

Management of Selected Functions of the Child Support Agency

Australian Taxation Office

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Canberra ACT
6 April 1998

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Management of Selected Functions of the Child Support Agency*.

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

AUDITING FOR AUSTRALIA

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

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Audit Team

Mark Holmes
Russell Lapthorne
Laura Marks
Jon Hansen

Abbreviations

AGS	Australian Government Solicitor
ANAO	Australian National Audit Office
APS	Australian Public Service
ATO	Australian Taxation Office
CSA	Child Support Agency
CSRO	Child Support Review Office
DSS	Department of Social Security
EW/EWA	Employer Withholding / Employer Withholding of Arrears
HRD	Human Resource Development
JSCCFLI	Joint Select Committee on Certain Family Law Issues
MCD	Master Compliance Dataset
MFT	Multifunctional Team

Part One

Summary and Recommendations

Summary

The Child Support Agency

1. Child support continues to be an important and sensitive issue for the Australian community, particularly for separated parents. The Child Support Agency (CSA), together with the Department of Social Security (DSS), Centrelink and the Attorney-General's Department, administer the Child Support Scheme. The Parliament established the Child Support Scheme as a national system for assessing, collecting and enforcing child support. The main aim of the scheme is to ensure that separated parents share in the cost of the support of their children.

2. The CSA has a key role in the administration of the scheme. Its main function is to assist the transfer of child support payments between separated parents for the benefit of children. The Agency provides separated parents with information and help services and registers, assesses, collects and enforces child support obligations in particular circumstances.

3. The CSA was established in June 1988 as part of the Australian Taxation Office (ATO). It currently administers some 448 000 child support cases, including 261 000 cases for which it is the collection agency. Child support payments totalling \$2 209m have been transferred between separated parents through the CSA.

4. The DSS has estimated that 'clawback' savings in family payments resulting from the transfer of child support payments totalled \$283m in 1995-96. This represents a net return to Government of \$151m after taking into account program outlays on scheme administration.

The audit approach

5. The objective of the audit was to assess the performance of the CSA in the administration of key aspects of the Child Support Scheme.

6. The Australian National Audit Office (ANAO) previously audited the CSA in 1993-94 and identified scope for improvement in the management and administration of the Child Support Scheme. Particular areas of audit concern included client service, staff training and debt management. The Joint Select

Committee on Certain Family Law Issues (JSCCFLI) carried out a wide-ranging inquiry into the Child Support Scheme during the same period.

7. The current audit has reviewed the CSA's progress in improving Agency performance since that time. We focused initially on the areas identified in the previous audit, but also sought to identify further opportunities for improvement where appropriate.

8. We carried out the audit examination in the CSA national office and six branch offices in three regions. We also consulted with the other government agencies involved in scheme administration and a range of community organisations.

9. The audit did not address policy issues relating to the design of the Child Support Scheme, including the child support assessment formula, because they are outside the ANAO's performance audit mandate.

Overall conclusion

10. The ANAO found that the CSA has made substantial improvements to its operations since the previous audit. Opportunities for the Agency to build on these improvements were identified during the audit and are set out in this report.

11. The Agency has introduced significant initiatives to improve client service and staff development. These have included the issue of its client service charter, the establishment of client-focused work teams and improvements to telephone enquiry services. It also has introduced a complaints service and provided staff training in client contact skills. However, some client services, such as the processing of new applications and reviews as well as correspondence handling, have not improved to the same extent.

12. The CSA has taken action to manage debt collection operations better, through such means as the issue of debt collection policy and procedural guidance, client research, regional debt collection plans and staff compliance improvement networks. Operational activities for debt identification, client location, liability assessment, initiating legal action against debtors and debt write-off also have improved. Notwithstanding these developments, we consider that the Agency continues to face a significant challenge in managing and reducing child support debt which at 30 June 1997 stood at \$517m. This warrants the CSA putting considerable effort into debt management activities to correct, write-off or recover accumulated debt as appropriate.

13. The Agency is considering future strategic directions for the Child Support Scheme and its administration in the context of a changing public sector environment. There are service benefits for clients and efficiency gains for the CSA in continuing to work closely in partnership with the other government agencies administering the scheme and community stakeholders on better ways to deliver services that meet the needs of separated parents often in difficult situations. It is important that the agencies delineate and formalise their respective responsibilities and keep clients informed of all developments that are likely to impact on them.

Recommendations

14. The ANAO made twelve recommendations to improve the CSA's efficiency and administrative effectiveness. The Agency agreed with all recommendations, including three with qualifications.

CSA general comments

15. The CSA is committed to delivering a high quality service to clients, while continuing to maintain a strong collection focus. The Agency is committed to achieving recognition as a world leader in the successful administration of child support systems. Consequently, a range of initiatives designed to improve the performance of the Agency across all operational areas have been implemented since the previous ANAO report. This report demonstrates that we have skilled staff in place to allow us to continually improve. The Agency agrees with the recommendations put forward in this report and sees this process as an integral part of our efforts to improve performance.

Key findings

Improving scheme arrangements for clients

(Chapters 1 and 2)

- The Child Support Scheme has continued to evolve, and service delivery arrangements have developed accordingly. Client caseload administered by the Agency is expected to increase for at least the next five years. The CSA is encouraging more clients to move to private collection arrangements that do not directly involve the Agency. It is also considering future service delivery options for the scheme.
- There would be advantage in the CSA sponsoring joint exercises with other government agencies to identify preferred options and also to delineate and formalise their respective responsibilities. Clients also would benefit from receiving better quality information on the scheme, its relationship to family law and income support matters, and the responsibilities of each agency administering the scheme.
- Since the previous audit, the CSA's collection performance has continued to improve. It has collected some 81 per cent of scheme liabilities on behalf of clients for whom it is the collection agency.
- A high proportion of liable and carer parents have a negative perception of CSA service. Client research commissioned by the Agency in 1997 indicates that 49 per cent of liable parents and 32 per cent of carer parents surveyed were dissatisfied or very dissatisfied with CSA service. Various factors, including the circumstances of parental separation, may influence clients' perceptions of Agency service. It is important that the CSA continues to address client service perceptions.

Serving clients and developing staff

(Chapters 3, 4 and 5)

Client service

- The CSA has taken a number of actions to improve client relations and service, an area requiring priority attention. It has introduced a client charter, commissioned surveys of liable and carer parents over several years and consulted with community organisations through national and regional advisory panels. The surveys have revealed low client recognition of the charter. There would be benefits in the CSA further examining ways to promote the charter more effectively and evaluate its impact more systematically.
- Branch team structures now have a stronger client focus. The CSA is also pursuing some innovative arrangements to deliver better client services. These include 'outreach programs', that is, services outside CSA branch offices. Where cost-justified, these alternative service delivery arrangements should be introduced more widely.
- The Agency has improved its telephone enquiry services and is trialing extended operating hours for these services. It plans to reduce the time taken to register new applications for child support by electronically transferring relevant client details from Centrelink. It is important that the Agency improve telephone call response times in the branches that are not performing well, and raise service performance in processing new applications generally. There could be scope for the CSA to provide clients with additional recorded telephone information services to improve client service and reduce service demand on staff enquiry lines.
- There are further opportunities to improve client service by making Agency forms, standard letters and publications more understandable and easier for clients to use. Community group consultations on the design of this material could be beneficial.

Complaints handling

- The CSA has demonstrated its commitment to client service by establishing a complaints handling service. There is scope to enhance client awareness of this service.

- Some 58 per cent of complaints were upheld in favour of clients in 1996-97. This demonstrates the value to clients of the CSA complaints system and signals areas where performance can be improved and better outcomes delivered.
- The ANAO sees merit in incorporating facilities to record every complaint in the Agency's replacement computer system now being developed. Closer analysis of complaints data would help the Agency to better focus on areas where service delivery can be improved.

Human resource development

- The CSA now has appropriate strategies for identifying its human resource development (HRD) needs and priorities, as well as for planning and coordinating the delivery of staff training. It has made a significant investment in HRD programs for staff, particularly technical and client contact skills training. The courses appear to have contributed to improved client service delivery.
- The CSA could improve its capacity to analyse, report and evaluate its training activities by upgrading information technology facilities for recording these activities and by adopting a formal HRD evaluation tool.

Varying formula-based child support assessments

(Chapter 6)

- The Child Support Review Office (CSRO) is a CSA internal administrative unit that varies formula-based child support assessment in special circumstances. Some clients think it is an independent body that can review any CSA decision. There would be benefit in the CSA considering ways to reduce client confusion regarding the status of the CSRO.
- The development of a technical database of legislation, rulings and determinations would provide review officers with better information for decision making and enhance the consistency of case determinations.
- The transfer of aspects of client service work associated with the CSRO to branch multifunctional teams that now handle most of the child support matters affecting clients would provide an improved quality service for clients.

Reducing child support debt

(Chapters 7 and 8)

Debt management

- Child support debt is a significant issue for the Agency and the community because it means that some children have not received their child support entitlements and defaulting parents have not met their assessed share of the cost of supporting their children. As at 30 June 1997 some 146 000 liable parents owed a total of \$517m. Much of this debt is old. Clients who have defaulted on most of their child support payments and have very large individual debts represent a major debt collection problem. There are also many clients with small debts who generate substantial workload for the CSA.
- Since the previous audit, the CSA has produced a national debt management policy and has been revising detailed supporting guidelines and procedural instructions. There is scope for the Agency to further expand, update and rationalise staff guidance on debt management issues given their significance for the program outcomes.
- The CSA has been undertaking some useful research on client compliance and on particular segments of the child support debtor population. There is scope for the Agency to increase research into higher-risk debtor segments as a basis for developing appropriate debt recovery actions. The CSA's highest priorities for debt collection are sound. Performance would be further improved by a systematic assessment of expected benefits and evaluation of actual results to support decisions to initiate and continue new debt collection priority areas.
- The CSA has national, regional and branch plans that address debt management issues and uses several key performance indicators to measure collection performance. The ANAO considers that there is scope for the Agency to make more effective use of its planning framework to set and communicate national priorities and actions, as well as link local operational activities to these strategies. There would be benefit in the Agency adding to its key performance indicators to monitor more closely the age of child support debt and the number of debtors under debt repayment arrangements.
- The CSA has recently introduced a new business support system (COMPACT) for debt collection operations on an interim basis until a new

system is developed. It is important that the CSA enhance coordination of the introduction of COMPACT and make optimal use of its potential benefits.

Debt collection operational activities

- The CSA has improved the way it identifies debt cases for actioning and searches records to locate clients who cannot be contacted at their last known address. It should aim to reduce the time taken to take action on new debt cases. The Agency is now making more realistic estimates of the child support liabilities of clients where it cannot obtain details of their incomes. Debt associated with these liability cases should be actively pursued on a cost effective basis.
- The CSA is now making more use of powers to arrange for employers to withhold child support arrears from the wages and salaries of debtors. The ANAO estimates that the Agency can potentially recover an additional \$7m in arrears within a year by extending these arrangements to more debtors.
- CSA guidelines on the collection of arrears by withholding income provide two very different formula methods for setting employer withholding of arrears (EWA) rates for clients. This would seem to raise equity questions as, depending on the formula used, different rates of debt recovery would result. The CSA should undertake a review of the EWA rates contained in the guidelines and being applied in practice.
- The CSA has recently been more active in writing-off debts where they are uncollectable. Some \$58m has been written-off since the scheme's inception. There is scope for better targeting doubtful debts for appropriate debt recovery, liability reduction or debt write-off action.

Recommendations

Set out below are the ANAO's recommendations aimed at improving the administration and operations of the CSA. The report paragraph reference and abbreviated responses of the CSA are also included. More detailed responses are shown in the body of the report. The ANAO considers that the CSA should give priority to Recommendations 1, 9, 10 and 12.

Child Support Scheme Administration

Recommendation No.1 The ANAO recommends that the CSA work together with other agencies administering the Child Support Scheme to:

Para. 2.38

a) identify preferred options for more effective future service delivery arrangements for the scheme and to further delineate and formalise their responsibilities through memoranda of understanding; and

b) improve communication with clients and stakeholders regarding the scheme, its relationship to other issues affecting separated parents and the respective responsibilities of the government agencies administering the scheme.

CSA Response: The CSA agrees with this recommendation.

Client Service

Recommendation No.2

Para. 3.45

The ANAO recommends that the CSA:

- a) examine cost effective ways to further promote the client charter and to evaluate more systematically the impact of the charter on client relations and client service performance;
- b) design forms, standard letters and publications that are more simple and easy for clients to understand, through consultations with community stakeholders and client focus group research where appropriate;
- c) improve further the service responsiveness of telephone enquiry services and examine the potential for wider business application of interactive voice response technologies; and
- d) evaluate more closely the cost effectiveness of outreach and alternative service delivery arrangements, with a view to their greater use where there is a clear business case to do so.

CSA Response: The CSA agrees with this recommendation.

