, DSS Research Report No.59, Her Majesty's Stationery Office, UK, 24 February 1997.

1.7 Public sector performance has been recognised as a key contributing factor to Australia's competitive position in the world economy. Australian governments in their micro-economic reform strategy are examining more efficient ways of producing and delivering services, going beyond the examination of straightforward areas such as garbage disposal, utility services and cleaning, to the more difficult human service areas.²

1.8 This audit was given a high priority by the ANAO because of:

- the value of the services Centrelink is to deliver and the size of its customer base: some 7.8 million recipients of social welfare benefits and services; and
- the audit's potential to assist the efficient and effective addition of further services to those already delivered by Centrelink and to provide guidance to other agencies in the Australian Public Service (APS) considering similar reforms.

Audit objective, focus and scope

1.9 The objective of the audit was to determine the extent to which the new Commonwealth service delivery arrangements were implemented efficiently and effectively. The audit focussed on the establishment of Centrelink to deliver services on behalf of purchaser departments and the development of associated purchaser/provider arrangements.

1.10 The scope of the audit addressed:

- project planning for the establishment of Centrelink, including:
 - implementation structures,
 - development of formal project plans,
 - management of the risks to implementation, and
 - identification of project resources;
- management of the transition arrangements, in terms of:
 - compliance with government direction,
 - effective coordination,
 - processes for cultural change,
 - staging the implementation, and
 - maintenance of standards of customer service; and

² Based on a paper, 'Study in competition and the public sector', by Dr. Meredith Edwards, Deputy Secretary, Department of the Prime Minister and Cabinet, 23 October 1995.

- establishment of the environment of Centrelink's operations, including:
 - planning and implementation for business process re-engineering activities applying to the delivery of benefits and services,
 - identification of resources for transfer to the agency,
 - efficiency dividend identification,
 - purchaser/provider arrangements, including that the agreements adequately reflect the roles, responsibilities and accountability arrangements expected between purchasers and providers; and
 - assessment of the environment against key characteristics of successful contracting out projects; namely, links between organisational performance and contractual rewards, links between individual or team rewards and required organisational performance, and on-going change processes.

1.11 The audit covered only the period of the planning and implementation of Centrelink to early July 1997, the time when Centrelink became a legal entity. This audit has not made any assessment of the operation of the service arrangements with Centrelink, as these had not been in operation for a sufficient time to make any judgment on their success. However, as the purchaser/provider arrangements are a key factor to the effective operation of Centrelink, the ANAO proposes to conduct an audit of the operation of the arrangements before they are re-negotiated.

1.12 Elements of student assistance (Austudy) was not examined in any detail as this is the subject of another performance audit³.

Audit approach

1.13 The ANAO conducted field work at the national offices of Centrelink, DSS, DEETYA and, to a lesser extent, DHFS, in Canberra in May and June 1997, with 46 interviews undertaken in agencies. (Less work was undertaken in DHFS due to the smaller transfer of staff and resources to Centrelink by DHFS in comparison with those from DSS and DEETYA, as well as the earlier stage of implementation in DHFS.)

1.14 Publicly available and other information and documents relating to Centrelink were examined. Relevant files were reviewed and discussions held with key management staff. Discussions were also held with relevant APS stakeholders, including the Department of Finance (DoF).

³ ANAO 1997, *Austudy: Department of Employment, Education, Training and Youth Affairs*, Audit Report No.11 1997-98, AGPS Canberra.

1.15 The ANAO engaged a consultant, Dr David Dombkins, to provide expert advice on project management, organisational change and contracting out for the assessment of the implementation of Centrelink. A manager who was formerly part of the DSS/Centrelink Agency Implementation Team was also included on the audit team for the period of field work and assessment. This officer assisted the ANAO in the collection and interpretation of information regarding the establishment of the agency, and in providing a direct communication link between the audit team and DSS/Centrelink. In addition, to add maximum value to the implementation process, the audit was a 'live review' with feedback to all auditees as audit issues were identified.

1.16 In assessing the project, we compared the processes and outcomes with those of recognised good practice in project management, organisational change and contracting out. The ANAO not only drew on the expertise of its consultant, but also on the good practice benchmarks detailed in a range of publications, the main ones of which are outlined in the references at the end of this chapter.

1.17 Our analysis of the major issues indicated no significant problems in relation to these issues. Accordingly, a decision was made not to proceed with a more detailed examination, since it was considered that such an examination would not add value at this time.

1.18 The audit was conducted in conformance with ANAO Auditing Standards and cost \$235,000.

Overview of the implementation of Centrelink and the service arrangements

1.19 The *Commonwealth Services Delivery Agency Act 1997* (the Act) established the Commonwealth Services Delivery Agency (CSDA) (known as 'Centrelink') as an independent statutory authority in the Social Security portfolio.

1.20 Centrelink is a 'one-stop shop' with responsibility for integrated service delivery of a range of Commonwealth social welfare payments and services previously delivered by individual departments. Table 1 sets out the transfer arrangements.

1.21 Outlays on the above services are estimated at some \$40 billion in 1996-97, or around 30 per cent of total Commonwealth outlays. Centrelink comprises around 24 000 staff.

Table 1
Transfer of services to Centrelink

Service	Previous Department	Date of integration
All former DSS programs, including support for the: <ul style="list-style-type: none"> retired; disabled; unemployed; families with children; and those in special circumstances. 	DSS	1 July 1997
Registration, assessment and referral for employment assistance ¹	DEETYA	1 May 1997
Assessment of individuals and referral to providers for assistance in the competitive employment services market	DEETYA	1 May 1998
AUSTUDY	DEETYA	1 July 1997
Child Care Assistance and Child Care Cash Rebate	DHFS	1998

1. Employment registration, and assessment and referral to employment assistance programs other than case management was transferred to the interim agency on 1 May 1997. Assessment and referral to case management, and associated compliance activities were transferred on 1 July 1997.

1.22 Policy responsibility for these services remains with the respective departments, requiring the development of purchaser/provider arrangements between Centrelink and DSS, DEETYA and DHFS. The mechanisms adopted for driving the purchaser/provider relationships have been formalised through service arrangement documents.

1.23 Centrelink's corporate governance arrangements include the establishment of a Board to manage the agency. The Board, which reports to the Minister for Social Security, comprises seven members, including the Chair, the CEO of Centrelink and the Secretaries of DSS and DEETYA (see Figure 1).

1.24 In establishing these corporate governance arrangements, DSS intended to:

- assist accountability by establishing direct reporting relationships between Centrelink and the Minister;
- allow greater capacity for innovation and improved customer service from increased flexibility; and

- develop a strong partnership between policy, process design and service delivery.

Figure 1
Corporate Governance Framework - Centrelink

Notes:

* The Chief Executive Officer of Centrelink is a member of the Centrelink Board. The Secretaries of DSS and DEETYA are non-voting members of the Centrelink Board.

** Centrelink delivers services on behalf of other departments through purchase/provider arrangements based on strategic partnership agreements.

1.25 Centrelink aims to apply world's best practice in the delivery of government services to customers. It intends to improve the quality and consistency of services, enhance the access of unemployed people to active participation in the

labour market and increase the efficiency and effectiveness of Commonwealth service delivery overall.

1.26 The implementation of Centrelink depended on the completion to schedule of several broad tasks that required a high level of coordination, within and between government agencies, including:

- establishment of new corporate governance arrangements for Centrelink;
- formation of a new regional network with 21 000 ex-DSS staff and 3000 ex-DEETYA staff with different cultures;
- the development of a unified working environment suitable to progress the new agency;
- re-engineering of administrative processes for services to the unemployed by integrating the delivery of income support payments and jobseeker registration, assessment and referral services;
- integration of information technology networks;
- development of effective service arrangements, supported by agreements with purchaser departments; and
- maintenance of customer service levels while integrating service delivery across 282 local offices as well as teleservice centres⁴.

1.27 The implementation of Centrelink can be viewed as a project with three distinct phases: concept development; project design; and project implementation (see Figures 2 and 3, Chapter 2).

The report

1.28 In this report, the ANAO provides an assessment of the key issues concerning the implementation of Centrelink, as outlined below.

1.29 Chapter 2 discusses the ANAO's assessment of project planning for Centrelink. Chapter 3 examines the issues associated with the management of the transition to the new agency. The establishment of the operating environment for Centrelink is discussed in Chapter 4. Finally, the key factors which have contributed to the success of implementing the agency so far are summarised in Chapter 5.

⁴ Teleservice centres are specialist telephone enquiry centres.

References

ANAO and Department of Finance, *Performance Information Principles: Better Practice Guide*. AGPS, Canberra 1996.

MAB/MIAC, *Guidelines for Managing Risk in the Australian Public Service*. Report No. 22, AGPS, Canberra 1996.

ANAO, *Implementation of Competition in Case Management: Employment Services Regulatory Authority and DEETYA*. Performance Audit Report No. 30 1995-96, AGPS, Canberra 1996.

Hammer, M. and Champy, J., *Reengineering the Corporation: A Manifesto for Business Revolution*. Allen & Unwin, Sydney 1993.

2. Project Planning

This chapter discusses the project planning issues in relation to the implementation of Centrelink. The ANAO found that most aspects of project planning were consistent with good practice. However, there is scope in the future for better resource identification in planning such projects and for using this information for benchmarking purposes.

Introduction

2.1 Project planning is an essential phase of efficient and effective project management, and is particularly important for complex projects. It enables:

- the development of appropriate implementation structures which assist in coordination across the project and in clarifying the lines of reporting and accountability;
- the development of formalised project plans to assist in fully identifying and monitoring progress against implementation tasks and their milestones;
- the management of risks to the implementation; and
- the identification and management of resources required for the project.

2.2 Project planning for the implementation of Centrelink has faced special challenges. It has been a very large and complex project, featuring a wide range of interacting elements across a limited time-frame, as illustrated at Figures 2 and 3. In particular, planning for the project implementation required account being taken of the following needs:

- a high level of coordination within and between government agencies;
- development of new approaches to purchaser/provider and governance arrangements; and
- bringing together staff from different cultures and developing of a unified working environment suitable to progress the new agency.

Figure 2

Centrelink implementation – March 1996 – May 1998

Figure 3
Project Planning and Design Process

2.3 Project planning for the implementation of Centrelink was examined in four main areas:

- implementation structures;
- development of formal project plans;
- managing implementation risks; and
- identification of staff and financial resources for the project.

2.4 In assessing each of these areas, we drew on good practice outlined at the beginning of each section below.

Implementation structures

2.5 Both DSS and DEETYA established organisational structures and associated lines of responsibility to support the implementation project. The differences between the structures within the two departments were as follows:

- DSS's arrangements were designed to establish both the new statutory authority and a 'new DSS' to replace the existing department; and
- DEETYA's arrangements were to cover three separate implementations:
 - those aspects of the establishment of Centrelink with relevance to DEETYA, including the transfer of functions and staff from DEETYA to the new agency;
 - the design and implementation of a 'new DEETYA'; and
 - the establishment of the new employment services arrangements including the Public Employment Placement Enterprise (PEPE)⁵.

2.6 The ANAO sought to determine whether effective organisational structures had been established which supported the implementation through:

- identification of clear lines of accountability and responsibility; and
- appropriate coordinating structures.

2.7 The ANAO would expect that such coordinating structures would ensure coverage of all significant issues, timely implementation of project and contingency plans, and a control and review mechanism to assess progress and for problem solving.

⁵ In 1997-98, the ANAO proposes to undertake a performance audit of the *Implementation of the Competitive Employment Services Framework*, which will examine the planning for the implementation of the PEPE.

Accountability and responsibility

2.8 The ANAO identified key examples that indicated that clear lines of responsibility and accountability had been established across the project. These were:

- for the project as a whole. In each department a Deputy Secretary was made personally responsible for implementing the new arrangements, with the responsible Deputy Secretary in DSS taken off-line to focus directly on the implementation;
- for the DSS components of the project. DSS formed a small strategic group, the Agency Implementation Team, which worked directly to the responsible Deputy Secretary, and was responsible for the development of the agency implementation plan. Within this implementation plan responsibility and accountability for project components was allocated to senior managers, known as project managers;
- for the DEETYA components of the project. In DEETYA initially the Employment Steering Committee, a group established to develop the employment market proposals for government, was charged with responsibility for planning and coordinating aspects of the development of the new services delivery agency, as well as the other structural changes. In October 1996, this responsibility was transferred to a branch, the Transition Management Group, which provided secretariat support to the Executive prior to the formation of a senior management Transition Coordination Steering Committee. This committee, chaired by the Secretary, included two associated working groups, the Transitional Coordination Working Group and the Communications Steering Group. Line managers who were given responsibility for the management of individual project components were accountable to these coordination committees for their component; and
- at the local level. In line with the devolved management structure already in place in DSS and DEETYA, area managers (and through them regional managers) had responsibility for implementing the new arrangements in their areas⁶.

Coordination structures

2.9 The ANAO identified key coordination structures in both DSS and DEETYA put in place to support the implementation. Many of the officers responsible for developing the concepts, timeframes and strategies put to the Government regarding the implementation of Centrelink, then went on to have key roles in these coordination structures. This provided potential to minimise the lead time for

⁶ Both DSS and DEETYA had a network of local or regional offices, managed by area offices, which in turn were accountable to their respective national administration.

those officers to become fully effective and thus assisted in timely implementation of the project plans. These structures were:

- forums of the entire senior management group in DSS. DSS recognised the importance of commitment to the implementation by its senior management group and the value that this group could add in providing input, including problem solving, on the new arrangements. This group met regularly throughout the implementation. Early in the implementation process, the group provided guidance on the design of Centrelink and the new DSS and on the development of purchaser/provider arrangements. Since February 1997, (interim-) Centrelink senior managers have met formally as a new group, the Guiding Coalition;
- DSS Agency Implementation Team. This group, described in paragraph 2.8, provided both strategic direction and operational coordination as a service to project managers. The team identified and addressed gaps in the implementation strategy, for example those issues going across the responsibility of more than one nominated project manager, thus assisting coverage of those issues. In addition, the team was the pivotal coordination point for the implementation; for example, providing a forum for coordination across the project components through regular meetings of project officers (representing project managers) and generally providing links across the organisational structure and between relevant agencies. This forum provided a review and problem solving mechanism with respect to the implementation, and assisted in responsive implementation of contingency plans through timely communication;
- DEETYA Transition Coordination Steering Committee, its predecessors and support structures. Continuity in the evolving structures described in paragraph 2.8 was maintained through commonality in membership of the groups. The steering committee has met fortnightly, with terms of
- reference which included setting the strategic direction for transition arrangements for the new service delivery agency. Identifying and managing risks was a part of the standing agenda. The committee provided a review and problem solving function with respect to the implementation, and assisted in timely implementation of contingency plans by providing a key point of communication with managers of the project components; and
- networks of area agency coordinators. As the project's focus shifted towards local network implementation, both DSS and DEETYA established networks of area agency coordinators to assist in implementing the new arrangements. The area coordinators were responsible to their area managers. However, the coordination groups in both departments facilitated their formation into networks and provided on-going support to them. The area agency coordinators' roles included:

- providing links between national project managers and area and regional managers to assist in timely implementations;
- coordinating activities within their areas and across agencies at the local level, to ensure management coverage of all relevant issues;
- developing and implementing solutions to local problems; and
- sharing 'best practice' throughout their networks.

Conclusion - Implementation structures

2.10 There are strong indications in both DSS and DEETYA that organisational structures were given due consideration and were put in place to support the project implementation. In particular, the evidence indicates that:

- clear lines of responsibility and accountability were established
 - for the overall project;
 - for each sub-project component, and
 - for local implementations; and
- coordinating structures and forums were established which helped:
 - ensure all significant issues were covered;
 - timely implementation of plans by using experienced staff;
 - timely implementation of contingency plans by developing and using key communication channels;
 - review progress against formal plans; and
 - problem solving.

2.11 The ANAO concludes that the implementation structures supported project management and contributed positively to the project's success.

Development of formal project plans

2.12 Breaking large, complex projects into simpler, manageable sub-projects, allows the management of each sub-project to be tailored to the level of uncertainty in the sub-project outcome and implementation approach.

2.13 In large projects, formal plans provide a tool to assist in monitoring progress of the project by:

- fully identifying all tasks, their interaction and boundaries;
- specifying those which are critical to advance the project;
- allocating responsibilities; and
- documenting the results, required including timeframes and deadlines.

2.14 Systematic management of the implementation against these plans:

- decreases the uncertainty in project outcomes and implementation methods, allowing a more traditional project management approach to be progressively adopted;
- helps to coordinate sub-projects; and
- allows appropriate revisions to be incorporated into plans to reflect changes in the environment.

2.15 The ANAO sought to establish if the approach to planning and managing the implementation of Centrelink demonstrated:

- dividing a large, complex project into simpler, manageable sub-projects able to be tailored to levels of uncertainty;
- a commitment to formal planning; and
- systematic management of the implementation against the plans.

Identification of sub-projects

2.16 In both DSS and DEETYA, the overall projects were divided into manageable sub-projects, with a SES officer responsible for each sub-project, usually a First Assistant Secretary. These sub-projects are listed in Table 2. Figures 2 and 3 show an overview of the framework of which the sub-projects are key components.

2.17 The ANAO identified a number of examples to suggest that the approach taken to management of each sub-project was tailored to the level of uncertainty associated with how the task would be achieved and its expected outcome. For example, the development of unique service arrangements was managed through a partnering approach due to the high level of uncertainty as this was a new type of development for the agencies involved; whereas the roll-out of offices and the development of re-engineered employment processes followed a more traditional project management approach.

Development of integrated plans

2.18 Within each department, an overall project plan was drawn up to assist in shaping and controlling the implementation. Managers were responsible for

planning their sub-projects and providing them to the coordination groups (in DSS, the Agency Implementation Team, and in DEETYA, the Transition Management Group, see paragraph 2.8), which then compiled them into a detailed, comprehensive implementation plan.

Management against the plans

2.19 The coordination groups (DSS Agency Implementation Team and DEETYA Transition Management Group) then took responsibility for ensuring that:

- plans were comprehensive;
- timetables for sub-project plans were consistent;
- there was no unnecessary duplication of activities;
- dependencies on the outcomes of sub-projects as inputs to other sub-projects were identified and reflected consistently throughout the plans; and
- the outcomes of the plans were consistent with government decisions.

2.20 These coordination groups assumed a continuing responsibility for analysing the plans within the changing environment and updating them to reflect changed circumstances. In DSS for example, the coordination group convened fortnightly meetings of national project officers, each of whom represented a manager with sub-project responsibility. These meetings reported on progress and emerging issues which could then be taken up by other group members. This group was also the vehicle for updating the plan and preparing a new edition on a fortnightly basis. A similar function was undertaken by the Transition Working Group in DEETYA.

Conclusion - development of formal project plans

2.21 The ANAO considers that the approach to the project planning and its management demonstrated the following:

- dividing a very large and complex project into simpler, manageable sub-projects, with management approaches tailored to levels of uncertainty;
- a commitment to formal detailed project planning; and
- systematic management of implementation against the plans.

2.22 The value of this approach is indicated by the overall project success. A large project comprising a wide range of component types has to date been successful; that is, delivered on time and achieving planned outcomes.

Managing implementation risks

2.23 The identification of risk, and its management, is an essential part of project planning. In its assessment, the ANAO took into account the model guidelines established by MAB/MIAC⁷, among other things. These guidelines suggest adopting an integrated, structured step-by-step process for risk management. It involves a structured and formal approach to identifying, analysing, assessing, treating and monitoring risk. Risk management should be part of project and sub-project administration.

Approaches to risk management

2.24 In paragraph 2.10, the ANAO concluded that there were strong indications that the organisational structures in place to support implementation arrangements helped problem solving and timely implementation of contingency plans. This section expands on the overall approach to managing implementation risks.

2.25 The ANAO did not find significant risks that had not been adequately foreseen, assessed and contingencies planned. A range of formal and informal mechanisms was used to manage risks. In the following paragraphs, the ANAO provides examples of the mechanisms within DSS/Centrelink, DEETYA and DHFS, and through coordination between the two major agencies involved in the implementation.

Within DSS/Centrelink

2.26 Key risks to the overall project plan were identified by the executive management through analysis and discussion with key staff, and then discussed in presentations to the Minister.

2.27 The Agency Implementation Team played a key role in identifying and assessing risks and reacting to contingencies through their regular meetings and contacts with project officers, and the area coordinators. The Deputy Secretary responsible for the implementation assessed each fortnightly edition of the overall project plan, produced through the coordination of the Agency Implementation Teams, to ensure it was achievable and determine the critical points for management. This was a key means by which the executive assessed risks and made decisions against that assessment.

2.28 A variety of approaches was used in sub-projects, tailored to the needs of the work to be undertaken. The Financial Policy and Operations sub-project, for example, undertook formal risk management, with the responsible project officer providing fortnightly updates. A less formal approach was undertaken in other projects. For example, senior managers and officers responsible for components of the Information Technology Sub-project met fortnightly to discuss a range of

⁷ MAB/MIAC 1996, *Guidelines for Managing Risk in the Australian Public Service*, Report No. 22 AGPS, Canberra.

relevant issues including identifying and assessing risks. For some of these less formal approaches, there was insufficient documentation to establish whether each of the steps in the risk management process, as outlined in the MAB/MIAC guidelines, had been undertaken.

Within DEETYA

2.29 DEETYA employed a more centralised approach to risk management. At the Transition Management Steering Committee meetings, risk identification and management were a standing agenda item, with detailed consideration of risk issues by members. Specific risks were addressed, such as:

- delays in passing legislation (when new legislation was being considered by the Government) to establish the employment market, with the Transition Management Group ensuring that planning took account of these changes,
- contingency plans for delays in implementing the new DEETYA IT system, IES5, and
- contingency plans concerning IT for the transfer of staff from DEETYA to DSS/Centrelink.

2.30 The Transition Management Steering Committee and its supporting structure, the Transition Management Group, ensured that contingency plans were implemented when required.

Within DHFS

2.31 A paper was prepared by Centrelink for the Joint Implementation Committee, entitled 'Contingency Strategy for Child Care Delivery Changes', which specifically addressed the critical risk of a delay in the passage of the relevant legislation. The audit did not examine whether these contingencies needed to be implemented, as the time-frame for passing the legislation was after the field work was completed.

Through coordination mechanisms

2.32 Regular meetings between the Executive of DSS and DEETYA had risk identification and contingency planning as key agenda items, and regular reviews of risks were undertaken.

2.33 There is evidence from these meetings that the MAB/MIAC guidelines were taken into account and used to guide the process. Furthermore, a paper was developed and considered in this forum outlining the levels of risk and contingencies against each of these risks.

2.34 Delays in passing legislation was recognised both within departments and through meetings of the DSS and DEETYA Executive, as a key risk. An example of decision-making in response to such a delay with respect to delegations from the DEETYA Secretary was the management of the transfer of key personnel from DEETYA to DSS prior to the formal establishment of Centrelink. This issue is explored in paragraph 3.10.

Conclusion - Risk management

2.35 The ANAO concluded that risk management by agency executives was in line with good practice. However, the level of documentation was insufficient to conclude that each step in risk management as outlined in the MAB/MIAC Guidelines, had been undertaken within every sub-project. Adherence to the Guidelines may be difficult given tight time-frames, but the Guidelines are designed to provide a disciplined approach to risk identification and treatment and could have been tailored to match the scale of each sub-project.

2.36 Overall, while a step-by-step risk management approach has not been undertaken for every sub-project, the ANAO considers that structural and reporting arrangements were in place to manage risks to the implementation. This was considered to be adequate to ensure the success of the project and to be in line with sound management practice.

Identification of project resources

2.37 Identifying overall resource costs in project planning is considered good practice as it allows:

- informed decisions to be made regarding whether to proceed with a project and the form the project will take; and
- monitoring project costs against approved estimates and undertaking remedial action if necessary.

2.38 Furthermore, following the project's completion, analysis of resources used in the project can assist in the assessment of the success of the project, to inform future similar projects.

2.39 The costs of establishing Centrelink, additional to the existing DSS and DEETYA running costs, was \$67.6m which represents four per cent of the annual running cost budget of Centrelink in 1997-98. Detail of these additional costs across financial years and portfolios is set out in Table 3.

Table 3
Budget allocations for establishing Centrelink (\$m)

	1996-97	1997-98	Total
DSS	36.9	12.6	49.5
DEETYA	13.4	4.7	18.1
Total	50.3	17.3	67.6

2.40 As the additional resources for the implementation are a significant expenditure in themselves, the ANAO sought to establish:

- that the additional costs approved for establishing Centrelink have not cross-subsidised other departmental work; and
- whether the total costs for the implementation project, including those which were to be absorbed by departments, were estimated as part of the project planning, and associated expenditure monitored.

Process to establish the additional costs approved for the implementation

2.41 The effect of the Cabinet Handbook procedures and Running Costs guidelines, both approved by the Government, is that, in seeking approval for new policy initiatives, Ministers need only identify for approval the marginal impact on running costs appropriated through the annual Budget process.

2.42 As part of the submission to government on the implementation of the agency, an initial estimate of the additional running costs for the implementation was included, reflecting these requirements. The Government approved the implementation, but required further refinements in the additional costs to be agreed between DoF, DSS and DEETYA.

2.43 In identifying initial estimates and subsequent refinements before finalisation, DoF, DSS and DEETYA examined proposals from the managers of the project components to identify those resources required for work strictly associated with the start-up; and outside those which could be expected to be used for undertaking normal levels of change.⁸ Additional funding was agreed by the Government for:

- systems modifications;

⁸ Implicit in the concept of cash-limited running costs in the Running Costs guidelines is the principle that the existing base costs include as a component the costs of managing policy and administrative changes.

- systems hardware;
- staff training (orientation and systems training);
- property fitout;
- publicity; and
- miscellaneous costs.

2.44 Requests for resources required for what were regarded as on-going improvements to agency operations were therefore disregarded in the context of this work; ongoing improvements are considered by the Government to be part of normal processes by departments to achieve increases in efficiency.

Overall resourcing for the implementation was not identified in project planning

2.45 While the costs of the project over those which could be absorbed were identified, the full resources for the project (staff and other costs), were not identified and incorporated into the plan.

2.46 However, managers with line responsibility for components of the project recognised that the total resources for the implementation project consist of identified additional running costs, plus a further significant proportion of resources coming from:

- resetting priorities of existing work programs;
- refocussing work that would have been undertaken in some format irrespective of the formation of Centrelink; and
- staff working hours over those normally expected for on-going activities.

2.47 Indeed, many managers reported that as the implementation progressed, work associated with that project expanded to become part of their area's core business, with commensurate requirements for staff resources. (The difficulties in resource identification caused from the blurring of the project boundaries is explored later in this section.)

Overall project costs will not be available post-implementation

2.48 There has been no requirement for departments to account separately either for running costs approved specifically for the project, or for the total resources used for the project, although many individual managers know the staffing resources allocated to projects components for which they were responsible. Currently, there are no plans to aggregate this information post-implementation to determine the overall costs of the implementation.

Value in knowing full project costs

2.49 In general, the ANAO considers that the resources for projects, including those associated with the outsourcing of government functions, should be identified, and where costs are being absorbed by agencies, the effects of the project on existing work programs should be analysed.

2.50 The ANAO considers that determining overall resourcing for projects:

- assists in the decision-making process about whether to undertake the project. Knowing the total costs of a project allows a full cost-benefit assessment of undertaking the changes, particularly if the project diverts resources from other important work of an organisation. In addition, initial estimation of resources provides a basis for post-implementation review and evaluation;
- allows monitoring of project costs to ensure early re-allocation of resources or to fine-tune the project management;
- draws lessons from the success of the project to inform future similar projects; and
- assists the identification of both the explicit and implicit community service obligations currently delivered by the prospective purchaser.

2.51 The ANAO notes that this information is of particular importance for decision-making where administrators have some discretion over the means by which services are provided. However, where administrators are restricted by specific decisions by government about the means and structures of service delivery, such information can assist in the provision of further advice to government and for future benchmarking.

Factors limiting the value and practicality of full project cost identification

2.52 The ANAO understands that there are factors that can make full project cost identification impractical or can limit its value for providing benchmarks for future similar projects. The factors applied to this project. These include:

- where the boundaries of a project are unclear. Examples of this include a range of on-going work (for example, improving IT systems) which was refocussed for the implementation of the new agency and included in the overall project plan; and
- where the project is one-off. In this case, although additional purchaser/provider arrangements are likely to be entered into, the work associated with splitting the DSS, the creation of new governance arrangements for both DSS and Centrelink and the scale of this particular purchaser/provider relationship, is unique. Furthermore, the complexity and interaction of the elements in this project, together with concurrent work on

the restructuring of DEETYA, would mean that the identification of resources required solely for the implementation of the initial purchaser/provider arrangements would be difficult.

Conclusion - identification of project resources

2.53 The ANAO is satisfied that the relevant departments have complied with the Government's guidelines with respect to identification of additional resources required to implement the new arrangements. This limited the potential to cross-subsidise other departmental work. Further, by not separately accounting for these additional resources, departments have not breached any government requirements.

2.54 However, the ANAO found that there was no overall resource identification in the project planning stage, nor were there any plans to identify the resources used following the project completion. The ANAO acknowledges that in this case, the boundaries between the developments already underway and those tasks solely required to establish the new agency were difficult to define. Nevertheless, managing costs against an approved project budget is fundamental to sound project management and provides essential information for both decision-making and accountability purposes.

2.55 Therefore, the ANAO considers that, in the development of future purchaser-provider arrangements (including additions to the services delivered by Centrelink), both the potential purchaser department and provider agency should identify the full costs of setting up such arrangements. These costs should include an estimate of the effects on existing work programs where such costs need to be absorbed to allow a full assessment of the costs and benefits of undertaking the changes. Such an assessment is particularly relevant where administrative decision-makers have discretion over changes to service arrangements.