Complaints Handling

Recommendation No.3 The ANAO recommends that the CSA, as part of its communication strategy, identify ways of enhancing client awareness of its complaints service.

Para. 4.11

CSA Response: The CSA agrees with this recommendation.

Recommendation No.4 The ANAO recommends that the CSA incorporate facilities to record all complaints in its new computer system and analyse the management information from this system to identify opportunities for improving service delivery and scheme design features.

Para. 4.26

CSA Response: The CSA agrees with this recommendation.

Human Resource Development

Recommendation No.5 The ANAO recommends that the CSA:

Para. 5.15

a) examine the cost effectiveness of upgrading computer facilities to provide improved management reporting on human resource development activities; and

b) adopt a more formal evaluation process for systematically evaluating outcomes of its human resource development strategies and activities.

CSA Response: The CSA agrees with this recommendation.

Child Support Review Office

Recommendation No.6 The ANAO recommends that the CSA assess the benefits and costs of establishing a technical data base consisting of family law issues, child support legislation, CSA rulings and key review officer determinations to assist consistent decision making.

Para. 6.16

CSA Response: The CSA agrees with this recommendation.

Recommendation No.7 The ANAO recommends the CSA examine the cost effectiveness of transferring the client service liaison aspects of review support team work to general agency staff to provide clients with an improved quality service.

Para. 6.27

CSA Response: The CSA agrees with qualification to this recommendation.

Debt Management

Recommendation No.8 The ANAO recommends that the CSA:

Para. 7.22

a) produce a debt collection management guide to promote shared understanding of the Agency's management approach to compliance improvement and to assist key staff manage and perform debt collection and enforcement duties;

b) align the collection and enforcement policy more closely to the Agency's business strategy of encouraging client self-administration and to its compliance improvement approach; and

c) update debt collection guidelines that have not recently been revised and rationalise where appropriate detailed procedural guidance currently provided in debt collection policy and procedures documentation.

CSA Response: The CSA agrees with this

recommendation.

Recommendation No.9 The ANAO recommends that the CSA:

Para. 7.35

a) undertake systematic debtor research and analysis, control testing and evaluation of results, where appropriate, to support decisions to initiate and continue new debt collection priority areas and actions;

b) prepare a general profile of debtors and special profiles of higher-risk debtor segments, as a better basis for developing debt recovery actions tailored to those segments; and

c) review the design and operation of the payer compliance score method recently introduced to help determine the rank order for actioning debt cases and examine the benefits of developing a wider range of indices to assist debt collection operations.

CSA Response: The CSA agrees with this recommendation.

Recommendation No.10 The ANAO recommends that the CSA:

Para. 7.50

a) incorporate a risk analysis of child support debt, identify short-run priorities for debt collection action and set out proposed debt collection process improvements in future national business plans;

b) ensure that regional and branch debt collection operational plans focus on, and can demonstrably achieve, Agency priorities and performance targets; and

c) improve key collection performance indicators, to better measure payer compliance with child support obligations and enable closer monitoring of the age of child support debt and debtors under debt payment arrangements.

CSA Response: The CSA agrees with this recommendation.

**Recommendation
No.11**

Para. 7.65

The ANAO recommends that the CSA enhance coordination of the introduction of the COMPACT computer system and, where cost effective, make greater use of its potential benefits for recording, monitoring and evaluating debt collection operations.

CSA Response: The CSA agrees with qualification to this recommendation.

**Recommendation
No.12**

Para. 8.41

The ANAO recommends that the CSA maximise financial support for children of separated parents and reduce net child support debt by:

- a) reducing the time taken to identify and take initial action on new debt cases;
- b) pursuing actively the recovery of debt associated with default assessment liabilities;
- c) revising guidelines on employer withholding of arrears and making greater use of this method to recover debts in appropriate circumstances;
- d) identifying debtors with assets for possible legal action and publicising effective enforcement operations;
- e) reviewing the current guidelines on the remission and collection of penalties and monitoring the outcomes; and
- f) targeting doubtful debts for appropriate debt recovery, liability reduction or debt write-off action.

CSA Response: The CSA agrees with parts a, c and f; and agrees with qualification to parts b, d and e of this recommendation.

Part Two

Audit Findings and Conclusions

1. Introduction

This Chapter provides background information on the Child Support Agency and previous reviews of the Agency. It also outlines the objective and methodology of the audit, as well as the structure of the report.

The Child Support Agency

1.1 The Child Support Agency (CSA), together with the Department of Social Security (DSS), Centrelink and the Attorney-General's Department, administer the Child Support Scheme.

1.2 The Parliament established the Child Support Scheme as a national system for assessing, collecting and enforcing child support. The main aim of the scheme is to ensure that separated parents share in the cost of the support of their children.

1.3 The CSA has a key role in the administration of the scheme. Its main function is to assist the transfer of child support payments between separated parents for the benefit of children. The Agency provides separated parents with information and help services, and registers, assesses, collects and enforces child support obligations in particular circumstances.

1.4 The CSA administers some 448 000 child support cases, including 261 000 cases for which it is the collection agency. The CSA's current business strategy is to encourage separated parents to make private arrangements for the financial support of their children, with the Agency providing a safety net if these arrangements break down.

1.5 The Agency has operated as part of the Australian Taxation Office (ATO) since its establishment in June 1988. The CSA has a national office in Canberra and currently has a network of 23 branch offices organised into four administrative regions. It employs some 2300 staff. Its program costs were \$164m in 1996-97.

Previous reviews

1.6 The Australian National Audit Office (ANAO) previously audited the CSA in 1993-94 and identified scope for improvement in the management and

administration of the Child Support Scheme. Particular areas of audit concern included client service, staff training and debt management.

1.7 In responding to the 1993-94 report, the CSA recognised that there were areas where it needed to improve performance and advised that it had put in place initiatives to improve scheme management and client service. It accepted most of the recommendations of the report.

1.8 The Joint Select Committee on Certain Family Law Issues (JSCCFLI) carried out a wide-ranging inquiry into the operation and effectiveness of the Child Support Scheme in 1993-94. Its findings and recommendations were tabled in December 1994.

1.9 The Government provided an interim response to the JSCCFLI report in March 1995 and a final response in December 1997. Some Committee recommendations were addressed in legislation passed in June 1997.

Audit objective

1.10 The objective of this audit was to assess the performance of the CSA in the administration of key aspects of the Child Support Scheme. The audit focused on:

- the role and functions of the CSA in overall scheme administration;
- client service and complaints handling;
- human resource development;
- the child support review function; and
- debt management and debt collection operations.

1.11 Rather than evaluate the specific action the Agency had taken on each recommendation contained in the previous audit report, we reviewed the general progress of the CSA in improving performance in these focus areas and sought to identify further opportunities for improvement where appropriate. In addition, we examined the child support review function, which had not been the subject of previous audit coverage.

1.12 The audit did not address policy issues relating to the design of the Child Support Scheme, including the child support assessment formula, because they are outside the ANAO's performance audit mandate.

Audit methodology

1.13 The ANAO undertook fieldwork in the CSA national office and six branch offices in three regions in June and July 1997. The audit team interviewed CSA management and staff, and examined CSA planning documentation, policy and procedural guidelines, client research papers and performance reports. CSA work processes were observed and data analysis of child support debt was undertaken during the audit. The ANAO also drew on several Australian Public Service (APS) better practice guides on client service, complaints handling and human resource management.

1.14 Officers of the Attorney-General's Department and DSS were interviewed during the audit. We also consulted with representatives of separated parents organisations, as well as legal aid, social service and ethnic affairs organisations to obtain community stakeholder views.

Acknowledgments

1.15 The ANAO would like to thank CSA management and staff, who assisted in the conduct of this audit, particularly the liaison officers Mr Andrew Waite and Ms Marianne Campbell. We also appreciate the assistance provided by various community groups consulted during this audit.

Cost of audit

1.16 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of \$400 000.

Structure of the report

1.17 The report is organised into eight chapters. Chapter 1 has provided background information on the Agency and the audit. Chapter 2 outlines the general administrative arrangements for the scheme. Chapter 3 examines key aspects of CSA client service, including the Agency's client charter, client research activities and relationship with community stakeholders. Chapter 4 considers the design and operation of the CSA complaints system. Chapter 5 addresses elements of the CSA human resource development function. Chapter 6 reviews the operation of the Child Support Review Office. Chapters 7 and 8 examine debt management and debt collection operations.

2. Child Support Administration

This Chapter describes broad features of the Child Support Scheme and the role of the CSA and other agencies in child support administration. It also reviews some broad indicators of the CSA's performance and scheme cost effectiveness.

The Child Support Scheme

2.1 The Child Support Scheme is a national system for providing financial support for children of separated parents. It was introduced in the late 1980s to replace the court-based system that was widely regarded as not providing adequate and equitable child maintenance and contributing to poverty among sole parent families and increased government expenditure on social security benefits.¹

2.2 The scheme was implemented in two stages. The first stage established arrangements for the CSA to collect maintenance payments under court orders or court-registered agreements. The second stage provided for the administrative assessment of child support obligations.

2.3 The scheme has continued to evolve. In September 1997 the Government announced further proposed reforms to improve the flexibility of the scheme.

2.4 The objectives of the Child Support Scheme are to ensure:

- parents share the cost of supporting their children according to their capacity;
- adequate support is available to all children not living with both parents;
- Commonwealth involvement and expenditure are limited to the minimum necessary for ensuring children's needs are met;
- parents are not discouraged from participating in the workforce; and
- the overall arrangements are non intrusive to personal privacy and are simple, flexible and efficient.²

¹ Child Support Evaluation Advisory Group, *Child Support in Australia. Final report of the evaluation of the Child Support Scheme*, Volume one-main report, AGPS Canberra 1992, p.67.

² Government response to the JSCCFLI report, *Senate Hansard*, 2 December 1997.

Scheme caseload

2.5 The CSA administers two basic kinds of cases under the Child Support Scheme:

- **Stage 1 cases**, involving court-based maintenance liabilities registered with the CSA; and
- **Stage 2 cases**, involving child support liabilities assessed by the CSA.

2.6 Stage 2 arrangements apply to parents who separate or have a child born on or after 1 October 1989. For these cases, the CSA is empowered to make administrative assessments of child support obligations using a formula based on the taxable income of the liable parent (less a specified exempted income amount) and the number of children for whom the person is the liable parent. Various modifications of the basic formula apply in less common client circumstances.

2.7 The caseload of the Agency has grown steadily in the 1990s, as shown in Chart 1. The CSA administered some 448 000 cases in 1997, of which about 88 per cent were under Stage 2 arrangements. It expects that the total number of cases will increase for at least the next five years. Stage 1 cases are declining in absolute numbers as well as relative to total caseload.

2.8 There are three types of arrangement for the payment of child support:

- CSA collection, where separated parents make their child support payments through the CSA. Their liabilities are registered with or assessed by the CSA. The CSA acts as the collection agency for 261 000 cases, equivalent to 45 per cent of the estimated population of separated parents.
- Private collection, where separated parents make private collection arrangements for their child support obligations registered with or assessed by the CSA. Some 31 per cent of the estimated population of separated parents have made private collection arrangements.
- Self-administration, where separated parents arrange for the financial support of their children, without any CSA involvement. In effect, these cases are outside the Child Support Scheme. Currently 24 per cent of the estimated population of separated parents handle all aspects of their child support.

2.9 Chart 2 shows the number of CSA and private collection cases administered by the Agency. It indicates that private collection cases have risen from a low base since the early 1990s.

Scheme administrative arrangements

2.10 The CSA, DSS, Centrelink, the Attorney-General's Department and the Family Court of Australia have administrative responsibilities or jurisdiction relating to child support, income support or family law matters that affect separated parents and their children. The four non-judicial government agencies administer the Child Support Scheme. The principal responsibilities of each agency and the Family Court in relation to the scheme, their main linkages to CSA operations and the overall arrangements for scheme coordination are outlined below. Chart 3 illustrates the coordinating and consultative arrangements for the Child Support Scheme.

CSA responsibilities

2.11 The role of the CSA is to assist in the transfer of child support payments between separated parents. Its specific responsibilities include:

- providing information and help services to separated parents;
- registering child support court orders and agreements;
- making administrative assessments about how much child support is payable;
- collecting child support payments from liable parents and disbursing them to carer parents;
- reviewing administrative assessments to take account of special client circumstances; and
- enforcing child support liabilities when liable parents do not meet their obligations.

2.12 The CSA is a functional area within the ATO. Being part of the ATO organisational structure helps the CSA to assess and enforce child support obligations. In particular, it can access ATO records to obtain relevant information about separated parents and their taxable income, work through other ATO business lines to require separated parents to lodge outstanding tax returns where necessary and intercept tax refunds for liable parents if they have child support debts.