Recommendation No. 1

2.56 The ANAO recommends that Centrelink and relevant agencies identify the full cost of establishing any new service delivery arrangements in order to better inform decision-making, assist effective project management and improve accountability.

Centrelink response

2.57 Agreed

DSS response

2.58 DSS supports the recommendation. It has included within the Strategic Partnership Agreement with Centrelink an initiative to identify the costs associated with the delivery of services for Newstart Allowance and Age Pension customers

and for the development of a costing strategy and timetable for all DSS programs delivered by Centrelink. This will contribute significantly towards establishing the full costing of services and the development of subsequent agreements between the two organisations that will be able to include the full cost of establishing any new service delivery arrangements.

DEETYA response

2.59 Agreed.

DHFS response

2.60 Agreed.

Table 2
Broad frameworks for project plans

Sub-project	Major components
DSS	
Project Management	
Legislation	Agency Enabling Legislation Social Security Act and Consequential Amendments Changes to admin law arrangements Privacy issues
Governance	Board CEO
Service Agreements	Service agreements Management information
Communications	Develop communication strategy Corporate image Community consultation - agency/employment services reform Internal short term communications External short term communications Internal medium/long term communications External medium/long term communications
People Management	People management policy strategy Employee transfers Employee well-being Learning and development Human resource systems strategy Performance information People management service

	Human resource planning Employee relations
Resources	Resources Property Financial policy and operations
Agency Design	Cultural transition Agency start-up Agency corporate development Better Service through Better Jobs Redesign Employment Services processes Student, Youth processes Rural and Remote services TeleService Specialist services Child Care processes
Information Technology	IT applications IT infrastructure
Evaluation	Evaluation strategy

Broad frameworks for project plans (cont'd)

DEETYA (note: full project includes Implementation of Employment Services Reforms)	
Employment Services Market	Finalise DEETYA policy on FLEX assessment process Finalise DEETYA policy on FLEX referral Finalise DEETYA policy for Agency Special Client Servicing strategies
Information Technology	IES Job Brokerage release (IES5) IT facilities for DEETYA outlets Initial ('decoupled') IT support for Agency implementation IT support for Agency Customer Registration system IT support for Employment Placement Market - Agency requirements Develop DEETYA Corporate Information Architecture Fully Managed Voice Service Student Assistance Support tasks
Property	Arrange transfer of property to DSS/Agency associated with functions Implement agreement on CES Offices to transfer to DSS
People Management	Training of CSDA identified DEETYA staff Advice on HRM policy issues for staff transfer
Finance	Establish appropriate resource transfer to Agency Establish future appropriation arrangements for Agency services
Network Operations Support	Manage DEETYA Agency Coordinator Network

	<p>Liaise with Agency Implementation Team (DSS) Participate in working group for interim Centrelink Strategic Partnership Arrangement</p>
Transition Management	<p>Identify network staff for transfer Identify National Office staff for transfer Identify Student Assistance staff for transfer Communicate with staff Industrial Relations</p>
Student Assistance Transition	<p>Transfer Student Assistance functions to Centrelink Transfer Student Assistance National Support functions to Centrelink</p>
External Communications	<p>Inform DEETYA clients about new arrangements Liaise with DSS/Centrelink to ensure DEETYA input.</p>
Evaluation	<p>(Centrelink evaluation components embedded into evaluation strategy for Employment Services Reforms)</p>

3. Management of the Transition Arrangements

This chapter examines issues associated with the management of the transition arrangements. The ANAO concludes that these issues had generally been undertaken satisfactorily or else to a high standard.

Introduction

3.1 In managing the transition to the new arrangements, those with project responsibilities faced a number of challenges, such as ensuring that:

- the Government's policies and directions were complied with;
- there was effective coordination between stakeholders;
- staff brought from different organisational cultures developed a unified culture suitable to progress the new agency;
- the implementation was phased in to build on successes and minimise risks; and
- customer service was maintained.

3.2 In relation to the management of the transition arrangements, the audit therefore examined the following five main areas:

- consistency with government legislation and directions;
- coordination between and within agencies;
- cultural change;
- staged implementation; and
- customer service.

3.3 The ANAO's findings in relation to each of these areas are discussed below.

Consistency with government legislation and directions

3.4 A number of different aspects of consistency with government legislation and directions concerning Centrelink's planning and implementation were examined in the audit, including:

- consistency with government decisions with respect to the Agency;
- consultation with, and the provision of advice from, other relevant government agencies with legislative responsibilities; and
- delegation of authority.

Consistency

3.5 Project plans for the implementation were drafted based on the advice and decisions of the Government. Furthermore, additional resources for the project and efficiency dividends are in line with government decisions. The Government's request for a progress report on the implementation was met.

Consultation

3.6 Managers and staff responsible for designing the arrangements and developing the legislation for Centrelink consulted relevant government agencies including, for example:

- the Attorney-General's Department;
- the Privacy Commissioner (with respect to the Privacy Act);
- the Commonwealth Ombudsman;
- the Department of Finance, with respect to the Commonwealth Authorities and Corporations Act and Financial Management and Accountability Act; and
- the Office of Parliamentary Counsel on a range of issues, including to ensure that the full range of amendments were included in the Commonwealth Services Delivery Agency (Consequential Amendments) Bill.

3.7 Other consultations have taken place on administrative matters. For example, the Merit Protection and Review Agency was engaged to provide objectivity for selection of staff to be transferred from DEETYA to Centrelink

3.8 As privacy matters are of general public concern, consultation by the agencies with the Privacy Commissioner on the privacy aspects of the new arrangements was of particular interest in this audit. In general, the Privacy Commissioner was satisfied with the concern Centrelink and purchaser departments had shown on privacy issues. There had been a satisfactory process of briefings and consultations; and also the development of a privacy training package jointly with Centrelink. The Privacy Commissioner considers that a dialogue during the early development of legislation for Centrelink would have added value; but acknowledges the commitment by the Minister to the development of privacy guidelines which she will subsequently direct the Centrelink Board to follow. The guidelines will outline a range of matters including

the process to consider the privacy implications of additional functions which may be provided by Centrelink. Further to this commitment, DSS has reported that, in association with Centrelink, it has consulted extensively with the Privacy Commissioner over the past months on the development of a privacy strategy to be implemented in the two organisations, with the aim of formalising the administration of their respective obligations under the *Privacy Act 1988*.

Delegation of authority

3.9 The Commonwealth Services Delivery Agency (Consequential Amendments) Act gave the Secretaries of DSS and DEETYA the ability to delegate their relevant functions to the CEO and officers of Centrelink from the establishment of the agency on 1 July 1997.

3.10 With the transfer of the relevant CES staff to DSS/Centrelink on 1 May 1997, it was intended that, along with transfer of other functions, the functions associated with the assessment, referral to case managers under the *Employment Services Act 1994* and compliance functions associated with employment placements would be sub-delegated by the DEETYA Secretary to newly transferred DSS staff for the period until the CSDA legislation came into effect on 1 July 1997. The legislative amendments allowing this sub-delegation were contained within the Reform of Employment Services (Consequential Provisions) Bill 1996. However, the Parliament had not passed this legislation by 1 May 1997. To ensure that these functions continued for the two month period, a limited number of CES staff in each office had their transfers delayed until 1 July 1997, so they could continue to exercise the DEETYA Secretary's delegations. The general management and supervision of these CES staff were provided by DSS/Centrelink for this period for approval of, for example, sick leave and flexible working hours records.

Conclusion - Consistency with Government legislation and directions

3.11 While the ANAO did not attempt to exhaustively examine this issue, there is sufficient evidence to suggest that in establishing Centrelink:

- key government decisions with respect to the agency were complied with;
- relevant government agencies with legislative responsibilities, were consulted; and
- delegation of authority was appropriately exercised.

3.12 Notwithstanding the above results, the ANAO notes the qualifications of the Privacy Commissioner (paragraph 3.8). The ANAO considers that privacy issues associated with the transfer of information between DSS, DEETYA and Centrelink to be particularly important. During 1998, the ANAO proposes undertaking an

audit of these arrangements, which will include agencies in purchaser/provider relationships with Centrelink.

Coordination between and within agencies

3.13 In the previous chapter, we assessed whether appropriate coordination structures which supported the implementation had been established. It was also important to ensure that effective coordination was in practice undertaken during the implementation. In order to assist in ensuring that complementary and consistent outcomes are achieved across all components of the project, such coordination is required between all relevant stakeholders, including both managers and operational staff with responsibility for sub-projects and component tasks. This coordination needs to be undertaken on all issues on which agreement or a wide range of views need to be taken into account, and at a frequency which allows developments to be examined.

3.14 The audit identified a range of mechanisms to provide coordination:

- between agencies directly involved in the project (that is, interim Centrelink, DSS, DEETYA and DHFS)
 - between the departmental Executives,
 - at the national level (other than the departmental Executives),
 - at the local level, and
 - with agencies external to the direct implementation; and
- within agencies directly involved in the project.

3.15 Throughout the numerous interviews conducted by the ANAO, stakeholders expressed consistent and complementary aims for their contribution to the work of the implementation, an key indicator that effective coordination had occurred. To understand how this was achieved, a description of each of the coordination mechanisms, including the coverage of issues and frequency of contact, is outlined in the following paragraphs under sub-headings which indicate the level or stakeholder group involved in the coordination.

Coordination between agencies

- *between departmental Executives*

3.16 At a strategic level, the most important means of communication and coordination has been the meetings of DSS and DEETYA Secretaries. These have occurred weekly since the preparation of submissions to government. From February 1997, the Centrelink CEO, who at that time had been appointed on an interim basis, has also attended these meetings. There was a commitment to keep the Secretary of DHFS informed of relevant issues arising in this forum. As well as providing strategic direction, these meetings or provided an escalation mechanism for resolving issues quickly.

- other national level coordination

3.17 These Secretaries' meetings were underpinned by a network of inter-agency meetings at Deputy Secretary level, and at Assistant Secretary and senior officer level for each of the project components and for overall coordination. The type of consultation depended on the nature of the project component, including, for example, formal, minuted meetings or day-to-day discussions.

3.18 A key example of a coordination committee, is that of the Employment Redesign Steering Committee which was established early in the process. This Committee, which had DSS/Centrelink and DEETYA representation at Deputy Secretary and First Assistant Secretary levels, had both consultative and decision-making responsibilities for developing integrated employment work processes, a factor which was recognised by DSS and DEETYA to be critical to the initial success of Centrelink.

3.19 An important example of the means of coordination used to achieve agreement on detailed outcomes for use across the project, is that of the 'assumptions' paper. This paper was developed as a result of the early recognition by both DSS/Centrelink and DEETYA Information Technology (IT) sub-project managers that a number of details underpinning the implementation framework needed to be agreed before work could progress. The assumptions paper was developed through consultation with relevant stakeholders in DSS/Centrelink and DEETYA, and was endorsed by the Employment Redesign Steering Committee. The paper ensured a detailed common understanding of complex elements of the project which affected the IT and associated sub-projects, and was used on an on-going basis as a reference document for those undertaking implementation.

3.20 Another key example of coordination between agencies was that DSS/Centrelink and DEETYA exchanged their implementation plans to allow consistency between plans to be checked.

- local level coordination

3.21 Locally and within areas, a range of formal and informal communication and coordination between DSS/Centrelink and DEETYA occurred, to ensure the

effective transfer of staff and functions from DEETYA to Centrelink in a devolved decision-making environment. While area managers had responsibility for their own coordination structure, the common elements in the models employed were the DSS/Centrelink and DEETYA coordination and joint planning between:

- area managers;
- regional managers; and
- area agency coordinators, which also included joint working arrangements.

- *with agencies external to the direct implementation*

3.22 The ANAO also examined the coordination that occurred with those agencies external to the direct implementation arrangements. The findings indicate that early and on-going input has been sought between agencies in addition to the consultation already discussed regarding consistency with the Government's policy and directions (see paragraphs 3.6-3.8) These included:

- a forum of permanent heads on the design of the governance arrangements for the agency; and
- workshops of senior managers on the development of purchaser/provider arrangements.

(See Table 4 for further details.)

Table 4
Participants in forums on the agency

Design of governance arrangements	Development of purchaser/provider arrangements
Secretaries/CEOs from/including: <ul style="list-style-type: none"> • DSS • DEETYA • Attorney-General's Department • Privacy Commissioner • Commonwealth Ombudsman • Auditor-General • Administrative Review Council • Administrative Appeals Tribunal 	Senior managers from: <ul style="list-style-type: none"> • DSS/Centrelink • DEETYA • DHFS • Department of Finance • Department of Veterans' Affairs • Australian National Audit Office • Dept of Primary Industries and Energy

Coordination within agencies

3.23 Within their usual internal management frameworks, DSS/Centrelink, DEETYA and DHFS have coordination and reporting mechanisms, which incorporated management of the implementation of Centrelink. There were additional coordinating structures in DSS/Centrelink and DEETYA, as described in paragraph 2.9. The coordination undertaken through these structures is outlined below.

- within DSS/Centrelink

3.24 After the appointment of the Centrelink CEO to her interim position in DSS, the relevant DSS/Centrelink senior managers met weekly as an executive group. In addition, the Agency Implementation Team undertook coordination through a number of different mechanisms and levels, including:

- the Assistant Secretary responsible for the Team communicated with all project managers and area managers. For example, there were fortnightly teleconferences with all area managers and relevant project managers;
- a fortnightly meeting of project officers, linked to the updating of the project plan;
- communication with agency area coordinators was formal and informal through electronic mail, regular phone contact and a series of workshops which included the area coordinators from both departments.

3.25 Area coordinators workshops also were attended by project managers and project officers relevant to the particular implementation phase that the forum was considering, as well as by senior Centrelink management. Workshops focussed on the detail of local level implementation. Issues were identified and wherever possible, solutions were developed within the group. When issues requiring national action were identified, the responsible national officer and timeframe were nominated by the group. The group also provided network contributions to the development of strategies for particular customer groups, for example, youth servicing.

3.26 Individual project managers undertook their own coordination and consultation with the network of local offices on issues relevant to local implementation.

-within DEETYA

3.27 Coordination in DEETYA was undertaken through the implementation structures outlined in paragraph 2.9, complementing existing management structures. The Transition Coordination Steering Committee, its predecessors and

associated secretariat support, have been the main national mechanism for coordinating the full range of DEETYA restructuring projects, including their input to Centrelink implementation. The Transition Coordination Working Group played a key role in coordinating projects within national office, through a fortnightly meeting of project officers. The coordination of implementation at local offices was undertaken by Network Coordination Branch. This branch also had responsibility for the network of agency area coordinators, and contributed to the organisation of the workshops facilitated by the DSS Agency Implementation Team.

Conclusion - coordination between and within agencies

3.28 The ANAO has found that there are strong indications that a high level of effective coordination has occurred between relevant stakeholders. The amount of and coverage of issues within the coordination was appropriate for the particular levels and stakeholder interests at which it occurred.