DSS and Centrelink responsibilities

2.13 DSS and the Commonwealth's new service delivery agency, Centrelink, provide income support to CSA clients entitled to social security

benefits. These beneficiaries are required to take reasonable action to obtain child support in order to qualify for particular benefits and the child support payments they receive may affect the amount of benefits paid.

2.14 DSS has an ongoing role in developing policy for the Child Support Scheme, estimating the financial savings from the operation of the scheme and evaluating its social impact.

2.15 Centrelink now handles the child support applications lodged by separated parents and refers the applications to the CSA (clients can also register directly with the CSA), provides the CSA with client information under data exchange arrangements and disburses child support payments to CSA clients. These operational responsibilities were transferred from DSS to Centrelink in July 1997.

2.16 In addition, the CSA, DSS and Centrelink have participated in joint pilot operations of family service centres in some regions and the CSA has used DSS/Centrelink offices to provide services to CSA clients in more remote localities.

Family Court jurisdiction and Attorney-General's Department responsibilities

2.17 The Family Court of Australia exercises jurisdiction over such family law matters as proceedings for divorce, property settlement, spousal maintenance, the residence of children and parental contact with children.

2.18 The Family Court continues to have jurisdiction over child maintenance made under Stage 1 child support arrangements. It also deals with appeals arising from Stage 2 reviews of administrative assessments.

2.19 The Attorney-General's Department provides funding for legal aid centres that assist separated parents in relation to child support and family law matters. The Department also provides the CSA with legal advice on scheme legislation and helps the CSA to enforce child support obligations through the courts.

Coordinating and consultative arrangements

2.20 The main formal coordinating and consultative arrangements for the Child Support Scheme have been:

- a child support steering committee, consisting of the government agencies administering the scheme, that has provided for broad strategic management of the scheme;

- ad hoc interdepartmental committees established to coordinate and develop policy initiatives relating to the scheme; and
- national and regional child support advisory panels involving the agencies as well as community representatives.

2.21 The CSA has formalised its operational linkages with other agencies involved in scheme administration to a limited extent. It has had a national memorandum of understanding with DSS for data exchange relating to CSA clients, as well as various local service agreements with the Attorney-General's Department (Australian Government Solicitor's Office) for the provision of legal services particularly in respect of enforcement action against liable parents through the courts. These formal arrangements do not cover the full range of working relationships between the agencies.

2.22 The ANAO considers that there are potential client service and financial benefits from the CSA working together with other agencies administering the scheme to identify preferred options for future service delivery arrangements for the scheme and to further delineate and formalise their responsibilities. The CSA is already moving in that strategic direction. Its 1997-98 national business plan identifies the importance of building partnerships with other government agencies and the community for future service delivery. The plan notes the significant changes taking place in government service delivery, including the establishment of Centrelink, and the increasing government emphasis on the contestability of operations of all government agencies.

2.23 Proposals identified in the CSA's current national business plan include the improvement of client access to mediation and counselling services. We see benefit in the CSA sponsoring joint project teams with other relevant government agencies to examine how the proposed new services can be delivered cost effectively. The Agency could provide these services in-house or use other government agencies or community-based organisations to provide them on its behalf. Scheme based teams would help to ensure that client preferences on how the total range of services for separated parents are provided are adequately taken into account. It would also minimise the risk of duplication or gaps in the service coverage provided by the various agencies.

2.24 Whatever future service delivery options for the scheme are selected, it is important that the arrangements be specified clearly in comprehensive memoranda of understanding between the CSA and other relevant agencies. These documents would define the respective responsibilities of each agency and their working arrangements, set out the financial or other basis on which particular services are provided and state clearly the expected standards of

service performance. These are essential for adequate accountability for results.

2.25 We consider that the relatively recent establishment of Centrelink provides the CSA with new opportunities to build stronger inter-agency ties at the operational level. This can be done by such means as closer liaison arrangements with local Centrelink offices and the participation of staff of both agencies in joint information and training sessions on relevant child support topics. Such operational linkages are vital as the CSA relies on Centrelink to provide accurate and complete advice to prospective social security clients to help them make informed decisions regarding options for child support. It also depends on Centrelink to process and refer any client registrations for child support it receives in a timely manner.

Client understanding of scheme arrangements

2.26 Community groups consulted during the audit indicated that many separated parents do not understand or do not accept that child support issues are not linked to family law issues such as the residence of their children and parental contact with children. This can generate client ill-will in their dealings with the CSA. Some community groups also indicated concern that the CSA's vision of encouraging separated parents to move to private arrangements could adversely affect carer parents and their children in some circumstances. Client research commissioned by the CSA also indicates that clients are confused about many aspects of the scheme, and that some liable and carer parents perceive the scheme as treating them unfairly.

2.27 The four agencies administering the scheme generally make their own arrangements for communicating with clients and stakeholders about the scheme through various agency publications and help services. Their joint participation in the child support advisory panels is an important exception. We noted that the CSA is currently developing a communication strategy for the Agency and is proposing to produce a range of new products for CSA clients, including self-help kits. It has previously prepared a range of publications and information kits for clients and stakeholders.

2.28 The ANAO considers that there would be benefit in the CSA applying greater effort to address client misunderstandings and negative perceptions of scheme arrangements as part of the development of its current communication strategy. As some of these issues relate to the responsibilities of other agencies administering the scheme and the Family Court of Australia, it would be appropriate to invite other agencies to participate in the process.

2.29 There could be value in the joint production of publications and other media that provide clients with better quality information on the Child Support Scheme and its relationship to other issues such as family law, legal aid and income support, and set out clearly the respective responsibilities of various government agencies. The CSA's safety net for enforcing child support obligations where private child support arrangements break down should be fully explained. Publications and other media also should acknowledge that separated parents often are in difficult personal and financial circumstances and show empathy for them and their children.

Agency administrative performance and scheme cost effectiveness

2.30 The CSA and DSS have used a range of performance indicators to measure Agency administrative performance and scheme cost effectiveness, including collection performance, client satisfaction with service and social security savings.

2.31 We observed that the CSA's collection performance has continued to improve since the previous audit. CSA performance reports indicate that, since the inception of the scheme, child support payments totalling \$2 209m have been transferred between separated parents who have used the CSA as a collection agency.³ This represents a collection rate of 81 per cent of total scheme liabilities for CSA collection cases. Accumulated child support debt amounts to \$517m. Recent trends are shown in Chart 4.

2.32 A high proportion of liable and carer parents have a negative perception of CSA service, which the Agency should continue to address. Client research commissioned by the Agency indicates that 49 per cent of liable parents and 32 per cent of carer parents surveyed in 1997 were dissatisfied or very dissatisfied with CSA service. Details are shown in Chart 5. There are notable differences in the concerns of liable and carer parents. Liable parents focus on issues of equity. Carer parents focus on the Agency's power to collect child support and issues of communication.

2.33 It is important that the Agency continues to address the concerns of parents and thereby raise their satisfaction with client service. We recognise that these negative service perceptions may be shaped by the feelings that parents may have about the breakdown of their relationship with their

³ This includes some \$232m in discharged arrears forgone by carer parents.

ex-partner, their emotional turmoil at the time of contact with the Agency, as well as their views on design features of the scheme.

2.34 DSS has estimated that 'clawback' savings in family payments resulting from the transfer of child support payments totalled \$283m in 1995-96. This represents a net return to Government of \$151m after taking into account program outlays on scheme administration.

2.35 The CSA recently has given increased attention to comparing the Agency's performance with overseas child support agencies and identifying other possible measures of scheme cost effectiveness. We support CSA efforts to pursue these issues and encourage the Agency to exchange performance data, particularly on scheme arrangements, collection performance, client numbers and operating costs, with counterpart agencies in other countries.

2.36 The audit carried out a limited review of documentation relating to the operation of overseas child support agencies during the audit. Based on this review we concluded that it is not possible to make a comparative assessment of the relative performance of the CSA and its counterpart agencies. There are significant differences between these agencies in their coordination and service delivery responsibilities, their location in tax or social security administration within the machinery of government and their operation in federal or unitary systems. Child support schemes in different countries vary in the extent of their coverage of separated parents and their involvement in the transfer of child support payments under private collection or self administration arrangements. There are gaps and differences in the reporting on collection performance between the agencies.

2.37 The CSA believes that on the basis of available statistical data, its collection performance compares favourably with the operations of child support agencies in the United States, the United Kingdom and New Zealand. The ANAO considers that there is insufficient comparable data to reach such a conclusive view at this time. However, we recognise that CSA operations and performance results have attracted the interest of overseas agencies and some worthwhile comparisons may be possible to assist in assessing performance.

Recommendation No.1

2.38 The ANAO recommends that the CSA work together with other agencies administering the Child Support Scheme to:

- a) identify preferred options for more effective future service delivery arrangements for the scheme and to further delineate and formalise their responsibilities through memoranda of understanding; and
- b) improve communication with clients and stakeholders regarding the scheme, its relationship to other issues affecting separated parents and the respective responsibilities of the government agencies administering the scheme.

CSA Response

2.39 The CSA agrees with this recommendation.

- a) The Agency identified the need to form closer relationships with other agencies in the 1997-98 National Business Plan. Strategy 7.1.2 of the plan sets out the need to both 'initiate action to shape future service delivery with all agencies involved' and to 'identify and build partnerships for the delivery and provision of services'. The Agency is currently involved in ongoing talks with Centrelink regarding the formation of a service agreement to define the integration of 'front end' services. It is also working with a wide range of community groups to better integrate support services with Agency activities.
- b) The CSA has a client charter, national and regional stakeholder panels. Recently the CSA has developed a comprehensive communication framework to ensure alignment of all activities, internal and external. The introduction of new programs including payer support, education for parents and children, self help and mediation, are significant vehicles for improving communication with clients and stakeholders.

3. Client Service

This Chapter examines key aspects of CSA client service, including the Agency's client charter, client research activities and relationship with community stakeholders. It analyses recent performance trends in the Agency's processing of child support applications, telephone enquiry services and correspondence handling. The CSA's involvement in innovative service delivery arrangements is also outlined.

Introduction

3.1 CSA client service refers to the interaction between the CSA and separated parents who are entitled to service from the Agency. Clients receive high quality service where an agency meets client needs and expectations on aspects of the service that matter most to them, within the operating constraints of the agency.

3.2 The 1993-94 audit report set out serious ANAO concerns about a number of CSA client services, particularly telephone enquiry services and correspondence handling. The report also outlined initiatives that the CSA proposed or had under way at that time to improve the level of service available to clients. We assessed the current client service performance of the CSA against that background.

3.3 Our framework for analysis of CSA client service drew upon service principles recently published in a public sector better practice guide to quality in customer service.⁴ We recognise that separated parents are clients by circumstance rather than by choice and this can affect their relationship with the Agency and their satisfaction with its client services.

3.4 The ANAO focused on the following issues that we consider are crucial elements for providing quality service to CSA clients:

- clear, strong and practical Agency commitment to client service;
- research that focuses on the service needs of clients and provides information on their level of satisfaction with client services;
- effective consultation and communication with community stakeholders;

⁴ Management Advisory Board and Australian National Audit Office, *The Better Practice Guide to Quality in Customer Service*, November 1997.

- ongoing pursuit of organisational and operational improvement;
- timely delivery of services that are important to clients; and
- Agency commitment to service innovation.

3.5 Client complaints handling and staff training that also contribute to quality client service are addressed separately in Chapters 4 and 5.

Client charter

3.6 The CSA has had a client charter since July 1996. Its development and issue was a significant initiative demonstrating the CSA's commitment to fostering a client service culture in the Agency. The charter came into effect ahead of the general development of service charters in other government agencies.

3.7 The charter sets out the service that clients can expect from the Agency, as well as the responsibilities of clients in dealing with the Agency. It generally conforms to the good practice principles for service charters for Commonwealth government agencies, that were released in March 1997.⁵

3.8 The CSA has provided the charter to all clients and community organisations. It has also circulated the charter translated into community languages other than English. Notwithstanding these efforts, client research commissioned by the CSA has found low client recognition of the charter. Only 13 per cent of clients surveyed in 1997 knew of its existence. Our consultations with community groups during the audit indicated that the promotion of the charter, particularly to socially-disadvantaged community groups, could be improved.

3.9 The CSA regards the charter as having contributed to the improvement of its relations with clients and its client service. Its view is based on positive feedback from child support advisory panels, client survey reports of improved client perceptions of some CSA services and a recent decline in client complaints. The ANAO considers that there would be value in the CSA undertaking a more systematic evaluation of the impact of its client charter, to assess the extent to which it has been effective in creating a client service culture. This could be done as part of the review of the charter that the Agency proposes to carry out in 1997–98.

⁵ Department of Industry, Science and Tourism, *Putting Service First. Principles for Developing a Service Charter*, March 1997.

Client research

3.10 The CSA has commissioned or undertaken a number of client research projects in recent years, to identify the socio-demographic characteristics of CSA clients, better understand client needs and expectations, and obtain feedback on client satisfaction with CSA service.