3.29 Notwithstanding the ANAO's earlier conclusion regarding consultation on privacy issues (see paragraph 3.12), the ANAO considers that the amount of coordination that has occurred between and within these agencies, from Secretaries through to operational managers, has been a key factor contributing to the success of the project to date. It has assisted in ensuring that all key stakeholders were aiming at consistent or complementary outcomes. The ANAO also considers that the input from external agencies into key design elements for Centrelink has been important given the innovative nature of the implementation task in the APS.

Cultural change

3.30 A key factor for success in a project which results in organisational transformation is to involve staff through a cultural change process incorporated into the project implementation. The key intersecting elements required for such cultural changes are:

- employment of strategic leadership to provide the vision and drive for change;
- adoption of a consistent set of values, in line with the values planned for the transformed organisation. To be fully effective in reinforcing change, these values need to be reflected in decision-making for the project implementation; and
- implementation of a well targeted communication strategy aimed at informing and involving staff in the progress of the project.

3.31 Each of these elements is discussed under separate sub-headings below. In general, however, the ANAO noted that there was an early recognition that cultural change in DSS/Centrelink was required to ensure the on-going success of Centrelink, and that this change should address the needs of the staff coming to Centrelink from both DSS and DEETYA.

Strategic leadership

3.32 Ownership in and commitment to a project helps managers provide strategic leadership. This project is characterised by a number of decisions and

tasks which have increased the potential for a high level of ownership by Secretaries and their staff, as illustrated below:

- in response to ideas put to the incoming Government by the Secretaries of DSS and DEETYA, the Government gave the Secretaries of DSS and DEETYA a brief for developing the concept of the 'one-stop shop';
- in response to this brief, there was a high degree of input by departments into the concepts, timeframes and strategies for the implementation of Centrelink; and
- in DSS and DEETYA, many of the officers responsible for developing the Centrelink submissions for government went on to have key roles in the implementation of the agency.

3.33 There are indications to suggest that a high level of ownership and commitment to the implementation by key managers was achieved from an early stage, for example:

- the frequent meetings of project managers and those of the Executive in DSS and DEETYA; and
- as mentioned previously, Deputy Secretaries in DSS and DEETYA were made personally responsible for the operational implementation of the project.

3.34 There is evidence to indicate that a high level of strategic leadership has driven the implementation of Centrelink. The following were identified by the ANAO as examples of this:

- several strategic decisions demonstrated active management by the executive group, such as staging implementation milestones to minimise risk to customer service and to build momentum for the implementation particularly among network staff;
- the DSS Executive met area managers and national office staff holding key responsibilities for implementation, immediately before the Budget. These meetings were to prepare area managers to brief their staff on the Budget announcements on the creation of the agency;
- early in the life of the project, the Secretaries of DSS and DEETYA made satellite television broadcasts to their staff, to explain the changes;
- senior managers undertook a series of visits across their respective networks to explain the changes soon after the Budget;
- soon after her appointment on an interim basis, the CEO undertook a series of direct communications with staff, as follows. The CEO:

- sent personal messages to each staff member in DSS/Centrelink via electronic mail, seeking their views on the new arrangements and personally responding to all replies. A second message from the CEO sought staff ideas for a name for the new agency;
 - regularly broadcast to staff through the satellite television network; and
 - undertook a program of network visits (ongoing), supplemented by a series of interactive broadcasts each directed at a small number of offices in remote locations; and
- the CEO signalled the change in the role of the agency’s national office towards that of supporting the customer service focus of the network, for example, by:
 - restructuring the business of the National Office around the needs of various groups of customers. The first step in this process has been the identification of customer segment team leaders, with the responsibility for managing customer service provision. An early task has been to manage the development of relationships with purchaser departments; and
 - changing the name of the national office from ‘National Administration’ to the ‘National Support Office’.

Consistent values

3.35 A formal set of values is under development for Centrelink as part of its formal strategic planning. However, we recognised several implicit values which DSS/Centrelink and DEETYA used to underpin the implementation strategy. These included:

- openness in communication, for example, DSS/Centrelink made the implementation plan and its regular updates available to all staff;
- greater empowerment of line managers and staff at the local level;
- in DSS/Centrelink, greater empowerment of national project managers and staff; for example, officers were able to exercise financial delegations but were made accountable for the outcomes relating to the expenditure;
- consultation and feedback into the implementation, for example, both DEETYA and DSS/Centrelink operated staff hot-lines, which provided input to sub-project development as well as responses to queries.

3.36 Some of these values have built on work underway in the departments before the implementation project.

Communication

3.37 Soon after the decision to establish the agency, DSS and DEETYA recognised the need for a strategic approach to internal communication and 'Communications' became as a separate sub-project within the DSS/Centrelink plan (see Table 2). The Communications Steering Committee was formed in DSS/Centrelink to coordinate communication for the implementation, and included DEETYA representation. The committee drew up a communications strategy for the establishment of Centrelink, drawing on recognised good practice, including periodic external evaluation by a consultant to DSS. Although the strategy was targeted internally and externally, the initial focus was to ensure that staff were informed of and involved in the change process. A number of elements characterised the internal component of the communications strategy and its implementation in DSS/Centrelink and DEETYA:

- there was regular and high level contact between DSS/Centrelink and DEETYA communications' project managers and staff to ensure that communication content and timing were coordinated;
- managers were identified as key information sources for their staff, based on the results of previous research contracted by DSS. They were given responsibility for providing early and regular communication with their staff and given tools to assist them (for example, Managers Information Kit);
- a variety of media were available for managers to access with the medium matching the message (for example, broadcasts, electronic mail, including a weekly 'Managers' Update', newsletters, welcome and orientation kits).
- the Communications Steering Committee focussed on maintaining communications momentum throughout the implementation to encourage staff enthusiasm for the changes, drawing on the findings of evaluation studies contracted by DSS; and
- staff newsletters were a feature of the implementation in both DEETYA and DSS/Centrelink. These newsletters included articles which responded to questions frequently asked by staff on the hotlines and electronic mail.

3.38 In addition to the joint and parallel elements of the strategy, there were significant additional elements of the communications strategy which were linked to other DSS/Centrelink implementation activity impacting on cultural changes:

- STARDATE, an interactive training experience to stimulate staff awareness of their future work environment, developed by DSS Customer Service Division, was available for managers to use with their staff;
- welcome and orientation kits, developed jointly by the Communications and People Management sub-project teams in DSS/Centrelink, were designed

for managers to give to all staff on 1 May 1997 to assist in building combined teams of staff from DSS and DEETYA; and

- the content and the timing of internal communications was coordinated with the work of the People Management sub-project team and, in particular, the development work on employee relations.

3.39 Furthermore, there are indications to suggest that senior managers have endeavoured to ensure that there is consistency between communication to staff and subsequent outcomes of decisions, a strategy known to promote ownership by staff in the process of change⁹. Examples include:

- account taken of staff views;
- demonstrating to staff that important timelines were achieved;
- the CEO personally responding to staff emails;
- restructuring of the National Support Office to more fully support the work of local offices; and
- provision of tools and support for local implementations of the new offices.

3.40 The communication strategy was evaluated using staff surveys, the results of which indicated success. In particular, compared with surveys before the strategy began significant improvements were noted for DSS staff in a range of areas, including:

- the level of staff concern;
- commitment and attitudes to the changes;
- understanding of the changes;
- coordination and consistency of messages;
- satisfaction with the level of information received; and
- reaction to specific communication methods.

Conclusion - cultural change

3.41 In a project as complex and broad-ranging as this, implementation would be at risk if staff and managers were not involved in the development process. In this case, through the employment of strategic leadership, the adoption of consistent values underpinning the change and the implementation of a comprehensive, well targeted internal communication strategy, staff were involved

⁹ ANAO and Management Advisory Board, June 1997 *Customer-Focus in a Public Sector Environment: Better Practice Guide to Ensure High Quality Customer Service in the Public Service* (draft)

in the process. Evidence from evaluations conducted by consultants confirm this result. These factors have set the scene for further changes to Centrelink, provided that they are consistent with the direction to date.

3.42 In particular, the ANAO considers that the communication strategy, being based on research and previous experience, with built-in evaluation points and mechanisms to build the outcomes into the on-going implementation of the strategy, is consistent with recognised good practice.

Staged implementation

3.43 A staged approach to implementation within a large project is considered to be good practice as it:

- progressively decreases uncertainty in outcomes and implementation approaches;
- allows successes to be built upon; and
- allows identification and rectification of problems sufficiently early to minimise their impact.

3.44 The ANAO examined the project as a whole to identify appropriate application of staging.

Overall project implementation

3.45 One of the key characteristics of the overall project implementation of Centrelink was the adoption of a staged approach to its implementation. The Government, on advice from departments, agreed to a broad framework reflecting a staged implementation approach. This framework outlined the goals to be achieved in the following three periods:

- July to December 1996 (concept development);
- January to June 1997 (design and implementation); and
- July to December 1997 (implementation and operation).

3.46 It was recognised by the Government that implementation would need to:

- ensure that customer service was maintained during, and visible improvement provided, early in the implementation; and
- allow time to make changes or developments across a range of areas including systems, property, human resource management, communications, industrial relations and legislation, as required.

3.47 The audit found that the planning and implementation of Centrelink to date have reflected the good practice of a staged approach to implementation. Several strategic decisions made and executed during the course of the implementation, demonstrate this practice, including:

- bringing forward the transfer date for CES staff and their functions;
- staged roll-out of local offices; and
- phased implementation of re-engineered employment services processes.

3.48 These are discussed below under separate sub-headings.

Transfer date for CES staff and functions

3.49 The date on which local DSS managers assumed responsibility for CES staff and functions to transfer to the interim Agency was brought forward from 1 July 1997 to 1 May 1997. Until the physical amalgamation of each office these staff were generally located in their original CES premises. Managements' decision resulting in this changed date took into account:

- firstly, the need to bring forward the transfer of staff to allow the start of office roll-outs as early as possible; and
- secondly, the need for this transfer to be after the release of IES5 which occurred on 28 April 1997. IES5, the new version of the DEETYA information technology (IT) system, had functionality features required for the rolled-out offices.

3.50 Bringing forward the transfer date allowed management to demonstrate to staff that progress to the new environment was being made. The schedule for the rollout also allowed early identification and rectification of any problems encountered.

Staged roll-out of local offices

3.51 The staged rolling-out of 282 local offices as well as teleservice centres - that is, in most cases, the amalgamation of local DSS offices with relevant CES staff and functions, occurred from 1 May continuing to December 1997. This was preceded by a strategy to empower local office managers to develop local solutions to problems related to issues under their responsibility. The strategy also addressed issues such as the development of the necessary support in terms of IT, re-engineered processes, staff training and infrastructure. The roll-out process, which is detailed at Appendix A, provides a clear example of good practice in a staged implementation, as it has:

- increased certainty in outcomes and implementation. It:

- enabling a structured feedback and learning approach, using lessons in the offices rolled-out earlier, and
- allowing individualised trouble-shooting from national project officers, consequently providing them with timely opportunities to develop and implement improvements;
- built on successes by
 - allowing staged IT installations of touch screen units (part of the self-help job-seeker facilities), personal computers for staff transferred from the CES, and associated cabling, and
 - allowing staged property refits when required; and
- minimised the impact of problems by:
 - lessening the risks associated with a significant increase in the number of users for DEETYA's new IT system, and
 - providing local managers with some influence in timing the roll-out of their offices to reflect local conditions.

Phased implementation of reengineered employment services processes

3.52 To date, there has been a phased implementation of the processes relating to services to the unemployed (referred to as reengineered employment services). Redesigning employment services began in August 1996 after government decisions on the creation of the agency and the new employment services market arrangements (see also paragraphs 4.5-4.9).

3.53 In mid-December 1996, Secretaries decided to move CES staff and functions to the interim agency earlier than initially planned to bring forward the benefits associated with the staged implementation as outlined in paragraph 3.50. This meant that a combined employment services process, bringing together DSS employment functions with those from the CES transferring on 1 May 1997, was required in Centrelink sites by that date. This resulted in a decision to divide the employment services redesign project into two components; the long-term re-engineering project, setting the agenda for work over the next five years, and an interim employment process required for the roll-out. This allowed short-term requirements to be achieved within the time-frame while meeting long-term requirements by building on each subsequent stage in the re-engineered employment service process.

3.54 Factors which contributed to the successful production of the interim employment processes within a tight time-frame, included:

- composition of the development team, including national program and operational staff;
- the direct involvement of a Host Area Partner¹⁰;
- testing of draft processes through the DEETYA Useability Laboratory (this is a mock up of a CES office used for testing administrative procedures), thus allowing early identification and rectification of problems; and
- validation of processes in the first three offices to be rolled-out, which progressively decreased uncertainty in each successive office.

Overall outcome of staged implementation

3.55 The effect of the staged implementation is shown at Table 5 and at Figure 2.

Table 5

Staged Implementation of Project

Date	Event
December 1996	<ul style="list-style-type: none"> • Commonwealth Services Delivery Agency Bill 1996 introduced into the House of Representatives • Chair of interim Board appointed
February 1997	<ul style="list-style-type: none"> • interim CEO appointed
March 1997	<ul style="list-style-type: none"> • Commonwealth Services Delivery Agency (Consequential Amendments) Bill 1997 introduced into the House of Representatives • both Bills passed by both Houses of Parliament
28 April 1997	<ul style="list-style-type: none"> • DEETYA IT system, IES5 goes live
1 May 1997	<ul style="list-style-type: none"> • local DSS managers assume responsibility for the CES staff and functions transferring to Centrelink, with most transferred formally¹¹ • phased roll-out of offices commences • Austudy/Abstudy form lodgment possible in local offices • Youth Access Centres transfer to Centrelink • interim combined employment process commence as offices roll-out

¹⁰ The Host Area Partnership Model formalises the partnership between an area and a major national project to ensure that regional and area staff have appropriate input into the life-cycle of such projects.

¹¹ A limited number of CES staff did not transfer to Centrelink until 1 July 1997, because they exercised delegations unable to be transferred until that date.

1 July 1997	<ul style="list-style-type: none"> • Centrelink becomes a legal entity (that is, date of effect of legislation), enabling formal appointment of the Board and CEO with associated delegations • service arrangements apply • Student Assistance Centres and Career Reference Centres transfer to Centrelink
24 September 1997	<ul style="list-style-type: none"> • Centrelink launched by Prime Minister
30 November 1997	<ul style="list-style-type: none"> • all but two of the offices rolled-out • early wins from business process re-engineering of employment services implemented
1 January 1998	<ul style="list-style-type: none"> • Childcare administered by Centrelink
April 1998	<ul style="list-style-type: none"> • Newstart Common Platform in operation
1 May 1998	<ul style="list-style-type: none"> • expected start-up date for new competitive employment market, including the PEPE.

Conclusion - staged implementation

3.56 The ANAO considers that staging the implementation using a series of milestones has:

- increased certainty in outcomes and implementation approaches;
- built on successes; and
- minimised the impact of problems.

3.57 This approach was a major factor in the overall success of Centrelink's implementation. In particular, staging the roll-out of local offices allowed issues to be identified and corrected early and the identification of good practice for offices rolling-out later.

Customer service

3.58 Given the magnitude of and timeframe for the changes, the ANAO considered that maintenance of customer service delivery at approximately around the same level as previously, was a key risk during Centrelink's establishment . The audit therefore, examined:

- sub-project planning, including risk assessments to assess the consideration of customer service; and
- the effects on customer service by assessing:
 - evaluations relating to the implementation, and

- any available customer service performance information for those offices which had been rolled-out during the course of the audit field work.

3.59 The ANAO's findings concerning these issues are discussed below.

Planning for customer service in sub-projects

3.60 The ANAO found evidence to support the view that numerous senior managers understood and made decisions to support the need to maintain customer service during the implementation phase. For example:

- a key factor in the decision to stage the roll-out of the offices rather than for them all to start on a single day was to minimise the risk to customer service;
- in the initial offices in the roll-out schedule, a site start-up feedback strategy was employed. Customers were interviewed and completed questionnaires to evaluate the effect on customer service of the change;
- to assist in the local planning for 'Day 1'¹², a checklist was developed which included cross-training for ex-CES and ex-DSS staff;
- planned communication strategies, including a tool-kit for use by local managers with community groups, were in place to inform customers of the changes; and
- the proposals for an enterprise agreement included a range of issues to improve customer service (for example, increased opening hours, with operational requirements as a factor in determining regular hours for employees).

Evaluations

3.61 In general, the site feedback reports indicated a positive reaction from customers, particularly from those who previously had to attend separate offices. Any negative feedback was highlighted for input into planning the roll-out in subsequent offices.

Customer service performance information

3.62 The ANAO examined the customer service performance information from those offices which had been rolled-out. As the information was examined soon after the initial roll-outs, the full range of customer service information was unavailable. However, from the limited information available, there are indications to suggest that customer service was maintained or marginally improved following the 'Day 1' roll-outs.

¹² "Day 1" is the first day of operation of a Centrelink local office.

Conclusion - customer service

3.63 The ANAO concludes that the implementation was undertaken in such a way to minimise adverse effects on customer service, particularly through:

- considering customer service in planning sub-projects; and
- highlighting negative feedback in the evaluation of 'rolled-out' offices for planning subsequent roll-outs.

3.64 The ANAO conclusion is supported by the available customer service performance information.

4. Establishing the Environment for Centrelink's Operations

This chapter examines indicators for establishing the environment in which Centrelink will operate. In general, the ANAO was satisfied with the environment that was being established, but there is scope in the future to improve the service arrangement agreements, as well as for Centrelink to provide more input into the identification of efficiency dividends.

Introduction

4.1 For Centrelink to succeed into the future, the environment in which it is required to operate will need to support its work. Indicators that such an environment is being established include:

- taking advantage of opportunities to re-engineer business processes in accordance with recognised good practice;
- resourcing which reflects service delivery standards required during the set up period;
- efficiency dividends which reflect savings made possible by business process re-engineering and other economies generated from the integration of services;
- a framework and guidelines for and content of service arrangement documents which reflect good practice; and
- parallels with key characteristics of successful contracting out projects, namely
 - links between measured organisational performance and financial rewards within the contract,
 - links between individual or team performance and tangible, valued rewards for staff and managers of the contracted organisation, and
 - on-going change processes to deliver continuous improvements in service.

4.2 In assessing each of these areas, the ANAO undertook a comparison with recognised good management practice. A description of this good practice together with the ANAO's findings is outlined in each section below.

Business process reengineering

4.3 In developing the concepts for Centrelink, the departments recognised that there are significant opportunities to undertake business process re-engineering (BPR), particularly with respect to integrating services from various purchaser departments. In the audit, therefore, the ANAO assessed the coverage, planning and implementation of sub-projects undertaken to re-engineer the processes for delivering Centrelink services.

4.4 Planning and implementation were assessed against the practices of successful BPR exercises across industry. These include:

- formal project plans;
- formal risk assessment;
- coordination with relevant stakeholders;
- composition of BPR teams to include external BPR experts and operational staff;
- assessment of current processes;
- identification of opportunities for improvement;
- implementation plans; and
- testing and evaluation of improvements.

Coverage

4.5 In terms of service provision, only one significant re-engineering exercise has been undertaken to date. This was the Employment Process Re-engineering Project.

4.6 DSS/Centrelink have indicated that they intend to use the expertise developed in this project to undertake further BPR exercises. Furthermore, senior managers consider that the implementation of BPR opportunities will assist Centrelink in meeting its efficiency goals.

4.7 The ANAO notes the work being undertaken to re-engineer the procurement and accounts processes, as well as re-engineering human resource practices. These projects were outside the scope of the audit and were therefore not assessed.

Planning and implementation

4.8 The Employment Process Re-engineering Project has characteristics consistent with the criteria against which it was assessed. In particular:

- formal project plans were developed before each stage of the implementation;
- formal risk assessment was undertaken;
- coordination was undertaken across relevant functional areas particularly between DSS/Centrelink and DEETYA;
- teams comprised both specialised BPR consultants and managers and staff from DEETYA and DSS with expertise in the processes;
- detailed assessment of current processes (that is, baseline assessment) was undertaken and documented;
- opportunities for improvements were identified and documented;
- staged project implementation plans over the next five years were developed; and
- the interim processes for operation within rolled-out offices, were tested and evaluated, as described in paragraph 3.54.

Conclusion - Business Process Reengineering

4.9 The ANAO considers that the planning and implementation characteristics of the BPR project to date are consistent with the good practice of successful BPR exercises across industry, but there is scope for further coverage of BPR through extending such exercises to other service provision areas. The potential for efficiencies in re-engineering existing practices has been highlighted previously by the ANAO¹³. Furthermore, more opportunities may arise with the possible addition of services from other departments.

Resource identification for transfer to Centrelink

4.10 The audit examined whether the resource costs associated with staffing Centrelink were consistent with the functions being transferred from DEETYA, DHFS and DSS.

Transfer of resources from DEETYA and DHFS

4.11 In DEETYA and DHFS, the number of staff currently allocated to the functions was determined, to permit an equivalent number of staff (with their

¹³ ANAO 1995, *DSS: Regional Office Resourcing and Benefit Processing*, Audit Report No. 4 1995-96, AGPS, Canberra.

associated funding) to be transferred to Centrelink. The audit found that appropriate analysis had been undertaken to ensure that resources were fully identified, and that negotiations were held between the agencies to ensure full coverage of functions. It was reported to the ANAO by all parties that satisfactory outcomes had been achieved.

Transfer of resources from DSS

4.12 In DSS, the staffing for the network of local and area office staff, along with associated funding, were transferred to Centrelink. In National Administration of DSS, staff generally have been split along functional lines. Staff undertaking those functions, which were essentially focussed on providing support to the network, have been allocated to Centrelink, while those associated with policy development and interpretation have been allocated to the 'new DSS'. Where required, the Memoranda of Understanding (MOUs) within the formal agreement on service arrangements between DSS and Centrelink provide the basis, including funding and ASL, for the provision of services allocated to each agency. For example, ministerial and parliamentary services will be provided to Centrelink by DSS, and human resource services will be provided to DSS by Centrelink. While the ANAO did not analyse the equity of the split of staff and their associated funding at the national office level, there is no evidence to suggest that either DSS or Centrelink was dissatisfied with the outcome of the resource allocation.

Developments to more accurately measure costs required to undertake various services

4.13 The ANAO noted that Centrelink currently does not have a means to accurately identify unit costs of services. However, development of an activity-based costing management information system is underway and is expected to be available within eighteen months. The system is intended to provide an accurate identification of unit costs, and will therefore inform the funding needed to undertake new functions more fully. The ANAO considers that, among other things, such a system should include a means of recording the time spent on individual activities. This information is necessary to assist accurate cost identification and monitoring against project budgets.

Conclusion - resource identification for transfer to Centrelink

4.14 There was no robust activity-based costing information to provide an accurate estimate of the resources required to undertake functions. However, based on the information available, the ANAO considers that the transfer of

resources to Centrelink has been broadly consistent with the functions transferred to the agency.

Efficiency dividend identification

Background

4.15 As a general principle, the move to purchaser/provider arrangements in the APS, provides the environment in which alternative methods for the identification of savings to government through efficiency dividends may need to be developed. In particular, adoption of business practices modelled on those in the private sector could give agencies a greater degree of input into setting efficiency dividends.

4.16 As part of its assessment of the resources for Centrelink's operations, the audit not only looked at resources which were transferred to the agency (see previous section), but also the efficiency dividends that the agency is required to meet. The audit examined the process by which the efficiency dividend was established to ensure that it was set at an appropriate level, that is:

- not set so high initially as to jeopardise the viability of the agency and subsequently decrease customer service; and
- provides a return to the Government, given the potential substantial efficiencies made possible through more flexible and integrated service delivery.

4.17 These issues are explored below through a description of the process to establish the level of and agreement for the efficiency dividend.

Background to the level of efficiency dividend - National Commission of Audit recommendation and its interpretation

4.18 The National Commission of Audit was charged by Government in March 1996 with the task of '...advising Government on the future management of its finances consistent with a medium to long term goal of improving the Government's fiscal position.'¹⁴ In its report, one recommendation states that 'Significant savings targets (of at least 20 per cent) should be sought from organisations over three years from 1996-97 where rationalisation, the broader application of management tools, and the capacity to reduce complexity will deliver large gains. For example, amalgamating the payment structure and systems of

¹⁴ National Commission of Audit, June 1996, *Report to the Commonwealth Government*, AGPS, Canberra p 1.

the Departments of Social Security and Employment, Education, Training and Youth Affairs¹⁵.

4.19 The ANAO recognises that this recommendation is open to interpretation as to the structure of the dividend over the three-year period. In particular, the Commission of Audit did not specify whether this should result in a 20 per cent reduction in base funding after three years.

4.20 In advice to the Government in July 1996 on the financial implications of proposals for integrated service delivery, DoF, DSS and DEETYA jointly proposed that the agency be required to achieve 11.5 to 16.5 per cent savings over three or four years, in addition to existing service-wide efficiency dividends. The financial effects specified in the advice provided an interpretation of the National Commission of Audit's recommendation. It was presented such that over the three to four year period the sum of the savings would total to 11.5 to 16.5 per cent of the first year's running costs. The advice to the Government noted the need to refine the estimates.

¹⁵ *op.cit.*p 115.

The Government's decision regarding the level of efficiency dividend

4.21 In agreeing to the establishment of the agency, the Government authorised the Minister for Finance, with the agreement of the Ministers for 'Social Security and Employment, Education, Training and Youth Affairs, 'to set the efficiency dividend in line with the advice already tendered to government.

Giving effect to the Government's decision

4.22 In April 1997, the Minister for Finance proposed to the Ministers for Social Security and Employment, Education, Training and Youth Affairs that the efficiency dividends for Centrelink be set at a total of 16.5 per cent over three years (in addition to service-wide efficiency dividends), with the following reductions to Centrelink's current funding base:

- 2.5 per cent in 1997-98;
- 4.0 per cent in 1998-99; and
- 10.0 per cent in 1999-2000.

4.23 These percentages are not cumulative (nor compounding), and will result in a ten per cent permanent reduction in Centrelink's current funding base from 1999-2000. The approach adopted by DoF to assessing the efficiency dividend was to take account of a return to government of the efficiencies made possible by integrating services, and the need for lead times before substantial savings could be made.

4.24 For its part, DSS/Centrelink examined its ability to meet these dividends, calculating preliminary estimates of the possible short, medium and long-term savings options available. It assessed that it could meet the proposal. In identifying the range of savings options available, DSS/Centrelink identified a number of initiatives which had their inception before it was decided to establish the agency, and would have been available to DSS without the establishment of Centrelink. DSS/Centrelink also took into account the considerable lead times required to achieve substantial savings. In line with advice from her Department, the Minister for Social Security agreed to the proposed reductions, which were then reflected in the 1997-98 Budget. Understandably, the approach to setting the efficiency dividend was based on a broad assessment in the absence of more comprehensive information on the operations and synergies of the new agency.

Opportunity in future for Centrelink to have greater input into setting future efficiency dividends

4.25 The governance arrangements which have been set in place for Centrelink, particularly the establishment of the Centrelink Board, provides an environment in which alternative methods of identifying efficiency returns to government may be developed. The ANAO notes that Board members include those with considerable

experience in competitive private sector operations with parallels to Centrelink. The commitment by the Board to realise this potential was demonstrated during the later stages of the audit, when the Board agreed to Centrelink's 'Strategic Directions 1997-2002' in which one of its six key goals is 'to return an efficiency dividend to government'.

4.26 The ANAO notes that Centrelink currently is developing better management information on costs through its activity-based costing management information system (see paragraph 4.13), and on potential savings from the employment service process and other intended re-engineering exercises (see paragraphs 4.5-4.8). The ANAO considers that if the Board is to make informed decisions about costs, revenues and surpluses, including setting the proportion to be reinvested or returned to government, such information will be essential.

Conclusion - Efficiency dividend identification

4.27 The ANAO considers that:

- the National Commission of Audit's recommendation on efficiency dividends was broadly interpreted by the DoF, resulting in greater funding being available to Centrelink over its first three years of operation (that is, it was possible to interpret the recommendation to decrease Centrelink's funding base by 10 per cent rather than the agreed 20 per cent from 1999-2000);
- in giving effect to the Government's decision on the range of savings Centrelink would need to make (11.5 to 16.5 per cent over three to four years), the resulting proposal developed by DoF for agreement by the relevant ministers, reflected the upper end of this range (that is, 16.5 per cent over three years);
- in reflecting the considerable lead times to make substantial savings, it would be unlikely that Centrelink would be in a position to make substantial savings had it not been able to build on work already initiated by DSS; and
- Centrelink's assessment that it could meet the efficiency dividends based on preliminary estimates provides a level of confidence that the efficiency dividends can be achieved without jeopardising the agency's viability.

4.28 The ANAO has concluded that, within the constraints of a lack of information to more accurately forecast efficiency dividends, these were set at appropriate levels.

4.29 However, there are indications to suggest that Centrelink is well placed to provide the potential for alternative identification of efficiency dividends as part of its overall decision-making processes. Expected developments in management information in the future will assist Centrelink in this work. There is now an

opportunity for Centrelink to work with DoFA, and in consultation with its purchaser departments, to identify the processes to be used to determine future efficiency dividends.

4.30 In moving to any new arrangements, it is desirable that two key features of the current arrangements remain; namely:

- certainty in funding that comes with the identification of efficiency dividends three years into the future; and
- incentives through which agencies have the opportunity to reinvest funds saved over and above the efficiency dividends.

Recommendation No. 2

4.31 The ANAO recommends that Centrelink and DoFA reach early agreement on the processes to be used to determine future efficiency dividends. The identification of the efficiency dividends should be undertaken in consultation with Centrelink's purchaser departments.

Centrelink response

4.32 Agreed.

DSS response

4.33 DSS, in supporting the recommendation, notes that under its Strategic Partnership Agreement with Centrelink, responsibility for discussion and negotiation with the Department of Finance and Administration of future efficiency dividends for Centrelink rests with DSS. Any such consultations and negotiations will be undertaken with the full involvement of Centrelink.