3.11 A major consultancy survey of client perceptions of the CSA was initiated in 1995 and repeated in the following two years. It aimed to assess changes in client views on Agency operations and to identify areas where client information and service could be improved. Other projects in recent years have focused on the information needs of particular segments of the CSA client population. The CSA has used the results of client research activities to assist with business planning and improve client service.

3.12 At the time of audit, the Agency was developing a research plan to identify the future direction of research activities and to bring together a range of client research exercises proposed or under way in various parts of the Agency. The ANAO supports these developments. We also identified some other opportunities for improvement. There would be value in the CSA pursuing greater research cooperation and information exchange with other government agencies on topics relevant to child support. The Agency could also consider extending the range of measurement techniques used to assess aspects of service performance. Independent appraisal of the service quality of telephone enquiry services and call-back telephone surveys of clients shortly after they have used these services warrant examination.

Working with stakeholders

3.13 The CSA has operated national and regional child support advisory panels to provide stakeholder input into the strategic direction and operations of the Agency. Community organisations, as well as the four government agencies administering the Child Support Scheme, are represented at panel meetings and have discussed a wide range of topics, including proposed CSA service improvement initiatives. Community organisation representatives consulted during the audit indicated that they were satisfied with the operation of the panels.

3.14 CSA management and staff attend meetings of community organisations from time to time to speak on various child support topics. We consider that there could be benefit in the CSA periodically convening wider forums to discuss child support issues with particular stakeholder groups, such as employer organisations whose member companies collect child support on

behalf of the Agency through withholding arrangements, or family law practitioners interested in changes to child support legislation. There is considerable stakeholder interest in attending such forums.

3.15 The CSA has continued to provide assistance to members of the Parliament and their staff who receive many requests for assistance from their constituents in relation to child support matters. The Agency has designated liaison officers to handle this work in branch offices. It briefs new parliamentarians on CSA operations, provides them with child support information kits and meets clients in electoral offices where this would help to resolve particular cases. The CSA monitors the representations of members of the Parliament and their parliamentary interest in child support issues.

Organisational change and continuous improvement processes

3.16 Since the previous audit the CSA has introduced a range of organisational and operational changes to service delivery arrangements.

3.17 The most important organisational development has been the establishment in CSA branch offices of multifunctional and support teams, following the blueprint design of a branch office model in 1994 and more detailed work and job design since that time. The new team structure was designed to enhance the Agency's focus on clients and their needs.

3.18 Branches now typically have five multifunctional client teams and a support team. Each multifunctional team (MFT) services an alphabetical grouping of clients. The client teams have carriage of most child support matters, including case registration, client service and debt collection. The support team undertakes specialist functions such as legal enforcement action, client relations and complaints handling for the branch client base. In some branches there is an additional team supporting the operations of the child support review function.

3.19 Important operational changes have included more comprehensive planning for client services and relations with stakeholders and clients, the introduction of a specialised complaints handling process, staff identification of their name and work team in dealings with clients, as well as client contact skills and technical training programs.

3.20 Community groups indicated that the new administrative arrangements have helped to improve client services. CSA management and

staff advised the audit team that the various organisational and operational changes are working satisfactorily.

3.21 We observed that the CSA has in place processes to support further improvement of its operations. These include regional and branch office staff networks that aim to identify and disseminate better practice within the Agency. The Agency also operates a staff suggestion scheme. A quality assurance program is being put in place and some limited external benchmarking of Agency operations is under way. The Agency proposes to consider future options for electronic service delivery to enhance relationships with other government agencies and community stakeholders, as well as to provide clients with more flexible access to child support information.

Service delivery

3.22 The CSA provides a range of services directly to clients, including the processing of their applications for child support, telephone enquiry and help services, and correspondence handling.

Application processing

3.23 As previously indicated, prospective CSA clients may lodge applications for child support through Centrelink (formerly DSS) or directly with the CSA. Since the previous audit the CSA has aimed to improve the timeliness as well as the service quality of case registration processes. By processing applications without delay, the Agency minimises start-up arrears for liable parents and pays child support to carer parents as soon as possible.

3.24 There has been a reduction in the time taken for the CSA to receive applications from DSS in the last two years, but on-forwarding times could be improved further. It took an average of nine days for the CSA to receive forms from DSS in June 1997, compared with 25 days in June 1995. The CSA in conjunction with Centrelink proposes to introduce arrangements for electronic transfer of case registration data to the CSA on a daily basis by 1 January 1999, to streamline the application process.

3.25 There has been only slight improvement in the time taken to process applications within the Agency over the same period. The average application processing time was 18 days in June 1997, compared with 19 days in June 1995. Throughout 1996-97 the CSA processed 10 to 35 per cent of applications within fourteen days and 66 to 81 per cent within 28 days of receipt in the Agency. The CSA had been aiming to process 80 per cent within fourteen days by the end of 1996-97.

3.26 The CSA has redesigned its performance standard for application processing for 1997-98, to measure the time taken to register cases from lodgment with Centrelink rather than on receipt in the CSA. We agree that this is a superior measure of total service timeliness for clients. The Agency's performance target of handling 80 per cent of cases within 21 days of lodgment with Centrelink during 1997-98 indicates the CSA's continued aim of reducing application processing times.

3.27 During 1996-97 the CSA undertook other initiatives to improve case registration processes. It has developed information kits to provide new clients with more comprehensive information about the Child Support Scheme and has been making contact with carer and liable parents by telephone or in person during case registration to discuss child support arrangements including options regarding payment.

3.28 Community organisation representatives consulted during the audit indicated that clients find various CSA forms, letters and publications complicated, technical and not user-friendly. We note that the CSA is currently reviewing standard Agency letters to rationalise their number and improve their readability. We suggest that the CSA seek the views of stakeholders on particular problems with CSA material. The Agency could also consider testing with clients that they understand revised Agency forms, standard letters and publications and find them easy to use.

Telephone enquiry services

3.29 CSA clients generally contact the Agency by telephone rather than in person. The Agency has a national '13' general enquiry telephone number that connects clients to the nearest branch. About 140 000 enquiry calls are handled nationally each month. The Agency also encourages staff to contact clients by telephone rather than in writing on most child support matters, as it is faster, more personal and more cost effective.

3.30 The CSA has made a number of improvements to telephone enquiry services since the previous audit, which found it was unacceptably difficult for clients to contact the Agency by telephone. CSA telephone technology has been upgraded, the enquiry services have been staffed to meet client demand and staff have been provided with suitable client contact skills training. Some branch offices are operating enquiry and other services outside of normal business hours on a trial basis to extend contact times between clients and the Agency.

3.31 The CSA now provides clients with a much improved level of telephone enquiry service. During the period from October 1996 to June 1997,

some 88 to 97 per cent of callers got through to CSA telephone answering queues and the CSA answered 86 to 94 per cent of the queued calls within two minutes nationally each month. Lower performance rates were recorded earlier in the financial year.

3.32 The Agency remains committed to achieving higher telephone service performance during 1997-98. It has retained its performance target of connecting 100 per cent of calls to telephone queues and now aims to answer 80 per cent of calls within thirty seconds, as well as the previous standard of answering 90 per cent within two minutes.

3.33 In our view, it is important for the Agency to pay particular attention to improving results in those branches that have not consistently achieved the desired telephone service performance, as well as initiating prompt action to correct technical problems that may arise with the telephone infrastructure. Improving the response time of CSA computer facilities that staff access to check client details during telephone enquiries may help to reduce enquiry call duration and thereby raise service efficiency.

3.34 In addition to staffed enquiry services, the CSA has had an innovative, automated telephone enquiry service that uses interactive voice response technology. It provides carer parents with safeguarded access to recorded information about their last and next child support payments, as well as general information about the CSA. Clients can access the service at any time (except during computer updates and maintenance). The Agency is considering a similar service for liable parents. We suggest that the CSA examine as part of this exercise whether the existing service can be extended to supply other information frequently sought by carer clients, such as the current status of debt collection action. If feasible, this could help to improve client service and reduce service demand on staffed enquiry services.

Correspondence handling

3.35 The CSA handles various letters, forms and other correspondence from clients. About 60 000 correspondence items were received each month in 1995-96. The previous audit found that there were excessive delays in dealing with client correspondence and many letters were not answered. The CSA has been monitoring its correspondence handling by measuring the proportion of correspondence finalised within specified time periods, as well as the number of outstanding correspondence items unanswered after 28 days.

3.36 During 1996-97 the CSA gave particular attention to clearing the backlog of older correspondence. Outstanding correspondence older than 28

days was reduced from 22 200 items in August 1996 to 6 300 items by June 1997.

3.37 The Agency has lifted the proportion of correspondence handled within 28 days over the last two years, from 75 per cent in June 1995 to 82 percent in June 1997. However, national monthly performance results ranged from 68 to 84 per cent during 1996-97. The CSA is aiming to process 90 per cent of correspondence within 28 days during 1997-98.

Performance results

3.38 CSA performance results for application processing and other forms of client contact against the Agency's performance standards at the close of 1996-97 are summarised in Table 1. The CSA achieved two of the four national performance targets set for the year.

Table 1

CSA performance results against key performance targets for 1996-97, June 1997

Performance measure	National target	National result	Branch results (range)	Extent to which regions and branches met the national target
Processing applications for child support within fourteen days of receipt with the CSA	80%	35%	20% to 57%	All regions and branches were below the national target
Successful connection of client telephone calls to the enquiry queue (Note 1)	100%	93%	58% to 100%	All regions and nineteen branches missed the national target
Connection of telephone calls to an enquiry officer within two minutes	90%	90%	78% to 98%	Two regions and nine branches did not meet the national target
Correspondence outstanding for more than 28 days (items)	5000	4400 (Note 2)		One region and five branches did not meet their respective local targets

Note 1: Results for connection of telephone calls to the enquiry queue are for May 1997.

Note 2: The CSA revised the list of items counted as correspondence during the year. The performance result shown here is for the revised list. There were 6300 items on the complete list of correspondence.

Source: CSA national business plan for 1996-97 and CSA performance reports.

Service innovation

3.39 The CSA has been innovative in the development of several alternative arrangements to deliver better client services outside of its branch office structure. Three examples are the Agency's outreach programs, its participation in Family Service Centres and support for community-based child support help services.

Outreach

3.40 The Agency has outreach programs that aim to provide services and information to clients located some distance from CSA branches, as well as to improve client compliance with their child support obligations. Project plans and evaluation reports have been prepared for outreach visits. The CSA has justified individual visits largely in terms of the monetary value of client debt reduction, relative to the direct staff and administrative costs associated with the visits.

3.41 In our view, it is important that the CSA specify more clearly the relative priority to be accorded between compliance improvement and client service aspects of outreach programs and particular outreach visits. Otherwise, there is a risk that the service delivery component will not receive adequate attention. The Agency also can improve the evaluation of the cost effectiveness of outreach activities, by estimating their total cost including staff time spent on selecting and researching debt cases prior to visits, and by identifying separately child support debts recovered and liabilities corrected as a result of outreach visits.

Family Service Centres

3.42 The CSA has participated in a number of pilot Family Service Centres established throughout Australia. These centres aim to facilitate the access of families to the full range of family assistance, including child support enquiry and help services, offered by Commonwealth and State government agencies. CSA staff attend centres on a visiting basis to provide clients with child support information and assistance.

Community-based child support help services

3.43 The CSA has provided assistance in the form of training and information packages to community-based organisations that provide a range of counselling and support services to the public, including separated parents. There are some similarities between the Child Support Help program and the longer-established and larger Tax Help program administered by the ATO.

3.44 In our view, community-based child support help services extend the range of client service options for CSA clients at low cost to the Agency and can help to develop effective working relationships with community organisations. We consider that it would be desirable for the Agency to define its relationship with the organisations that provide these services, ensure that it has appropriate arrangements for coordinating assistance to them and evaluate the cost effectiveness of ongoing support of the program.

Recommendation No.2

3.45 The ANAO recommends that the CSA:

- a) examine cost effective ways to further promote the client charter and to evaluate more systematically the impact of the charter on client relations and client service performance;
- b) design forms, standard letters and publications that are more simple and easy for clients to understand, through consultations with community stakeholders and client focus group research where appropriate;
- c) improve further the service responsiveness of telephone enquiry services and examine the potential for wider business application of interactive voice response technologies; and
- d) evaluate more closely the cost effectiveness of outreach and alternative service delivery arrangements, with a view to their greater use where there is a clear business case to do so.

CSA Response

3.46 The CSA agrees with this recommendation.

- a) The Agency is currently undertaking a review of the client charter including better articulation of service standards which are linked back to business performance measures and the ATO Agency Agreement.
- b) In July 1997, the Agency commenced a comprehensive review of all letters, forms and publications. The letters component of this review has two objectives: 1) ensuring that future letters are nationally consistent, targeted, and satisfy clients in a more acceptable form and at the time of their need; and 2) ensuring these letters comply with appropriate standards for privacy, quality, style, accuracy and are in plain English. A comprehensive market testing program has also begun with client focus groups to ensure readability, clarity and appropriate tone. This approach is also being applied to the review of CSA forms and publications.