ANAO comment

4.34 Responsibility for these negotiations is not explicit in the Strategic Partnership Agreement. Responsibilities should be clarified, taking into account that in the future, Centrelink rather than DSS will be in a stronger position to identify achievable efficiency savings.

DEETYA response

4.35 Agreed

DHFS response

4.36 Agreed

Service arrangements between departments and Centrelink

Background

4.37 Inter-agency workshops on the development of purchaser/provider arrangements were held as a key means of coordination with agencies external to the direct implementation project. At the first of these workshops, key principles to guide the development of appropriate purchaser/provider arrangements between purchasing departments and Centrelink were developed, the first five of which were suitable for reflection in a formal service arrangement. The principles were that there should be:

- a balance between Centrelink's need for flexibility and purchasers' needs to control policy direction and ensure consistency with other systems (for example, the States, employment service providers¹⁶, 'whole of government');
- access by purchasers to performance information data, policy evaluation and development input from Centrelink to ensure policy development and program delivery are properly integrated;
- clear measures of success and clear lines of accountability;
- transparent review mechanisms with respect to customer complaints, collective customer feedback and review of decisions; and
- measures to ensure preservation of the partnership relationship of formal and informal links across government;

4.38 In addition, the workshop agreed that the structure for purchaser/provider arrangements should contain the following key elements:

- a 'whole of government' arrangement containing general terms and conditions to be common to all departmental purchasers. A list of matters which the arrangements should address is at Table 6;
- program specific schedules containing the requirements for each program, including such items as:
 - program name;
 - program description;
 - delivery requirements for program;
 - performance measures for program;
 - reporting and information required for program;
 - financial arrangements; and

¹⁶ Refers specifically to contracted providers within the new employment services market.

– term of arrangement.

4.39 The agencies involved in the development of purchaser/provider arrangements have been under no obligation to take account of the principles and guidelines developed and agreed to at the workshop. Furthermore, at the second workshop departments recognised that the principles and guidelines should be seen as a starting point in the development of service provision arrangements. Nonetheless, the ANAO considers that the effort and expertise focussed on developing these principles and guidelines, means that they provide a valuable source of guidance for the development of the arrangements, and have in part been used by the ANAO as the basis for assessing the arrangements between Centrelink and DSS and DEETYA.

Table 6
Checklist for purchaser/provider documentation

- | |
|---|
| <ul style="list-style-type: none">• parties to the agreement - Centrelink and the relevant Department;• scope of arrangement - what the objectives are;• obligations of Centrelink - what the agency is to do and how;• obligations of the department - what the department is to do and how;• programs covered by the arrangement;• special requirements relevant to particular programs;• term - how long the arrangement is to last, when and how it is to be renegotiated;• performance standards - objective requirements to meet agreed standards;• performance monitoring;• reporting - level, nature and scope of reporting required by the department;• access - access by Centrelink to required departmental data and by the department to required Centrelink data;• consultative arrangements to ensure a smooth working relationship;• delegations - how and to whom the Secretary is to give required delegations and remove them;• operating manuals/procedures - how they are to be approved;• payment - the remuneration of Centrelink and how and when it is paid and reviewed;• changes - how changes to the arrangement are to be made and when;• Ministerial directions - how their impact on the arrangements are to be dealt with if they conflict with obligations agreed to in the arrangement;• policies - how the impact of policies required to be carried out are to be dealt with if they conflict with obligations under the document;• intellectual property - who owns what (for example, rights to data, know-how, computer records);• record management - what is required, who is to keep it and who has ownership/access;• audit - how and when the administration of the arrangement is to be audited and what is to be done about the results of any audit; |
|---|

- disputes - how they are to be resolved; and
- default - how are they to be remedied, consequences of a failure to remedy.

4.40 Drawing upon the principles and guidelines developed at the first inter-agency workshop, the ANAO examined the following aspects of the service arrangement documents:

- consistency with the agreed key principles and coverage of key elements;
- consistency between structures of the arrangement documents;
- performance information for the arrangements;
- specification of roles and responsibilities, which reflects a balance between Centrelink's need for flexibility and purchaser departments' requirements to control policy direction; and
- timing of formal agreements.

4.41 In examining performance information in the service arrangement documents, the audit looked at a range of items including the coverage of program objectives, achievability of performance standards, timeframes for the development of performance reports and for setting achievable standards of performance for information not previously collected¹⁷, assignment of responsibility for the collection and/or development (including funding) of reports on the performance information not previously collected, and links between performance information used to assess the performance of individuals or teams with that required by the providers.

4.42 These are discussed below under separate sub-headings. The comments by the ANAO on Centrelink's service arrangements with DSS and DEETYA are made in the recognition that outsourcing service delivery on the scale of these arrangements is new for the Commonwealth and that there is an expectation that it will take time to develop the most efficient and effective arrangements. The ANAO also recognises that both arrangements provide the scope for change during the term of the arrangements. In particular, the DEETYA service arrangement document refers to the need to change the arrangement to reflect the introduction of the competitive employment services market.

Consistency with the agreed key principles and element coverage

4.43 The service arrangement documents broadly reflect the relevant key principles for purchaser/provider arrangements. In addition, each arrangement document covers the full range of issues listed in the checklist at Table 6, either in the core document/ agreement or an associated schedule or protocol. Furthermore, each arrangement document has program specific schedules or

¹⁷ Performance information should be developed early in the life-cycle of a program or project. The information may then need to be refined in the light of experience with the program or as a result of evaluations. Experience across a range of contracts indicates that at least twelve months is required to develop a suitable database of information from which to refine key performance indicators.

protocols covering some of the items identified in the workshop for these elements of the arrangements, with the remaining items covered generically to a sufficient level. A summary of the issues covered in the service arrangement documents by structure is outlined at Appendix B.

Conclusion – consistency with agreed key principles and element coverage

4.44 The issues covered in each document are broadly in line with the key principles and coverage of key elements as agreed at the first workshop.

Consistency between structures of the arrangement documents

4.45 While the arrangement documents cover similar issues, their structures differ markedly.

4.46 The DSS Strategic Partnership Agreement has the following elements:

- core agreement;
- operational protocols, covering the following matters:
 - program management, product design and related matters,
 - financial arrangements,
 - data, management information, performance information and evaluation,
 - legal services,
 - accountability and reporting arrangements, and
 - access to business premises;
- program protocols for services relating to payment types and the compliance and recovery program; and
- MOUs relating to the provision of corporate and parliamentary support services, provided by either DSS or Centrelink on behalf of both agencies. Many of the issues contained in the MOUs arise from the co-location of the new DSS with the National Support Office of Centrelink.

4.47 The DEETYA Service Arrangement currently contains three key elements:

- core document;
- working arrangements protocols, covering matters such as:
 - consultative arrangements;
 - development, implementation and maintenance of policy and operational procedures;
 - network communication;

- access to sites, staff and customers;
- access, development, implementation and maintenance of the department's information technology systems used by the agency;
- performance monitoring and review and access to management information;
- regular review of referral targets;
- handling of customer complaints and suggestions;
- service standards for customers; and
- Ministerial and Parliamentary requests; and
- service schedules covering each of the key services to be delivered by Centrelink on behalf of DEETYA.

4.48 Broadly, differences in the structures of the arrangement documents relate to the following matters:

- matters covered in the core agreement/document. In general, the DSS core agreement is generic in the matters it covers, with details contained in the protocols. The DEETYA core document covers both generic and very specific arrangements;
- depth and coverage of different issues. For example, the coverage in the DEETYA Service Arrangement document of issues such as key responsibilities and interests of DEETYA and Centrelink in policy formulation-product design-service delivery is not to the same extent as in the DSS 'Program Management, Product Design and Related Matters' protocol. On the other hand, the DEETYA Service Arrangement devotes a protocol to 'Handling Customer Complaints and Suggestions', while the DSS Strategic Partnership Agreement covers this issue through a paragraph in the program management, product design and related matters protocol and through customer satisfaction measures; and
- duplication versus single specification of details. Some details on matters covered in the operational protocols (for example, access and maintenance of DEETYA's IT systems) are already contained in the core document, adding to the complexity if the parties need to change or update such details in the Arrangement.

Conclusion – consistency between structures of the arrangement document

4.49 The ANAO considers that the difference in the two service arrangement documents, particularly the inclusion of operational details in the DEETYA core document, has resulted in a move away from the 'whole-of-government' approach for core agreements/documents, as agreed at the first inter-agency workshop.

The ANAO recognises that the content of the documents is more important than their structure. Nonetheless, closer coordination and liaison between the teams in DSS and DEETYA developing the arrangements, could have provided a level of synergy, assisting in minimising duplication of effort, particularly in the development of the core agreements/documents.

4.50 A further argument for the application of a more uniform approach to the service arrangement documents, is the level of complexity for Centrelink in managing different arrangements. While currently there are only two such arrangements between purchasing departments and Centrelink, given that Centrelink has the potential to deliver services on behalf of a number of government departments, Centrelink may need to manage a number of such arrangements. Use of similarly structured arrangement documents, with a similar core agreement, will decrease to some degree the complexity of the administration of these arrangements; while noting that the services to be delivered, performance standards and reporting arrangements differ across departments and may give rise to the need for variations within such a broad framework. In particular, any future agreement must be directed to the outcomes sought.

4.51 On balance, the ANAO considers that the structure of the DSS Agreement is closer to that envisaged by the inter-agency workshop, but that there may be opportunities to improve this by taking account of some of the key features of the DEETYA Service Arrangement. The ANAO considers that the purchaser departments and Centrelink should work together to develop a model arrangement document framework for use in 1998-99 and beyond.

Performance information for the arrangements

4.52 Among the key principles for purchaser/provider arrangements, the inter-agency workshop identified that performance information was required by purchasers to ensure policy development and program delivery are properly integrated, and for Centrelink to provide clear measures of success.

4.53 Furthermore, initial resourcing for Centrelink before the application of the efficiency dividends over three years, was identified on the resourcing required to perform the work previously undertaken in the departments and implicitly at the same service standard.

4.54 An assessment of performance information in each of the service arrangement documents is discussed below.

DSS Agreement - performance information

4.55 There is performance information relevant to each of the 'services to be delivered' in each of the program protocols. Performance information, particularly that with respect to timeliness and customer satisfaction, reflects in part the indicators and standards previously in place in DSS. However, there are some

significant changes and additions compared with the performance indicators and targets for 1996- 97 originally set by DSS at the beginning of the 1996-97 financial year, as follows:

- timeliness indicators now cover claim processing across the full range of DSS payments;
- accuracy measures and standards for claim processing have been introduced;
- there is an increase in comprehensiveness in customer satisfaction measures, and changes to targets to reflect changes to the measures previously in place¹⁸;
- there have been additions to the range of compliance performance indicators and standards already in place;
- a timeframe for the development of administrative cost data per 1000 customers has been introduced for Newstart and Age Pension customers, with agreement on a deadline for the development of a timeframe and strategy for extending the measure to other payment types; and
- performance measures for the incidence of incorrect payments have been introduced for two payment types, with a deadline to develop a timeframe and strategy for extending these measures to other payment types.

4.56 Following a request from the interim CEO, baseline performance reports have been developed to ensure that many of the targets are achievable by Centrelink. That is, in setting the targets and standards for Centrelink's performance for the period of the first agreement, DSS did not require substantially different or a more rigorous performance regime, except in a limited number of areas where, for example, changed administrative practices should result in substantial improvements. DSS has reported to the ANAO that it considered that to set too high an increase in performance in the first year of Centrelink's operations would be counterproductive, but that the department expects a more demanding performance regime from the second year of operation.

4.57 In previous performance audit reports¹⁹, the ANAO has drawn conclusions about DSS's performance information such as the need for performance information to cover all significant areas of activity in regional offices, and the need for performance standards to reflect guaranteed standards of service. Notwithstanding these conclusions, the inclusion of performance indicators that

¹⁸ The ANAO notes that the new targets are based on benchmarks set from results in changed customer survey methodology, first conducted in November 1996 and again in May 1997. The new methodology is aimed at providing a better predictor of customer behaviour based on perceptions of Centrelink's service.

¹⁹ ANAO 1995, *DSS: Regional Office Resourcing and Benefit Processing*, Audit Report No. 4 1995-96, AGPS, Canberra, and ANAO 1996, *DSS: Customer Service* Audit Report No.25 1996-97, AGPS Canberra.

can provide a history of results and therefore allow achievable standards to be set, is in line with good practice in contract management across industry. Furthermore, the specification in the Agreement of timeframes for the development of new indicators is also considered to be in line with good practice. Another example of good practice is the assignment of responsibility for the development of one set of indicators, although there is an opportunity to apply this practice more generally within the Agreement. The Agreement also provides for changes to be made to performance information to be agreed using the generic approach to changing the Agreement, that is, through an exchange of letters by the Secretary of DSS and the CEO of Centrelink. However, changing performance information often involves long lead times in order to identify relevant benchmarks, collect data etc, and many need detailed planning. Therefore, the ANAO considers that the opportunity should be taken in future agreements to explicitly state the processes to be followed leading to the change in performance information (in addition to the previously mentioned exchange of letters).

DEETYA Service Arrangement - performance information

4.58 The ANAO notes the responsibility for the key performance indicators (KPIs) indicated in the DEETYA service arrangement document, which is consistent with good practice across industry. The ANAO also notes that the document indicates that the use of the KPIs will be subject to the provision of adequate benchmark information by DEETYA, and agreement by Centrelink and DEETYA on any required clarification of KPIs, including reporting arrangements, both by 30 August 1997²⁰. The following comments have been provided to inform that agreement:

- currently not every customer service objective listed in the Arrangement has associated performance information. This raises the issue of how DEETYA intends to monitor the achievement of these objectives;
- some of the service standards set in the Arrangement, are different to those that DEETYA monitored and delivered. Benchmark data intended to be collected should be used to inform the standards required; and
- efficiency needs to be taken into account when the mechanism for collection and reporting of performance information is established. For example, currently in the Service Arrangement document some of the KPIs are to be monitored through a DEETYA-run survey of customers. Given that Centrelink intends to undertake its own customer survey, this raises the possibility of efficiencies from combining or linking the survey processes.

²⁰ After 30 August 1997, DEETYA and Centrelink reported some progress towards the provision of adequate benchmarking data and clarification of KPI related matters, but that achievement of the requirements in the service arrangements had not been fully met.

Links between performance information for teams/individuals and service arrangements

4.59 To ensure that those in the provider organisation are working to the same targets as those required by the organisation as a whole, information used to measure the performance of individuals or teams needs to be directly linked to that required within agreements with purchasers.

4.60 Currently, Centrelink is developing the concepts and tools to analyse a 'balanced score-card', that is, a set of performance measures across the range of objectives that the agency is working to achieve. It is intended that this will allow identification of performance both at the national, area and local levels. To maximise the relevance of this tool, the balanced score-card should have direct links with the performance information required for the service arrangements and the proposed enterprise agreement. At the time this report was being prepared, this matter was the subject of negotiation between Centrelink and the relevant union.

Conclusion - performance information for the arrangements

4.61 The ANAO considers that the service arrangement documents for DSS and DEETYA with Centrelink provides a demonstration of or a commitment to, the following good practices with respect to performance information:

- timeframes to develop performance standards with respect to newly developed performance information;
- mechanisms to change performance information; and
- allocating responsibility for producing performance indicators.

4.62 In addition, the DSS-Centrelink Strategic Partnership Agreement also includes a wide range of performance information covering program service objectives, with some of these underscored by base-line information to demonstrate the achievability of required standards.

4.63 The ANAO also notes the potential to develop direct links between performance information required by purchaser departments and that used to assess individual or team performance through the 'balanced score-card' and the enterprise agreement.

4.64 The ANAO considers that there are opportunities to improve aspects of performance information and reporting by:

- extending (or implementing the commitment to) the good practices noted above to all service arrangement documents which do not currently reflect these characteristics;

- taking account of the most efficient means of collecting and reporting on performance information; and
- realising the potential in Centrelink to link the performance information required by purchasers to that required by teams and individuals.

Specification of roles and responsibilities in the service arrangements

4.65 In examining this issue, the ANAO has noted that the Industry Commission has concluded that:

*'specifying clearly the service to be delivered and allocating precisely responsibilities between the agency and the contractor for the delivery of the service (in the contract)...enhances accountability. This makes it easier to identify the cause of any failure. Every effort should be made to eliminate confusion about the links of responsibility: they should be kept as clear and as simple as possible.'*²¹

4.66 One of the key principles developed at the inter-agency workshop was that of balance between Centrelink's need for flexibility and departments' requirement to control policy direction. Implicit in this is the principle that Centrelink has the major say in 'how' services are to be delivered and departments in 'what' is to be delivered.

4.67 DSS has recognised that there is a continuum between policy development and service delivery, with a 'grey' area in-between; namely, 'program management' and 'product design'. The Department has recognised that both the Department and Centrelink have legitimate interests in these matters. The responsibilities of both parties have been set out in the service arrangement in the protocol 'Program Management, Product Design and Related Matters'.

4.68 The DEETYA core document outlines the assistance that Centrelink will provide to DEETYA and DEETYA to Centrelink. The document provides some indication of the responsibilities of the two parties, and is further expanded upon in some of the working arrangement protocols, including:

- Development, Implementation and Maintenance of Policy and Operational Procedures'; and
- 'Access to Agency Sites, Staff and Customers'.

4.69 More specifically, DEETYA has recognised the need to collect performance information to inform policy and decision-making, particularly as DEETYA continues to have responsibilities for the overall employment market.

²¹ Industry Commission, 1996, *Competitive Tendering and Contracting by Public Sector Agencies*, Report No. 48, AGPS, Melbourne, pp5-6.

4.70 However, the coverage of responsibilities in the DEETYA Service Arrangement document is not as extensive as that of the DSS Strategic Partnership Agreement. To balance this, the agreement also includes some details on how services are to be delivered under the heading 'Description of Services' in each of the service schedules.

Conclusion – specification of roles and responsibilities in the service arrangements

4.71 The ANAO considers that in a developing partnership arrangement some specification about how a service is to be delivered may be required, but it would expect that as the partnership develops, Centrelink should have a higher degree of responsibility for all aspects of service delivery; that is, the 'how'. The inclusion of a framework in the DEETYA Service Arrangement document, outlining the responsibilities and interests of both parties in the policy development-product design-service delivery continuum, (similar to that in the DSS Agreement) would assist in this regard.

Timing of formal agreement to the Service Arrangements

4.72 To cover the interim period for 1 May to 30 June 1997, after the formal transfer of many of the CES staff to DSS and before the formal creation of Centrelink on 1 July 1997, DEETYA developed an interim service arrangement document. This agreement was between DEETYA and DSS, and sets out the services required by DEETYA from 1 May to 30 June 1997 (as well as foreshadows a range of issues for discussion and agreement for the first formal service arrangement with Centrelink). However, the interim arrangement document, with a covering letter from the Secretary of DEETYA, was not sent to the Secretary of DSS until 21 May 1997. No formal acknowledgment of the arrangement was requested by DEETYA, nor was one provided by DSS. However, the letter proposed a series of high level monthly meetings to review progress on the interim agreement, as well as provide a means of handling disputes, problems and amendments required with respect to the interim service arrangement. While DSS did not receive this letter until 22 May 1997, DSS had received advice by 1 May outlining the service delivery required by DEETYA during the interim period. In addition, there were on-going meetings between the Executives of both departments and a high level of goodwill reported by both agencies. Together, these factors ensured that service delivery continued during the period when formal service arrangements were not in place.

4.73 The ANAO notes that both the DSS Strategic Partnership Agreement and the DEETYA Service Arrangement document for 1 July 1997 to 30 June 1998 were signed by 1 July 1997.

Conclusion – timing of formal agreement to the Service Arrangements

4.74 While the ANAO acknowledges the work required to establish Centrelink, the ANAO considers that it would have been better practice if the interim service arrangements had been formally acknowledged by the Secretary of DSS at, or before, the period covered by the arrangement, as was the case for the arrangements which commenced on 1 July 1997.

4.75 The ANAO would expect the practice of ensuring that arrangements are formally agreed by both parties before the beginning of the term apply to all future service arrangements. This should include the DHFS Service Arrangement and renegotiated DSS and DEETYA Arrangements.

Overall conclusion - service arrangements between departments and Centrelink

4.76 In summary, with respect to the service arrangements the ANAO has concluded that:

- there is broad consistency with the agreed key principles and coverage of key elements;
- there are significant differences between the structures of the documents;
- there are examples of good practices with respect to the performance information which could be applied more generally in other documents;
- the specification of roles and responsibilities in the DEETYA document could be more comprehensively covered, drawing on the model in the DSS document; and
- it would have been better practice had the interim service arrangement been formally acknowledged before its period of coverage, similar to the practice for the current arrangements.

4.77 Given that outsourcing service delivery on the scale of these arrangements is new for the Commonwealth, there is a recognition that it will take time to develop the most efficient and effective arrangements. The ANAO considers that there are opportunities in the future to:

- develop and use a model service arrangement framework for the structure of future partnership agreements with Centrelink, which covers a core set of topics or issues that address, for example, specific opportunities for improvements to the content of service agreements outlined above. In developing a model service arrangement framework, relevant agencies

should draw on recognised good practice, particularly the examples identified within existing service arrangement documents; and

- link the performance information in the arrangement documentation to that used to assess the performance of individuals or teams in Centrelink through, for example, the 'balanced score card' and enterprise agreement.

Recommendation No.3

4.78 The ANAO recommends that Centrelink, in consultation with its current purchaser departments, identifies those essential features which would form the core of any future partnership agreements, including:

- explicit links between service objectives and performance information upon which Centrelink is required to report;
- the process for changing performance information and developing achievable standards that include timeframes, where relevant;
- specification of the mechanism for collecting and reporting performance information that takes account of cost efficiency; and
- a high level of responsibility for Centrelink in how the services are to be delivered.

Centrelink response

4.79 Agreed.

DSS response

4.80 Agreed. The current Strategic Partnership Agreement between DSS and Centrelink covers, at least in part, all of the issues raised in this recommendation. They will be considered further in the context of the next agreement.

DEETYA response

4.81 Agreed.

DHFS response

4.82 Agreed with qualification. While DHFS agrees that Centrelink should take a high level of responsibility for how services are to be delivered, the Department notes that situations may arise where a purchaser department would require a significant role in some services delivery decisions.

ANAO comment

4.83 The ANAO recognises that situations may arise where a purchaser department requires input to service delivery arrangements; for example, the department may need to ensure that the service delivery meets the intent of a policy change. However, such a level of involvement in service delivery arrangements should be on a case-by-case basis to reflect policy changes. As cases arise requiring a higher level of involvement in service delivery decision-making, they should form the basis of negotiated changes to agreements. The mechanism to allow such changes is a feature of the arrangements currently in place, and one which should be retained in the future.

Recommendation No. 4

4.84 The ANAO recommends that Centrelink directly links the performance information required by purchaser departments to that which is used to assess the performance of individuals or teams in Centrelink to assist in ensuring that all Centrelink staff work towards the targets required by the organisation as a whole.

Centrelink response

4.85 Agreed

DSS response

4.86 Agreed. While agreeing with the need to link performance information with team and individual performance measures, it is important to ensure that the integrated performance management system and the measures that drive it remain flexible and responsive to the needs of the purchaser departments. In establishing its team and individual performance regime, Centrelink needs to ensure that this regime does not unduly constrain the ways in which purchaser departments specify the information they require to assess Centrelink's service delivery performance.

ANAO comment

4.87 The ANAO notes DSS's concerns that the internal measurement process should not limit Centrelink's ability to meet its purchasers' performance information needs. The intent of Recommendation 4 is that Centrelink sets internal performance measures and targets in response to the needs of purchaser departments, as specified in their service agreements.

DEETYA response

4.88 Agreed

DHFS response

4.89 DHFS has no comment on this proposal.

Parallels with the characteristics of successful contracting out projects

4.90 Based on the experience and research of the consultant assisting the ANAO on this audit, three key characteristics common to the on-going success of contracting out projects were identified:

- a link between measured organisational performance and financial rewards within the contract;
- a link between individual or team performance and tangible, valued rewards for staff and managers of the contracted organisation, and
- on-going change processes to deliver continuous improvements in service.

4.91 Given that the above factors are keys to on-going successful contractual relationships, the ANAO sought to identify any indicators that might point to the potential for success with respect to Centrelink and its purchaser departments, as well as provide guidance on future developments.

Links between organisational performance and contractual rewards

4.92 Centrelink, although the provider in a contractual arrangement, is a budget funded statutory authority. The performance required by purchasers to date has been specified within the agreed service arrangements. However, these arrangements:

- do not provide sanctions or rewards for under- or over- performance linked to performance indicators; and
- are not legally enforceable as the Commonwealth cannot contract itself.

4.93 Of relevance to the first dot point above, DHFS has noted that purchaser departments are constrained by budget appropriations in the funds they have available to purchase services from Centrelink. The department considers that this will constrain the options for changing the nature of the services once they are initially put in place.

4.94 Nonetheless, within the arrangements there are implicit rewards and sanctions. For example:

- Centrelink has the opportunity to roll-over or reinvest efficiencies over and above those set within the Budget context; and
- failure to meet agreed performance standards within existing agreed arrangements, will limit Centrelink's ability to attract further services, and may provide incentives for current purchaser departments to seek government agreement to transfer service delivery elsewhere.

Links between individual or team rewards and required organisational performance

4.95 As outlined earlier in this chapter, the information used to assess individual/team performance needs to be linked to that used to measure required organisational performance to assist in ensuring that all those in the provider organisation work to the same targets. Linking individual or team rewards to such performance measures, assists in reinforcing required behaviour.

4.96 The proposed enterprise agreement, subject to negotiations between Centrelink and the relevant union at the time of the audit field work, provides staff with monetary rewards linked to the achievement of specific outcomes.

Change processes already underway

4.97 There are other developments which have potential to assist staff in achieving improved performance in line with the aims of Centrelink, including:

- the development of self-managed team approaches to undertaking work across the network; and
- merging two cultures (DEETYA and DSS) with its potential to draw on the strengths of each in becoming highly customer focussed.

4.98 These developments will assist Centrelink to change the culture of its staff, thus better enabling them to meet the organisational performance goals.

Conclusion - parallels with successful contracting-out projects

4.99 The ANAO acknowledges that Centrelink is in its very early stages. There are, however, indicators of parallels to key contractual good practice. These provide the potential for the development of successful purchaser/provider arrangements.

4.100 While planning for the future has not been examined in detail in this audit, the ANAO considers the demonstrated focus in establishing Centrelink on cultural change, staged implementations, business process re-engineering, customer service and the development of self-managed teams are among the important factors for future success.

5. Factors that Ensured Project Success

This chapter draws together and summarises the factors that have ensured the success of the project to date.

Introduction

5.1 The establishment of Centrelink and the associated arrangements is a significant innovation in public sector management and government service delivery.

5.2 In reporting on the implementation, the ANAO has primarily sought to inform the Parliament and the public in relation to the efficiency and effectiveness of the processes resulting in these changes to public administration.

5.3 In previous chapters, this report has highlighted a number of special challenges faced in the implementation of Centrelink. It has been a very large and complex project, involving a wide range of interacting elements with significant outcomes required to be achieved in a limited timeframe. In particular, the project has:

- required a high level of coordination both within and between government agencies;
- been characterised by the need to develop new approaches to purchaser/provider and governance arrangements; and
- needed to bring together staff from different cultures and develop a unified working environment suitable to progress the new agency.

5.4 The ANAO considers that to a large extent the implementation has been efficient and effective and the level of achievement has been impressive given the timeframe.

5.5 The ANAO would urge other Commonwealth government agencies undertaking similar projects to seek advice from the agencies involved in this implementation on the lessons learnt. To aid this process, the ANAO has identified and summarised in this chapter the key factors that have contributed to the success of the project to date. These have been discussed in more detail elsewhere in the report. The factors are:

- a high level of ownership in and demonstrated commitment to the project from executive managers;

- implementation structures which have helped clarify the lines of reporting and accountability and provide a coordination structure across the project;
- the development of formal plans for the project to assist in fully identifying and monitoring progress against implementation tasks and their milestones;
- effective coordination with a wide range of stakeholders;
- developing a unified culture suitable to progress the new agency through a cultural change process incorporated into the implementation; and
- staging the implementation to build on successes and minimise the risks.

Ownership and Commitment to the Project

5.6 The development of ownership in, and subsequent commitment to, a project among those with key responsibilities for project management and implementation are important characteristics of projects which achieve planned outcomes.

5.7 The ANAO considered that a high level of ownership in and commitment to the project has been achieved by the Secretaries and their staff through:

- early involvement by the departmental executives in developing the concept of the 'one stop shop';
- a high degree of input by departments into the concepts, timeframes and strategies for the implementation of Centrelink; and
- the many officers responsible for the development of submissions to the Government regarding Centrelink then being assigned key roles in the implementation of the project.

5.8 This was discussed in paragraphs 3.32-3.33.

Implementation Structures

5.9 A key factor for project success is to ensure that organisational structures support the implementation through:

- setting clear lines of accountability and responsibility; and
- appropriate coordination structures; that is, to ensure
 - coverage of all relevant issues,
 - coordination with all relevant stakeholders,
 - timely implementation of project and contingency plans, and

- a control and review mechanism to assess progress and for problem solving.

5.10 The ANAO considers that DSS and DEETYA had structural and accountability arrangements which supported project management and, consequently, contributed to the overall project success. Examples have included:

- responsibility for the overall implementation allocated to Deputy Secretaries in DSS and DEETYA;
- responsibility and accountability for the components of the projects allocated to line managers;
- development and undertaking of high level implementation coordination strategies and coordinating teams whose work was customised to the departments' particular environments; and
- establishment of networks of area agency coordinators to assist in implementation at the local level.