- c) The Agency has improved telephone response times considerably in the past two years, and is continuing to place a high priority on this. The organisational review, currently being undertaken through a private consultancy firm, will also address possibilities for improving this aspect of service. The Agency will continue to review the service, taking into account legislative changes and improved functionality in interactive voice response systems.
- d) The Agency is currently engaging a reputable private consultancy firm to review and make recommendations in regard to aspects of the organisation, including service delivery arrangements. A contestability framework, as per agreed government policy, has been implemented. Pilot studies are being undertaken in Gosford and Albury to trial joint service delivery arrangements with Centrelink.

4. Complaints Handling

This Chapter examines the design and operation of the CSA complaints system, particularly client awareness of the service, and complaints recording.

Introduction

4.1 Effective complaints handling is widely accepted as a key element of quality client service. It resolves client complaints and provides feedback to agencies to help them correct underlying problems.

4.2 In assessing the CSA complaints service we had regard to the six important characteristics for effective complaints handling identified by the Ombudsman in a better practice guide. These are: commitment; fairness; accessibility; responsiveness; effectiveness; and accountability.⁶

Design of the CSA complaints service

4.3 The CSA has demonstrated its commitment to improve client service through the establishment of a complaints service in July 1996. The aim of the CSA complaints service is to turn dissatisfied clients into satisfied clients and improve the quality of CSA operations. The initiative was linked to the introduction of the Agency's client charter. Extensive consultation with staff and community groups and a survey of clients assisted the Agency to develop the complaints system. This development process has been identified as better practice by the Ombudsman's Office.⁷

4.4 The system involves a clearly defined three step process for escalating complaints where necessary from the case officer to the relevant manager and then to the complaints officer. Designated complaints staff in branch offices manage complaints as a core duty. The intention of the process is to manage complaints at the closest point to service delivery. However, clients may complain directly to a complaints officer should they wish to do so. This system is well documented in the CSA's internal complaints handbook.

⁶ Commonwealth Ombudsman's Office, *A Good Practice Guide for Effective Complaints Handling*, 1997, p.13.

⁷ Commonwealth Ombudsman's Office, *A Good Practice Guide for Effective Complaints Handling*, p.16.

4.5 The Agency has a national data base system for registering complaints, classifying them and recording the outcomes. Complaints data is analysed and reported to various levels of Agency management.

4.6 The CSA carried out a review of the complaints service towards the end of its first year of operation. It is planning a further review that will examine its effectiveness in turning dissatisfied clients into satisfied ones.

4.7 The CSA is currently considering options for the assignment of complaints duties to staff positions. Resource constraints and the fluctuating volume of complaints work mean that it is not efficient to devote staff full time to complaints handling duties. However, better practice for effective complaints handling states that complaints officers should be independent of other officers in their organisation.⁸

4.8 The ANAO discussed with the CSA several possible combinations of duties which would help ensure that the independence of complaints officers would be maintained and that clients perceive the service as fair and impartial. These combinations include complaints officers working as Ministerial/Ombudsman liaison officers or as client relations officers in branch offices.

Client awareness of and access to the complaints service

4.9 Client surveys commissioned by the CSA and limited work undertaken by the Ombudsman's Office indicate that 60 per cent of clients are not aware of the existence of the complaints service. The CSA's current proposal to develop a communications strategy provides an opportunity to examine how client knowledge of the complaints service can be enhanced. There could be benefit in making reference to the existence of the complaints service on all forms, letters and publications.

4.10 During the audit some CSA branch offices were not staffing telephone complaint lines. Instead calls were diverted to answering machines or voice mail to record complaints. In our view this arrangement did not provide a personal, user-friendly service. The ANAO raised this issue with CSA, which directed that this practice cease, except to record calls made outside business hours.

⁸ Commonwealth Ombudsman's Office, *A Good Practice Guide for Effective Complaints Handling*, p.21.

Recommendation No.3

4.11 The ANAO recommends that the CSA, as part of its communication strategy, identify ways of enhancing client awareness of its complaints service.

CSA Response

4.12 The CSA agrees with this recommendation. This will be included in the review of the client charter. The Agency has worked closely with the Ombudsman's Office to ensure the integrity of its complaints system. The latter has recommended the CSA system as a model for other agencies.

Complaints recognition, recording and referral

4.13 The recent CSA review of its complaints service identified scope for improvement in the recognition, recording and referral of complaints. Our audit noted similar issues.

4.14 Although the Agency has a clear definition of what constitutes a complaint, some CSA staff have difficulty in recognising when clients are making complaints as distinct from general observations on aspects of CSA operations, or requests for information or assistance. It would be helpful for the CSA to provide practical guidance on these distinctions.

4.15 There are differences between branch offices as to whether complaints made directly to case officers and managers are recorded in the complaints data base. There is also variation in the recording of complaints made through complaints officers and then referred to case officers and managers for action. As a result information on the total number and the type of complaints received may be distorted. This could affect the capacity of the CSA to take remedial action on underlying problems causing complaints.

4.16 The CSA is engaged in redeveloping its computer system. The ANAO sees merit in the Agency incorporating facilities in the new system that allow all staff to record every client complaint as part of 'business as usual'. Management information on complaints could be generated automatically from these records.

4.17 Clients who believe that their complaint has not been resolved by the case officer are not always advised that the complaint can be referred to the relevant manager for further action. Staff attention should be drawn to the importance of informing clients of the next step available to progress their complaint.

Performance results

4.18 We found that the CSA complaints system is helping the Agency deal with client complaints and is providing information on recorded complaints that is assisting the Agency to improve the quality of its operations.

4.19 The CSA received approximately 10 000 calls to its complaints service hotline during its first year of operation. It is not clear how many of these calls were recorded by the Agency. Complaints were also made in writing or in person at CSA branch offices.

4.20 Some 6 000 complaints from various sources were recorded in the CSA data base. A substantial proportion of the recorded complaints are channelled through members of Parliament or the Ombudsman (see Chart 6). Some 58 per cent of complaints were upheld in favour of clients in 1996-97. This demonstrates the value to clients of the CSA complaints system and signals areas where performance can be improved and better outcomes delivered.

4.21 The inability to adequately record complaints data affects the CSA's analysis of clients' problems. For example, we were unable to determine the percentage of complaints that originated from telephone, personal contact or correspondence combined with their assessed stage within the complaints process. The CSA is aware of this problem and believes that a solution is possible as part of its information technology redevelopment project.

4.22 The CSA has obtained useful management information from the classification and analysis of recorded complaints. Some 57 per cent of complaints were about the Child Support Scheme and 43 per cent related to CSA service during 1996-97. The matters most commonly raised in complaints are shown in Charts 7 and 8.

4.23 There is scope for the CSA to undertake further analysis of complaints data. Information about complaints relating to service can help the Agency to identify particular aspects of service delivery, such as the timeliness of actions and quality of advice causing client dissatisfaction, and to take appropriate remedial action. Data on client dissatisfaction with features of the Child Support Scheme can provide valuable input into policy development and review by the CSA and other government agencies administering the scheme.

4.24 Through the effective operation over time of the complaints service, a greater proportion of clients can be expected to raise complaints directly with the Agency rather than through the Ombudsman's Office or members of Parliament. The Ombudsman's Office is now generally encouraging complainants to contact the CSA complaints service and inviting the

complainants to call back if the matter is not satisfactorily resolved. The direct lodgment of client complaints makes complaint resolution simpler and quicker for clients and eliminates the additional work load for the CSA in responding to the Ombudsman's Office.

4.25 The CSA has set several performance targets for the complaints service for 1997-98 in its national business plan (see Table 2). The ANAO has reservations about the desirability of a target to reduce the number of complaints when the service has only recently been established and many clients are not yet aware of the service. We are also concerned that a target to reduce client complaint success rates could adversely affect the actioning of complaints on their merits. It would be more appropriate to attain a reduction in the number of complaints received as well as complaints resolved in favour of clients as a long term outcome of a mature complaints service.

Table 2

CSA key performance measures of the complaints service, 1997-98 business plan

Performance measure	Specific performance indicator and target
Reduction in recorded complaints	Step 3 complaints to caseload ratio to reduce from 13.3 to 10 complaints per 1000 cases
Reduction in recorded complaints upheld	Less than 50% of Step 3 complaints to be upheld

Source: CSA 1997-98 business plan.

Recommendation No.4

4.26 The ANAO recommends that the CSA incorporate facilities to record all complaints in its new computer system and analyse the management information from this system to identify opportunities for improving service delivery and scheme design features.

CSA Response

4.27 The CSA agrees with this recommendation. This has been incorporated in the specifications for the computer system redevelopment.

5. Human Resource Development

This Chapter examines elements of the CSA human resource development function, particularly its strategies and processes for evaluating training outcomes.

Introduction

5.1 Human resource development (HRD) activities support agency operations by enhancing the skills and knowledge of staff.

5.2 The previous audit report found that there was significant scope for improvement in the CSA's HRD function. Following the report CSA initiated a range of improvements to its training and staff development, particularly in the areas of client contact skills and technical training.

5.3 The ANAO focused on the following key elements of HRD:

- systematic identification of HRD needs and priorities;
- clear specification of a HRD strategy directed towards the achievement of Agency objectives;
- organisational capacity to plan and coordinate HRD;
- development, maintenance and delivery of suitable training courses; and
- a sound strategy to evaluate HRD outcomes.

5.4 We had regard to the Public Service and Merit Protection Commission Human Resource Management Framework in assessing the CSA's HRD performance. This framework is a well accepted model for human resource management in the APS.

CSA human resource development strategies

Identification of HRD priorities

5.5 HRD needs have been identified in the CSA in a number of ways. The CSA recognised the need to raise client service and technical skills of staff as a result of the ANAO and JSCCFLI reports. Skills development in these areas continue to be HRD priorities for the CSA. The CSA also identified requirements for team leadership and staff multi-skilling associated with MFTs, as part of a work and job design blueprint exercise.

5.6 CSA staff identify their ongoing HRD needs through mandatory performance agreements and personal development plans. The Agency has provided competency check lists for various staff positions to assist these processes.

HRD planning and coordination

5.7 The CSA oversees the HRD function through a national training steering committee. A national training unit has designed a suite of core national HRD programs. There is a network of regional and branch HRD coordinators in every region to identify HRD needs and coordinate HRD programs. Branch office HRD coordinators participate in local leadership forums that identify and prioritise local training needs.

5.8 The CSA prepares comprehensive national, regional and branch HRD plans, training calendars and up-date bulletins that identify HRD priorities, strategies and training activities.

HRD programs

5.9 The core national HRD programs include induction, technical and client contact skills training. CSA staff have access to ATO management and technical training courses. In addition branch offices design and deliver training to meet local needs.

Evaluation of HRD outcomes

5.10 The CSA has made a significant investment in HRD programs for staff. It is important that the Agency evaluate training outcomes. This can be done at a number of levels including the impact of training on business results, staff performance and staff skills and knowledge. Evaluations can also focus more narrowly on the quality of the design and delivery of programs including trainer appraisals of, and staff reactions to, training courses.

5.11 The CSA is committed to the evaluation of HRD products and has produced guidelines to assist with evaluations. Formal evaluations of technical and client contact skills training courses have been conducted at the national level and induction training has been assessed at the regional level. Evaluations have principally focused on review of training design and delivery, and feedback from trainers and course participants, supplemented by information from workplace appraisals.

5.12 Participants in client contact skills courses have reported an improvement in their competence and confidence in assisting clients. Community groups have also commented favourably on client service improvements since the introduction of the CSA client charter and various training initiatives. As a result of positive evaluation of the client contact skills course it has been adopted elsewhere in the ATO.

5.13 The CSA's human resource management system cannot provide national statistics on training activities due to limitations in its recording and reporting facilities. Branch offices keep local training performance data. However, this makes data difficult to access and analyse at the national level. This issue was raised in the previous audit report. We suggest that the CSA examine information technology options for improved national reporting facilities on HRD activities.

5.14 The selection and use of a recognised evaluation framework for HRD activities can improve the rigour and comprehensiveness of the evaluation process. The CSA has not adopted a recognised evaluation tool. We advised the CSA of a number of evaluation models in use in the public sector within Australia.

Recommendation No.5

5.15 The ANAO recommends that the CSA:

- a) examine the cost effectiveness of upgrading computer facilities to provide improved management reporting on human resource development activities; and
- b) adopt a more formal evaluation process for systematically evaluating outcomes of its human resource development strategies and activities.

CSA Response

5.16 The CSA agrees with this recommendation. The Agency is incorporating both of these recommendations into current human resource management initiatives.

6. Child Support Review Office

This Chapter outlines the operations of the Child Support Review Office including its status as an administrative unit within the CSA and client understanding of its role. It examines the skills required of review officers and technical support for them. The case for the integration of client service relating to the review function into multifunctional teams is addressed.