5.11 This was discussed in paragraphs 2.5 - 2.11.

Formalised project plans

5.12 In large projects, formal plans provide a tool to assist in:

- fully identifying all tasks, their interactions and boundaries and those which are critical to progress the project, responsibilities, results required and associated time-frames and deadlines; and
- monitoring progress of the project.

5.13 Dividing large, complex projects into simpler manageable sub-projects, allows the management of the sub-project to be tailored to the level of uncertainty in the sub-project outcomes and implementation approach.

5.14 Active management of the implementation against the plans:

- decreases the uncertainty in project outcomes and implementation methods allowing a more traditional project management approach to be progressively adopted;
- assists in coordination between sub-projects; and
- allows revisions to be incorporated into plans to reflect changes in the environment.

5.15 The ANAO considers that good practice was demonstrated in the implementation through:

- a commitment to formal detailed project planning;
- dividing a very large and complex project into simpler, manageable sub-projects, tailored to levels of uncertainty; and
- active management of the implementation against the plans.

5.16 This was discussed in paragraphs 2.12-2.22.

Coordination between and within agencies

5.17 For large and complex projects, effective coordination is required between managers and operational staff with responsibility for sub-projects and component tasks, in order to:

- ensure complementary and consistent outcomes are achieved between the sub-components of the project; and
- allow views of all stakeholders to be taken into account.

5.18 The ANAO found that there were strong indications to suggest that a high level of effective coordination had occurred between relevant stakeholders, contributing to the success of the implementation of the project. In particular, coordination had occurred:

- between agencies directly involved in the implementation, including the departmental executives, operational managers and at the local level. A key paper which was used to facilitate coordination was an assumptions paper developed through consultation to ensure a detailed common understanding of complex elements of the project which impacted on the IT and associated sub-projects;
- with agencies external to the direct implementation on design elements of the agency, an important factor given the innovative nature of the task within the APS; and
- within agencies, using existing and supplementary coordinating structures.

5.19 This issue was discussed in paragraphs 3.13-3.29.

Cultural change

5.20 A key factor for success in a project which results in organisational transformation is to involve staff through a cultural change process incorporated into the project implementation. The key intersecting elements required for such cultural change processes are:

- employment of strategic leadership to provide the vision and drive for the change process;
- adoption of a consistent set of values, in line with the values planned for the transformed organisation. To be fully effective in reinforcing the change process, these values need to be reflected in decision-making for the project implementation; and
- implementation of a well targeted communication strategy aimed at informing and involving staff in the progress of the project.

5.21 The ANAO concluded that cultural change mechanisms were integrated into the implementation of the agency. In particular:

- strategic leadership was employed, as demonstrated through
 - strategic decision-making to minimise the risk to customer service,
 - direct communication by senior managers, including Centrelink’s CEO, with the staff and managers of the network of local offices, and
 - the CEO signalling a change in the role of the agency’s national office to better support the customer service focus of the local offices;
- implicit values underpinned the implementation strategy, including
 - openness in communication,
 - greater empowerment of managers and staff; and
 - genuine consultation; and
- a communications strategy, based on research and previous experience, with built-in evaluation points and mechanisms to build outcomes into on-going communications, informed and involved the staff in the progress of the project.

5.22 While the above indicates a process which reflects good practice, it is too early in the operations of Centrelink to assess the success of these initiatives.

5.23 This was discussed in paragraphs 3.30-3.42.

Staged implementation

5.24 A staged approach to implementation within a large project:

- progressively decreases uncertainty in both the outcomes and implementation approaches;
- allows successes to be built upon; and

- allows identification and rectification of problems sufficiently early to minimise their impact.

5.25 In this project implementation, the ANAO found key examples of staging, which were undertaken to:

- ensure that customer service was maintained during the implementation;
- allow time to make changes to systems, property, human resource management and legislation;
- effect a comprehensive communication and industrial relations strategy with staff and other stakeholders; and
- provide early visible improvements in customer service.

5.26 Examples included:

- an overall staged approach to the implementation, with three distinct phases:
 - concept development, design and implementation and implementation and operation;
- bringing forward the transfer date for CES staff and their functions;
- a staged roll-out of local offices, allowing issues to be identified and corrected early in the roll-out and the identification of good practice for offices rolling-out later; and
- phased implementation of re-engineered employment services processes.

5.27 This issue was discussed in paragraphs 3.43-3.57.

Part Three

Appendixes

Appendix 1

Site Roll-outs

There were 282 local office sites 'rolled-out' between 1 May and December '97, as follows²²:

- May - 24 sites
- June - 62 sites
- July - 68 sites
- August - 62 sites
- Sept - 45 sites
- Oct - 13 sites
- November - 6 sites
- December - 2 sites;

The timing of the roll-out in each site took account of:

- the need for contractors to install IT equipment in 282 sites;
- increasing capacity for the number of DEETYA IES5 system users over time;
- property refits; and
- other local conditions identified by local and area managers, including coordination with neighbouring offices; given that there is not always a one-to-one matching of CES regions to DSS regions.

This information was then built into a national roll-out schedule.

The staged implementation also enabled the identification in early roll-out sites of issues and good practice, information on which was then made available to subsequent sites (see site start-up feedback teams below), as well as minimising risk to service delivery.

- On 'Day 1' (different for each site), roll-out occurred. This consisted of
 - relocating staff to CSDA premises (usually former DSS premises);
 - generally, refitting at least the public contact areas of the CSDA office;
 - establishing an employment self-help area including installation of touch-screens;
 - installation of personal computers for former CES staff;

²² Current schedule of 281 local offices as at 12 May 1997, with the addition of Seymour (Victoria) office, rolled-out in September 1997.

- start-up of interim employment process; and
- commencement of lodgment of Austudy forms at Centrelink offices.
- Managers supplemented these events with local initiatives, including:
 - introducing 'business by appointment' on this day; and
 - putting in place customer liaison officers, to assist customers get service easily.
- At local offices, comprehensive plans were developed between CES and DSS/Centrelink local managers to transfer staff and functions. Centrelink managers were provided with an implementation check-list to assist them with this transfer and all other aspect of 'Day 1' planning. This check-list and a complementary one for area offices were developed nationally, using network expertise.
- Local communication strategies were developed using products developed at area and national level. For example, posters and pamphlets describing the change were available to managers to use, as required locally. Similarly, media releases were available for managers to adapt and use locally.
- A site start-up feed-back strategy was developed. Teams, comprising representatives from national, area and the local office, worked in approximately 50 per cent of the sites as they rolled-out in the first five to six weeks. The teams were allocated to offices for a three-day period, commencing the day before roll-out. The teams:
 - identified best practice, problems and their solutions, feeding these into a nationally available database, and directly to managers of those offices scheduled next for roll-out;
 - provided on-site high level problem-solving to local managers; that is, they had direct links with all key project officers, with an associated commitment from those project officers to solve problems expeditiously;
 - in the first three sites validated interim employment processes; and
 - evaluated the effect on customer service of the change, through customer interviews and self-completed questionnaires.

Two weeks before each visit, the team leader telephoned the local managers to assess planning against the check-list. Two weeks after the visit, a further phone call followed up any issues not finalised during the visit.

A further limited round of evaluations is planned to assess aspects of the roll-out, which can only be undertaken several weeks after individual site roll-outs.

Appendix 2

DSS/Centrelink Strategic Partnership Agreement

Component of Agreement	Issues Covered
Core Agreement	<ul style="list-style-type: none"> • objectives of Agreement • principles guiding the strategic partnership • portfolio roles • services to be provided under the Agreement • financial arrangements • performance monitoring • data access arrangements • consultation arrangements • defaults and dispute resolution • changes to the Agreement
Program Management, Product Design and Related Matters Protocol	Key responsibilities and interest of DSS and Centrelink in the policy formulation-product design-service delivery continuum.
Financial Arrangements Protocol	Financial arrangements, associated key outcomes for 1997-98, and liaison, consultation and reporting arrangements, including the protocol managers for both parties.
Data, Management Information, Performance Information and Evaluation Protocol	Data, and management and performance information reports to be supplied (with details in associated schedules and program protocols), access to storage and archiving of data, responsibility for data and information, and variations to the protocol.
Legal Services Protocol	Arrangements relating to legal advice, legislation, contracts, SSAT decisions, advocacy, court appeals, privacy, freedom of information and intellectual property, as well as liaison, consultation and reporting arrangements.
Accountability and Reporting Arrangements Protocol	Services to be jointly provided to the Minister for Social Security by DSS and Centrelink to enable her to meet her Parliamentary and legislative accountability requirements.
Access to Business Premises Protocol	Arrangements for Centrelink and DSS to have mutual access to business premises, outlining guidelines for staff members to gain access to the other's premises.

DSS/Centrelink Strategic Partnership Agreement (cont'd)

Component of Agreement	Issues Covered
<p>Program Protocols</p> <ol style="list-style-type: none"> 1. Income Support for the Retired 2. Income Support for People with a Disability and their Carers 3. Newstart Allowance and Youth Training Allowance 4. Mature Age Allowance 5. Partner Allowance 6. Family Payment 7. Family Tax Payment 8. Maternity Allowance 9. Parenting Allowance 10. Sole Parent Pension JET Child Support Scheme 11. Rent Assistance 12. Special Benefit 13. Widow Allowance and Widow B Pension 14. Ancillary Payments 15. Customer Concessions 16. Other Assistance to Youth and Homeless Customers 17. International Services 	<p>The introduction to these program protocols provides details of a range of issues generic to each of the program types, including:</p> <ul style="list-style-type: none"> • performance measures and standards (some set, with others published in the form of targets) <ul style="list-style-type: none"> – administrative cost, – timeliness, – accuracy, – customer satisfaction, and – incidence of incorrect payment; • Budget measures and other government decisions; • liaison and consultation arrangements; • reporting arrangements; and • special delivery arrangements with respect to <ul style="list-style-type: none"> – taxation arrangements for payments, – indexation of DSS rates, – nominee arrangements, and – rent deduction scheme. <p>Each of the program protocols generally includes:</p> <ul style="list-style-type: none"> • description of the program; • program objectives; • service required for 1997-98 including key result areas; • performance measures in addition to those outlined in the introduction to the program protocols (in general this information does not have an associated performance standard or target); • liaison, consultation and reporting arrangements including the identification of the key responsible manager in both DSS and Centrelink.
<p>Compliance and Recovery Protocol</p>	<p>This protocol defines the services to be delivered under Centrelink's compliance and recovery program. The protocol includes:</p> <ul style="list-style-type: none"> • objectives of the program; • administrative principles; • key result areas for 1997-98; and • performance measures and standards

DSS/Centrelink Strategic Partnership Agreement (cont'd)

Component of Agreement	Issues Covered
<p>Memoranda of Understanding (MOUs)</p> <ul style="list-style-type: none"> • Financial and Resources Services; • Ministerial and Parliamentary Services; • Human Resource Management • IT Services • Media, Public Relations and Printing • Record Management and Access • Property and Tuggeranong Office Park Services • Security Services 	<p>These MOUs relate to the provision of corporate and parliamentary support services, provided by either DSS or Centrelink on behalf of both agencies. Each of the MOUs covers some or all of the following issues:</p> <ul style="list-style-type: none"> • matters covered in the MOU, • MOU objectives, • services to be delivered in 1997-98, • contract procedures, • key result areas for 1997-98, • resourcing and other funding arrangements, • dispute resolution, • liaison and consultation arrangements, and • renewal of MOU.

DEETYA – Centrelink Service Arrangement

Component of Document	Issues covered
Core Document	<ul style="list-style-type: none"> • what services will the Agency provide • what conditions must the Agency meet • Agency assistance to the Department (related matters) • action by the Department to empower the Agency (related matters) • Departmental assistance to the Agency (related matters) • records and privacy (related matters) • how this arrangement will be managed
Working Arrangements Protocols, including dispute resolution for breaching protocols	<p>(It was intended that the details underlying the protocols would be jointly agreed by 30 August 1997. While some progress had been made, formal agreement had not been achieved by this date.)</p>
• Consultative arrangements	<ul style="list-style-type: none"> • specification of issues to be discussed at high level monthly meetings and at officer meetings • specification on issues requiring consultation
• Development, implementation and maintenance of policy and operational procedures.	<ul style="list-style-type: none"> • specification of responsibilities for each party • flagging of joint reviews required
• Network communications	<ul style="list-style-type: none"> • coordination of correspondence correspondence response time
• Access to agency sites, staff and customers	<ul style="list-style-type: none"> • access to agency sites and staff • participation in committees and/or working groups • contact with agency customers
• Performance monitoring and review and access to management information	<ul style="list-style-type: none"> • functions for joint work • aims for monthly consultation

DEETYA – Centrelink Service Arrangement (cont'd)

Component of Document	Issues covered
<ul style="list-style-type: none"> • Handling customer complaints and suggestions • Service standards for customers • Access, development, implementation and maintenance of the Department's information technology systems used by the agency. • Ministerial and Parliamentary requests 	<ul style="list-style-type: none"> • customer information • handling customer complaints • reporting on customer complaints and suggestions • development and implementation of Customer Service Charter by Centrelink • provision of benchmarking data by DEETYA • aims of joint working arrangements • application management, specifying the functions and powers of DEETYA managers with respect to DEETYA IT systems. • service level guarantees comprising: <ul style="list-style-type: none"> – system availability – system performance – advice of changes – system development, including project planning arrangements, business requirements, systems design and specification, quality control and testing. • systems management comprising: <ul style="list-style-type: none"> – change management – fault handling timing and content of development releases – user information, and – system documentation • systems access comprising: <ul style="list-style-type: none"> – systems security – organisational structure – printer definitions, and – audit logs • systems and application training • customer information - mailhouse information • request for information by Minister or Secretary • correspondence • questions on notice • possible parliamentary questions • Senate Estimates and other Parliamentary Committees

DEETYA – Centrelink Service Arrangement (cont'd)

Component of Document	Issues covered
<p>Service Schedules</p> <ul style="list-style-type: none"> • Employment services: <ul style="list-style-type: none"> – registration and maintenance of job seeker records, – administration of the activity test, – information and self-help services, – referral to employment services, and – referral to programmes administered by the Department; • Special assistance; • Services for young people (aged 15-20); and • Student assistance services. 	<p>Each service/service component schedule covers the following:</p> <ul style="list-style-type: none"> • objective • description of services • customer service objectives • performance information • other information requirements
<p>Touch Screen Rollout Schedule</p>	<p>This schedule contains a list of the dates for relocation of CES staff and touch screens to Centrelink by CES Office.</p>

Appendix C

Performance Audits in the Social Security Portfolio

Set out below are the titles of the reports of the main performance audits by the ANAO in the Social Security Portfolio tabled in the Parliament in recent years.

Audit Report No.25 1996-97

Customer Service

Audit Report No.12 1996-97

Follow-up Audit

Data-matching

Audit Report No.9 1995-96

Teleservice Centres

Audit Report No.4 1995-96

Regional Office Resourcing and Benefit Processing

Audit Report No. 7 1993-94

Data-Matching

Audit Report No.25 1992-93

The Jobs, Education and Training Program

Audit Report No.18 1992-93

Administration of Special Benefit

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