Introduction

6.1 Since 1992 the CSA has used an internal administrative mechanism to make determinations to vary child support liabilities to take account of the special circumstances of separated parents and their children. These determinations vary the amount that otherwise applies automatically under the statutory assessment formula for child support cases since October 1989 (Stage 2 cases). The administrative unit within the CSA that performs this function is known as the Child Support Review Office (CSRO). Staff making these determinations are referred to as review officers.

6.2 Parents can apply for a review on one or more of nine grounds specified in legislation. Grounds for review cover the financial capacity of the parents, costs of contacting children, the special needs of children and other circumstances.

6.3 The ANAO focused on:

- the status of the CSRO as an internal administrative unit and client understanding of its role;
- skills and knowledge required of review officers to perform their duties;
- reference information support for review officers;
- performance measurement for the review function; and
- optimal arrangements for client service for review cases.

6.4 The CSA in 1995 evaluated the impact and operational efficiency of the CSRO and found that it was providing an accessible, low-cost and informal review mechanism. The CSA initiated a number of administrative changes arising from the evaluation.

Role and structure of the CSRO

6.5 The CSRO aims to provide a timely service at no cost to clients to examine, hear and determine applications (and cross applications) for reviews from liable or carer parents. It has responsibility for making departure from formula assessments for Stage 2 cases. Variations for child maintenance for Stage 1 cases remain solely within the jurisdiction of the Family Court.

6.6 The CSA has CSRO units comprising review officers and administrative support staff at nine of its 23 branch offices. As well as working at these locations, review officers can work at other CSA branches and Centrelink offices in more distant localities. CSRO has 43 review officers and 65 support staff.

6.7 During 1996-97 the CSRO received 32 600 applications to depart from formula assessments and held 23 000 hearings throughout Australia. There has been a steady growth in the number of review applications lodged in recent years. The number of applications for review made each year represents about nine per cent of total CSA caseload. About 46 per cent of cases finalised in 1996-97 resulted in assessment variations. Where parents are dissatisfied with review officers' determinations they may apply to the Family Court for orders for departure from administrative assessment.

6.8 Community groups and legal practitioners consulted during the audit considered that the CSRO provides a service that is more timely and less formal than court proceedings, and avoids legal costs associated with court cases.

Status of CSRO

6.9 The CSRO is part of the CSA; it is not an independent body. Review officers are appointed by and work under contract to the CSA and make determinations under delegation. The duties of review officers are limited to determining departures from statutory assessments. They are not authorised to review the range of administrative decisions made in the CSA. About nine per cent of cases finalised in 1996-97 were classified as ineligible applications.

6.10 Audit discussions with community groups and legal aid organisations indicated that some CSA clients make applications for review on a range of matters under the misconception that it is a body independent of the CSA and has wide powers to review decisions on their merits. The title of the CSRO contributes to client confusion regarding its status. The review application

form, separate CSRO telephone numbers for enquiries and CSRO postal addresses do not mention the CSA.

6.11 In our view it would be appropriate for the CSA to consider ways to reduce client confusion and, consequently, Agency workload associated with processing ineligible applications.

Review officers

6.12 Review officers are not salaried CSA officers, they receive a set fee for making each determination and are remunerated at a set hourly rate for other work. Most review officers are lawyers who specialise in family law and have additional training in mediation. Review officers participate in professional development courses provided by the CSA. Their work is subjected to a peer review process that analyses a sample of cases each year. The CSA is developing a comprehensive quality assurance program for the review function.

6.13 The work of a review officer requires a range of skills and knowledge including skills in analysis and reporting, mediation and interpersonal communication, and some knowledge of child support and family law. It is not evident that professional legal qualifications are essential to the nature of review work. The CSRO is not a judicial body and separated parents cannot be represented at review hearings by third parties, including lawyers. The hearings are intended to be informal and non-adversarial. The CSA advised the ANAO that it is considering appointing review officers from a wider range of professional backgrounds. The ANAO supports this initiative.

6.14 It is important that review officers are seen as fair and impartial, and consistent, in their decision making. Client surveys commissioned by the CSA have reported that clients regard review officers as impartial. Clients also consider that the review process provides them with an opportunity to state their case and results in determinations that they can understand. Carer parents perceive the CSRO as fair to both parents, but liable parents tend not to share this view. Community groups consulted during the audit generally commented that review officers are fair and impartial in the performance of their duties.

6.15 However, community groups and legal aid officers perceive that review determinations on similar cases are sometimes inconsistent between review officers and by individual review officers themselves. There are a number of ways that the CSA can help ensure greater consistency of review determinations. The Agency's proposed quality assurance program is

expected to identify any inconsistency in decision making. We consider that the establishment of a technical data base of relevant reference material would assist review officers in examining case information and framing their determinations. The technical data base could cover family law and child support legislation, significant decisions of the Family Court, CSA rulings and key review officer determinations.

Recommendation No.6

6.16 The ANAO recommends that the CSA assess the benefits and costs of establishing a technical data base consisting of family law issues, child support legislation, CSA rulings and key review officer determinations to assist consistent decision making.

CSA Response

6.17 The CSA agrees with this recommendation. The Agency will assess the costs and benefits of establishing such a data base as part of its ongoing systems development program.

Performance measurement

6.18 CSA measurement of the operational performance of the review function has concentrated on the timeliness of case handling. Key performance indicators have been the proportion of applications processed within 90 days and the number not finalised within this time frame.

6.19 There appears to have been little change in the timeliness of review processing in the last two years. Only 12 per cent of review cases were processed within 90 days in June 1997, compared with 13 per cent in June 1995. There were about 2600 review cases older than 90 days in June 1997 compared with 2700 in June 1995.

6.20 The extended time taken to process review applications is in part due to the administrative requirement to give the other parent sufficient time to respond to the review application and to provide both parties with advanced notice of the hearing date. The time allowed for these two steps totals 42 days.

6.21 The CSA has redesigned its key performance indicators for the CSRO for 1997-98. It aims to process 95 per cent of applications to hearing stage

within 90 days and 100 per cent from hearing to finality within 21 days. The Agency did not achieve these targets in the first three months of 1997-98.

6.22 The CSA has maintained national statistics on some aspects of review workload, grounds on which applications are lodged and outcomes of the review process. The ANAO sees benefit in the CSA recording more detailed information on review cases. This data could be extracted on a needs basis to support management decisions about the conduct of the review process. One example of this would be information on how cases are heard (by telephone, correspondence or in person) and whether these arrangements are correlated to case outcomes. Information on cross applications by the responding parent, applications on multiple grounds and multiple applications within a given time frame could assist policy analysis relating to the legislative framework for review cases.

6.23 The CSA proposes to improve its information reporting in relation to the review function as part of its information technology redevelopment.

Review administrative support

6.24 The CSA provides administrative support for the review function separately from multifunctional team (MFT) operations. The CSRO administrative support teams keep separate case files for review applications and correspondence. They also use a separate computer system, not accessible in the MFTs, to record the status and outcomes of review cases. These arrangements result in a duplication of effort and prevent MFT staff from providing a comprehensive client service, one of the principal objectives for establishing the MFTs.

6.25 The ANAO considers that there are benefits in merging the review support function into the MFT structure, leaving a smaller unit to provide administrative support directly to review officers. From the client perspective there are distinct advantages in liaising with one team, and in complex cases a designated case officer on all CSA matters. It would also reinforce to both clients and staff that the review function is a CSA administrative process, not an independent review.

6.26 The CSA advised that CSRO information technology requirements will be incorporated into the proposed CSA computer system.

Recommendation No. 7

6.27 The ANAO recommends the CSA examine the cost effectiveness of transferring the client service liaison aspects of review support team work to general agency staff to provide clients with an improved quality service.

CSA Response

6.28 The CSA agrees with qualification to this recommendation. The Agency is currently pursuing a strategy whereby review support staff are segmenting applications and dealing with clearly invalid applications without review officer involvement. This recommendation will be further considered within the scope of the organisational design review currently under way.

7. Debt Management

This Chapter presents an overview of child support debt and examines the CSA's general management of the debt collection and enforcement function, particularly debt collection policy, strategies, research, business planning and performance information.

Introduction

7.1 Child support debts are incurred whenever liable parents do not meet their obligations to pay child support on the due date each month.

7.2 Child support debt is a significant issue for the CSA and the community because it means that some children have not received their child support entitlements and defaulting parents have not met their assessed share of the cost of supporting their children. Child support debt also tends to undermine the confidence of carer parents in the operation of the Child Support Scheme, particularly its 'safety net' features.

7.3 From the Commonwealth's perspective, child support debt has several adverse financial consequences. Extra Agency effort is required to pursue debt cases, adding to the overall cost of scheme administration. Missed child support payments can result in additional government outlays on social security benefits for carer parents and their children.

7.4 This Chapter begins with an outline of key features of child support debt and key factors affecting debt recovery. The CSA's general management of the debt collection and enforcement function is then examined. Operational activities associated with debt collection and enforcement are discussed in the following Chapter.⁹

⁹ The audit did not examine the recovery of child support overpayments from carer parents. The Ombudsman's Office reported in January 1998 on its investigation into the CSA's procedures and practices for recovering these debts. The report noted that the CSA has made changes and is considering further action to improve these processes. See Commonwealth Ombudsman's Office, *Child Support Overpayments*, January 1998.

Child support debt

7.5 Child support debt represents a significant challenge for the CSA. Chart 9 shows recent trends. We observed that:

- total child support debt amounts to about \$517m and has increased by about 4 per cent annually for the past two years;¹⁰
- debt as a proportion of total liabilities has been decreasing over the past two years; and
- since scheme inception the CSA has written-off some \$58m of child support debt, leaving a net debt figure of about \$458m. Debt can be written-off where there is no prospect of debt recovery. It can be re-raised where the financial circumstances of debtors improve.

Key factors affecting debt recovery

7.6 Key factors affecting the capacity of the CSA to reduce the total value of child support debt include the age and the size of debts, as well as the default history and income levels of debtors:

- older debts tend to be more difficult to recover. Due to the passage of time, debtors may be hard to locate, may have less financial capacity to pay and may be less disposed to meet voluntarily their outstanding child support obligations;
- larger debts generally take longer to recover and increase the risk that clients may leave their jobs to evade arrangements for employer withholding of arrears (EWA);
- debts associated with clients who have defaulted on most of their child support payments can be difficult to recover, where the debtors oppose the principle of child support or have strong beliefs about the fairness of the amount of their ongoing monthly child support liability. They may also perceive the Agency as being ineffectual in taking recovery action; and
- debts of clients on lower incomes may take a long time to recover or may be irrecoverable due to their limited financial capacity to pay.

7.7 Chart 10 shows the age of child support debt and Chart 11 summarises the overall pattern of child support debt by income level and debt

¹⁰ Unless otherwise stated, statistics presented in Chapters 7 and 8 were current as at 30 June 1997. Debt figures refer to gross debt, that is, the amount of total debt before any debt write-off adjustment. Some figures may not add due to rounding.

size. Charts 12, 13 and 14 respectively present in more detail the value of debts by size of debt, client income range and client default rate.

7.8 We made the following observations about the pattern of child support debt:

- much of the child support debt is old. Some \$81m of debt (16 per cent) is more than four years old and another \$122m (24 per cent) is two to four years old;
- larger debts make up a very considerable share of child support debt. Some \$143m of debt (28 per cent) relates to individual debts of \$16 000 or higher, and another \$253m (49 per cent) involves debts ranging from \$4 000 to \$16 000;
- a large share of child support debt is associated with clients with very high default rates. Some \$212m of debt (41 per cent) is owed by liable parents who have defaulted on more than 90 per cent of their child support obligations. The CSA has a major debt problem with this defaulter category; and
- a substantial amount of child support debt is owed by clients in lower income ranges. Some \$198m of debt (38 per cent) relates to clients with annual incomes of less than \$10 000. Another \$119m of debt (23 per cent) is owed by clients whose incomes range from \$10 000 to \$20 000.

Workload in pursuing debtors

7.9 Debt recovery generates significant workload for the Agency. It involves operational activities such as locating the whereabouts of debtors, contacting them to seek voluntary payment of arrears and using administrative enforcement actions or instituting legal proceedings where appropriate. The number of debtors, their history of default on child support obligations as well as their personal and financial circumstances are important determinants of Agency workload in pursuing debt:

- all debtors, even with small debts, require some Agency action to encourage early voluntary resumption of payment of child support as well as to recover arrears; and
- debtors with a high rate of default on their child support obligations may require substantial Agency effort to enforce debt recovery through administrative enforcement actions or legal proceedings.

7.10 Our analysis of child support debtors indicated:

- the Child Support Scheme has a large number of debtors. There are 145 700 liable parents with child support arrears;
- a substantial number of debtors have moderate to high default rates. Some 41 500 debtors (14 per cent) are more than 90 per cent behind with their child support payments. Another 67 100 (23 per cent) have defaulted by 10 to 90 per cent;
- most debtors owe smaller debt amounts. Some 83 800 debtors (58 per cent) have debts below \$2 000. The average debtor owes \$3 600 in child support arrears. However, there are some 5 800 debtors (4 per cent) with debts of \$16 000 or higher; and
- debtors have on average an income of \$20 300, well below annualised average weekly earnings of \$36 100. Some 47 500 debtors (33 per cent) have incomes of less than \$10 000.

7.11 The CSA has undertaken research into factors affecting compliance with child support obligations. The research points to liable parents being less compliant where they have low income, a poor relationship with their ex-partner and little contact with and limited parenting responsibilities for their children.

7.12 From our observations, it appears that liable parents are at particular risk of defaulting when their personal or financial circumstances change significantly, for example, where they change address, change jobs or form new relationships. The size of start-up liabilities also contributes to some defaults on child support. It can take the Agency several weeks or longer to locate new liable parents and to commence collection of child support. Another problem area relates to liable parents who believe that they can no longer meet court-determined child maintenance liabilities (Stage 1 cases). Some of these parents default on their payments, rather than incur legal costs to return to court to seek adjustment of child maintenance to more realistic amounts.

7.13 Our analysis of child support debt and debtor characteristics has several important implications for the Agency's management and conduct of debt collection and enforcement operations:

- given the high dollar value of child support debt and the substantial number of defaulting liable parents, the CSA will need to continue to apply significant effort to debt collection operations for the foreseeable future;
- CSA's debt management approaches should recognise and be framed in terms of the varied characteristics of segments of the debtor population

and their debts, ranging from new defaulters with relatively smaller debts to chronic defaulters with large and long-outstanding debts;

- it is unrealistic to expect that the Agency can recover much of the accumulated debt, given its age and the limited financial capacity of many debtors. Where debt is irrecoverable, appropriate write-off action should be taken; and
- where debtors enter into arrangements to pay their debts, it will take many of them, particularly those with larger debts, some years to pay off the arrears.

General management of the debt collection function

7.14 The ANAO focused on the following elements that we consider to be important for the effective management of the debt collection and enforcement function:

- clear articulation and dissemination of the Agency's approaches to overall compliance improvement and the management of the debt collection function;
- up-to-date, comprehensive and accessible debt collection policies and procedures;
- systematic and defensible debt management priorities;
- capabilities for debtor research and for measurement of the effectiveness of debt collection actions;
- sound, focused and interlinked business plans;
- robust performance measures that cover the main aspects of debt collection performance, and performance targets that are challenging but achievable;
- well-designed information systems that provide Agency management with useful performance information; and
- organisational arrangements and business systems that promote efficient and effective debt collection operations and promote Agency best practice.

Articulating the Agency compliance improvement and debt collection management frameworks

7.15 In presentations to the audit team the CSA outlined the Agency's view of the place of debt collection in its overall framework for improving client

compliance with their child support obligations. It also described the contribution of various debt management systems and operational processes to enhanced debt collection performance. These issues are documented to only a limited extent in various Agency strategy, planning and compliance research papers.

7.16 We see benefit in the CSA formally articulating and elaborating its approaches to these issues in a debt collection and enforcement management guide. This would help staff to understand how the debt collection work they perform relates to 'the bigger picture'. This guide also could incorporate a practical directory to debt collection procedural guidance, business system reports and compliance improvement staff networks. In addition, documentation suitable for presentation or distribution to external stakeholders could be prepared from this reference material.

Debt collection policy and procedures

National collection and enforcement policy

7.17 Since the previous audit report the CSA has produced a national policy statement on liability collection, debt collection and enforcement. The policy covers how the Agency deals with debtors and what kinds of action it may take to collect debts. Improvements set out below to the policy statement would help ensure that it is the Agency's key authoritative debt collection policy guide and a more useful reference source for debt collection and enforcement staff.

7.18 The policy statement is yet to be aligned to the Agency's current business strategy of encouraging separated parents to move towards self-administration and of providing a safety net for people where those arrangements break down. It also does not adequately address some important debt collection issues, including identification of client whereabouts, liability correction, penalties, debt write-off, enforcement action against overseas debtors, and prosecution action.

7.19 Key debt collection concepts such as 'compliance' and 'enforcement' are not clearly defined in the policy statement, nor is the broad legislative, policy and procedural framework for debt collection and enforcement described. Procedural details on some issues in the policy statement would be better left to cross-referenced, separate guidelines or procedural instructions.

Guidelines and procedural instructions

7.20 The CSA has a number of guidelines to assist staff decision making on debt collection cases and procedural instructions on the processing steps to be observed. It has recently put considerable effort into developing procedural instructions, as well as reference documentation for staff training in systems and procedures. It has given less attention to revising the debt collection guidelines, some of which are now dated. There is scope to combine guidelines and procedural instructions on many issues. This would remove the risk of any inconsistent procedural advice and help ensure that significant policy guidance contained in some guidelines is not overlooked.

7.21 Staff have electronic access to the guidelines and procedural instructions. This reduces publication costs and helps ensure that staff can find up-to-date reference material. We suggest that the CSA review periodically the extent of staff usage of the electronic guides and ascertain staff views on their user-friendliness.

Recommendation No.8

7.22 The ANAO recommends that the CSA:

- a) produce a debt collection management guide to promote shared understanding of the Agency's management approach to compliance improvement and to assist key staff manage and perform debt collection and enforcement duties;
- b) align the collection and enforcement policy more closely to the Agency's business strategy of encouraging client self-administration and to its compliance improvement approach; and
- c) update debt collection guidelines that have not recently been revised and rationalise where appropriate detailed procedural guidance currently provided in debt collection policy and procedures documentation.

CSA Response

7.23 The CSA agrees with this recommendation. The Agency's quality system under development provides an opportunity for updating all guidelines. The organisational design review is focusing on client segmentation based on compliance patterns.

Priorities and research

Debt collection priorities

7.24 The CSA has identified a number of national priorities for debt collection and enforcement. Some examples of Agency priorities have included:

- the pursuit of particular client categories such as first time defaulters or clients who cannot be contacted at their last known address;
- the greater use of specific collection methods such as employer withholding (EW) of child support liabilities or arrears; and
- the search for information on client whereabouts and income sources through matching CSA debt cases with the ATO data base or third party records.

7.25 The CSA has set its debt collection priorities based on Agency experience and some knowledge of the approaches of the private sector and other government agencies to debt collection. It has also sought to make use of its special powers such as the interception of tax refunds. We concur with the CSA that the selection of first time defaulters, missing clients, employees with child support arrears and debtors owed tax refunds as high priority areas for debt collection are sound.

7.26 We see benefit in the Agency making more systematic and detailed assessments of expected benefits and costs, in considering whether to focus Agency effort on new priorities outside of the more-established highest priority areas. Limited pilot exercises also could help the Agency to decide whether to proceed with the full-scale examination of particular debtor categories.

7.27 Another valuable tool that the Agency could use is the controlled measurement of new debt collection actions on debtors, by testing them on a section of debtors and comparing results to a matching debtor control group. There is also considerable scope for the Agency to undertake more ex-post reviews of the cost effectiveness of specific debt collection actions. The CSA's recently introduced debt management business support system (COMPACT), described later in this Chapter, can assist with this work.

7.28 The Agency has tended to add to its debt collection priorities from time to time, without addressing whether it can effectively pursue all of its priorities at the same time and without re-ordering or revoking existing priorities. There now appear to be a large number of priorities in existence and this militates against clear Agency focus on the most pressing issues. The list of national priorities is spread across various strategy, planning and other

papers prepared over a number of years and this constrains the effective communication of priorities to debt collection staff.

Debtor research

7.29 Since the previous audit report the CSA has undertaken valuable basic research into factors affecting payer compliance through a major multi-phase research project. It also has developed research tools and reports that significantly improve its capacity to carry out debtor research.

7.30 It now has some useful national data on the debtor population, including the pattern of payer compliance and the debt structure for debtors in various income ranges. It also has produced some summary national data on three important debtor segments: debtors under EW arrangements, clients whose whereabouts are unknown, and payers with default income assessments. The CSA could make greater use of the results of debtor research than it has done to date, to set national debt collection priorities and develop proposals for debt recovery exercises aimed at particular debtor categories.

7.31 We consider that it is particularly important that the Agency has an overall socio-demographic profile of the debtor population and special profiles of higher-risk debtor segments, such as clients who have never paid any child support. Debtors who have mixed compliance histories, are self-employed or employed on contract, or have defaulted on private arrangements also warrant special research attention. Further research into the characteristics of these specific debtor segments, the circumstances in which they default and the effectiveness of Agency actions in respect of their non-compliance with child support obligations would help the CSA to develop more effective compliance improvement strategies tailored to these segments.

Payer compliance score

7.32 The CSA has recently designed a payer compliance score method to help determine the rank order for actioning debt cases at an operational level. Every liable parent is assigned a score, intended to indicate the likelihood that any child support debt can be collected. The income level of the liable parent is the main determinant of individual scores.

7.33 Summary indices can be a helpful tool to direct staff to debtor cases that may warrant priority attention. The ANAO supports the initiative of the CSA in designing the score and encourages the Agency to consider developing a wider range of indices that might assist debt collection operations.

7.34 However, we have reservations about the Agency's use of the payer compliance score. The score tends to direct Agency debt collection effort towards maximising immediate collection results from lower-risk cases rather than minimising overall scheme collection losses relating to higher-risk cases. Over-reliance on this single score could mean that the CSA does not take properly into account a wide range of relevant risk factors, including debtor compliance history, the debt amount and the debt age (discussed earlier in this Chapter). The financial circumstances of the carer parent as well as the previous history of payment of child support through private or Agency collection arrangements also could be relevant considerations in determining priority debt recovery action.

Recommendation No.9

7.35 The ANAO recommends that the CSA:

- a) undertake systematic debtor research and analysis, control testing and evaluation of results, where appropriate, to support decisions to initiate and continue new debt collection priority areas and actions;
- b) prepare a general profile of debtors and special profiles of higher-risk debtor segments, as a better basis for developing debt recovery actions tailored to those segments; and
- c) review the design and operation of the payer compliance score method recently introduced to help determine the rank order for actioning debt cases and examine the benefits of developing a wider range of indices to assist debt collection operations.

CSA Response

7.36 The CSA agrees with this recommendation. The Agency will continue to take steps to better understand the nature of its debt and to implement strategies to increase collections. The redeveloped system will allow for a more systematic approach to the analysis and evaluation of debt and debtors. Research is continuing in relation to improving the compliance score as a tool for case selection purposes.

Business plans

National business plans

7.37 Each year the CSA issues a single integrated national business plan for the overall administration of the Child Support Scheme, including debt collection and enforcement. The Agency prepared the 1997-98 business plan in a structured manner.

7.38 Coverage of debt collection and enforcement issues in future national business plans could be improved in several respects. CSA risk analyses set out in the business plans have not identified the size and age of child support debt nor Agency debt collection performance as significant risks to scheme administration. Child support debt could be expected to figure prominently in such analyses, given its dollar value and impact on children of separated parents.

7.39 The national business plans generally have not identified particular segments of debtors nor specific types of debt to be accorded high priority for debt collection action. The latest business plan, unlike plans for the two prior years, also does not set out specific initiatives for improving debt collection and enforcement processes. We appreciate the importance of the CSA focusing on higher-level future strategic directions for the scheme in the current plan, but consider that it should not lose sight of the potential gains from setting in train further operational improvements in areas such as debt management.

Regional plans

7.40 The CSA's NSW and QLD regions have prepared regional operational plans focusing specifically on debt collection operations. Branch offices have also undertaken local debt collection business planning. We support the development of regional and branch plans as a means of putting the strategic directions of national plans into operation at the local level.

7.41 The ANAO considers that the regional plans for 1997–98 were an improvement on the previous year's plans, in terms of their quality and the timeliness of their release. The adoption of a regional approach to debt management planning has provided some branch offices with additional support to meet local workload pressures and, over time, can be expected to promote more consistent debt collection priorities and practices across each region.

7.42 We identified several areas where regional planning can be improved further. There would be benefit in regional plans having a statement about their purpose and setting out the rationale for proposed debt collection

operations. Plans could demonstrate more clearly that regional efforts are linked to national priorities and focus on contributing to the achievement of national performance targets. They should aim to present estimates of the total expected debt collection caseload and major resource requirements for the region, and identify dollar value results expected from particular debt management activities.

Performance information

Performance results against targets

7.43 The CSA met its three national collection performance targets set for 1996–97. Some regions and branches, however, did not achieve the national targets. Details are shown in Table 3.

7.44 Differences in performance results between regions and branches are regularly reported within the Agency. There would be benefit in the CSA examining more closely the underlying reasons for the range in regional and branch performance results. Local priorities, work processes, client base characteristics or other factors may account for differences in performance. Any better practice work processes identified from such exercises should be adopted throughout the Agency.

Table 3

CSA performance results against key performance targets for 1996-97, June 1997

Performance measure	National target	National result	Branch results (range)	Extent to which regions and branches met the national target
Payer compliance rate	See note	27%	23% to 33%	Two regions and ten branches were below the national figure
Current year collection rate	64%	65%	56% to 72%	One region and four branches missed the national target
Reduction in non-current year debt	45%	46%	25% to 57%	Two regions and eight branches did not meet the national target. (Results for one region were affected by interstate case transfers at the end of the year)

Note : A payer compliance rate target was not specified for 1997-98. The payer compliance rate was approximately 27 per cent in June 1996 and 21 per cent in July 1996.

Source: CSA national business plan for 1996-97 and CSA performance reports.

Debt performance indicators

7.45 Each year the CSA has used three or four different key performance indicators to measure child support liability collection and debt collection performance. The 1997-98 performance indicators are set out in Table 4.

7.46 The CSA's measurement of the cumulative rate of collection of child support continues to be a useful, broad indicator of Agency collection performance. The payer compliance and debtor rate measures are significant recent innovations in the design of CSA debt performance indicators.

7.47 During the audit we drew the Agency's attention to an apparent technical design flaw in the compliance rate indicator that results in true payer compliance being understated. We consider that the description of the new debtor rate indicators for 1997-98 lacks clarity and it would have been helpful to explain them in more detail in the business plan or supplementary papers.

Table 4

CSA key performance measures of child support collection, debt and debtors, 1997-98 business plan

Performance measure	Specific performance indicator and target
Cumulative rate of Agency collection of child support	83% of national liabilities raised since scheme inception to be applied as credits to payees
Total debt	3% reduction in national net debt. (The target figure, not stated in the business plan, is \$445m.)
Payers meeting their child support obligations (payer compliance rate)	46% of payers to meet more than 75% of their ongoing liabilities
Payers with child support debt (debtor rate)	No more than 5% of payers to have debt and no ongoing liabilities No more than 32% of payers to have debt and ongoing liabilities

Source: CSA 1997-98 business plan

7.48 The ANAO sees benefit in the CSA introducing two additional performance indicators, relating to the age of debt and to debtors under debt recovery arrangements. It is important that the Agency monitors closely the age profile of debt over time (old debt is generally more difficult to recover) and how many debtors are being effectively pursued. The CSA also could provide regions and branches with their own targets, to better reflect their local client profiles, caseload and recent performance levels.

7.49 The 1997–98 performance targets that aim to raise the rate of Agency collection of child support to 83 per cent and to reduce net child support debt by 3 per cent were set at levels broadly in line with recent improvements in the Agency's debt collection performance. In the ANAO view, there is scope for the CSA to improve analysis and documentation relating to the target setting process in future years. This would provide the CSA with assurance that its targets are reasonable and defensible.

Recommendation No.10

7.50 The ANAO recommends that the CSA:

- a) incorporate a risk analysis of child support debt, identify short-run priorities for debt collection action and set out proposed debt collection process improvements in future national business plans;
- b) ensure that regional and branch debt collection operational plans focus on, and can demonstrably achieve, Agency priorities and performance targets; and
- c) improve key collection performance indicators, to better measure payer compliance with child support obligations and enable closer monitoring of the age of child support debt and debtors under debt payment arrangements.

CSA Response

7.51 The CSA agrees with this recommendation. The Agency will incorporate a greater focus on debt, including a consideration of those issues raised in Recommendation 10a, within a multi-layered business plan being developed for the 1998-99 year. The Agency will continue to refine its performance indicators, and ensure that regional and branch plans are consistent with agency priorities, via the business planning process. The redeveloped system will allow for improved monitoring of the age of debt and of debtors under payment arrangements.

Organisational arrangements

7.52 The CSA manages and carries out debt collection operations through its national, regional and branch management structures and branch office multifunctional and support teams. A national debt collection business improvement team, compliance improvement networks and regional debt research positions also have had important responsibilities. The overall arrangements have been effective in promoting debt collection business improvements and focusing on performance targets. They also have assisted the exchange of information within regions and branches and provided good mentor and support networks for debt collection staff.

7.53 Some aspects of the matrix arrangements can be improved. There are opportunities to strengthen liaison between the regions regarding debt collection business improvement and data analysis. Best practice arrangements for documenting Agency meetings and specifying the portfolio responsibilities of key staff could be identified and adopted more widely. There also would be value in the maintenance of an electronic register of debt research and debt collection projects to enable wider access to previous work.

7.54 Since the previous audit report the CSA has instituted branch MFT structures that combine client service and debt collection operations. Training was provided to assist staff to make the transition from more specialised to multi-skilled duties, although in some branches some staff still tend to concentrate on client service, compliance or EW work. We noted that the Agency has effectively deployed some specialist regional debt reduction teams where there has been a build-up of debt caseload.

7.55 The ANAO suggested to the CSA that it would be desirable to carry out a formal post-implementation review to confirm that the new structure has been beneficial to the Agency, clients and staff. The CSA advised that it has commissioned an external consultancy to review its organisational structure. The project commenced in November 1997 and aimed to report in February 1998.

7.56 Following the general introduction of the new branch structures the Agency operated a distinctive organisational arrangement to handle EW matters in one region on a trial basis. We raised with the CSA the possibility of extending the proposed evaluation of this trial to a wider benchmarking exercise across several regions. The CSA advised that the external consultancy study would address this issue.

7.57 Until recently the CSA has not been active in considering possible outsourcing of child support debt collection, although the use of private debt

collection agencies for difficult debt cases was canvassed in the 1994 JSCCFI report. It is important for the Agency to ascertain whether there are opportunities for improving debt collection results through outsourcing. The Agency advised the ANAO that it was participating in an ATO-wide project to examine the contestability of selected business processes.

Business support systems

Management information

7.58 The CSA has been addressing the significant deficiencies in the quality of management information on debt collection operations that were identified in the previous audit report. It now uses three main interrelated systems and data sets to provide Agency management at various levels with performance information on liability collection and debt management. These systems are the main child support system, a Master Compliance Dataset (MCD) mainframe file and the new COMPACT system.

7.59 The Agency's primary performance report now provides monthly collection performance data at the national, regional and branch level. Several other useful reports have been introduced to report on a range of important collection performance indicators. In our view, there is scope to include additional useful performance information particularly on child support debt to provide better coverage of debt collection operations. It would also be beneficial to present some existing data in terms of relevant client base statistics, to assist the comparative analysis of performance.

7.60 The MCD has provided regions and branch offices with debt collection management information down to the client team level. This has been an important innovation. We noted that various MCD report formats have been designed locally and there would be value in identifying good design features for possible wider adoption within the Agency. Data items in the MCD and how they relate to data in reports from the main child support system could be better documented.

COMPACT Computer System

7.61 The CSA child support computer system has been the main business support system for debt collection operations. Its design limitations have meant that staff have used various computer print outs, case officer diaries and other records for case management purposes.

7.62 During 1996-97 the CSA introduced the COMPACT computer system to provide enhanced debt collection business support on an interim basis until a new, superior CSA information technology system is in place. The ATO developed COMPACT in the 1980s and continues to use the system for tax debt collection operations.

7.63 We observed that implementation of COMPACT proceeded unevenly across the Agency and at the time of audit fieldwork, branches were still using the main child support computer system as well as COMPACT for debt collection and enforcement work. Greater direction over the initial implementation of COMPACT would have been desirable. There are now opportunities for the CSA to identify better practices on the use of COMPACT and disseminate them more widely in the Agency.

7.64 COMPACT has the potential to be a significant improvement on the Agency's existing debt case management arrangements. It can greatly assist branch MFTs to manage their debt collection caseload. However, the CSA has not instituted national arrangements to use the new system's performance standard facilities that can identify cases taking longer to action than expected. It also has not used the system's management report facilities to provide national statistical information on debt management performance.

Recommendation No.11

7.65 The ANAO recommends that the CSA enhance coordination of the introduction of the COMPACT computer system and, where cost effective, make greater use of its potential benefits for recording, monitoring and evaluating debt collection operations.

CSA Response

7.66 The CSA agrees with qualification with this recommendation. The Agency has recently appointed a national coordinator to address issues in regard to the use of COMPACT. There are, however, limitations to the possible benefits of focusing too heavily on COMPACT, given it will be replaced by the redeveloped system due to be implemented later in 1998.

8. Debt Collection Operations

This Chapter examines a number of key operational activities associated with debt collection and enforcement.

Introduction

8.1 The ANAO focused on the following operational activities associated with debt management that we regard as crucial to the timely and effective recovery, or other appropriate treatment, of child support debt:

- the early identification of payers who miss their child support payments and debtors with significantly improved financial circumstances;
- the efficient and effective identification of the whereabouts of clients who cannot be contacted at their last known address;
- the minimisation of overstated assessments of client liabilities for child support;
- the maximum use of effective collection methods such as EWA, set at rates that accord with the capacity of clients to pay debts as soon as possible;
- the identification of debtors with realisable assets, for possible legal action to recover debts;
- the application of penalties for late payment of child support liabilities in appropriate circumstances; and
- the active write-off of debts where there is no prospect of debt recovery.

8.2 Our recommendations to improve Agency performance in relation to key operational activities associated with debt collection are at the end of the Chapter.

Debt identification

8.3 The CSA uses various computer reports to identify debt cases for actioning. It also follows up advice from carer parents that their ex-partners have missed child support payments.

8.4 Since the previous audit report the CSA has improved its capacity to identify new debt cases through the introduction of a first time defaulters' report. It also has other reports that are useful for debt recovery purposes.

These include reports that list clients who have resumed employment or are due to receive tax refunds.

8.5 The CSA has not stipulated standard procedures for generating computer case lists, managing caseload, initiating and recording actions, and monitoring debt cases. As discussed in Chapter 7, the recent introduction of the COMPACT system for debt case management provides the Agency with an opportunity to identify and disseminate best practice for these operations.

8.6 There would be benefit in the CSA seeking to reduce as far as practicable the time it takes to action computer reports relating to debtors, particularly new defaulters. This would increase the likelihood of their early voluntary resumption of child support payments and would help to minimise the size of their accumulated debts. The CSA aims to initiate action on new defaulters before the next monthly case list report is produced. This means that the Agency may contact them up to six weeks after the payment due date. Good private sector practice is to identify debts for immediate action as soon as accounts are overdue.

8.7 There also could be value in the CSA producing a new standard report to be used to identify debtors who disclose substantially higher taxable incomes in their latest income tax returns and therefore may now have greater capacity to pay child support arrears. It would also improve coverage of client categories such as contractors and self-employed persons. We suggest that the Agency carry out pilot studies to assess the likely benefits from debt collection effort in this area.

Client location

8.8 The CSA carries out various kinds of record searches to locate payers who cannot be contacted at their last known telephone number or address. It checks for new client addresses in the ATO tax record data base and with telephone directory assistance services. Where necessary, it contacts external agencies such as electricity utilities and motor registries for client location details.

8.9 Since the previous audit the CSA has taken a number of actions to improve its tracing operations. It participated in a major ATO-wide client location project in 1996. It also has carried out some data analysis of missing clients and their debts, conducted pilot studies in several branches to assess new procedures and introduced system enhancements for recording client address and tracing action. Revised procedural instructions for client location activities also have been drafted.

8.10 The ANAO observed that:

- the CSA currently has 13 300 clients whose whereabouts are unknown. These clients represents 5 per cent of cases for which the CSA is the collection agency;
- debt relating to unlocated clients totals \$74m and this represents 14 per cent of child support debt;
- there has been a significant reduction in the number of unlocated clients since June 1995, when the Agency did not know the location of 22 800 payers; and
- the unlocated client rate ranges from 2 per cent to 9 per cent at branch office level.

8.11 The Agency can make further operational improvements to client location operations by:

- analysing the factors accounting for the variation in unlocated client rates between branches;
- identifying from pilot studies and staff experience which external data sources are most cost effective for locating particular types of clients whose addresses are more difficult to find;
- installing on-line computer access to electronic search data bases to assist staff with client location work;
- measuring its success rate in identifying new client addresses for clients who were previously listed as missing;
- providing staff with guidance on priorities for actioning particular types of client location cases in the event of any work backlogs; and
- reminding clients at every suitable opportunity of their obligation to advise the Agency of change of address details.

Default assessments

8.12 The CSA prepares annual assessments of the amount of child support that Stage 2 payers are liable to pay for the forthcoming year. This is done automatically for most payers using ATO records of their relevant taxable income. Where relevant income details are not readily available, the CSA makes default assessments. As these assessments may not reflect the true liability of the payers, there is a risk that total child support debt could be overstated.

8.13 Since the previous audit report the Agency has revised default assessments downwards to more realistic levels. It improved the quality of Agency statistics on collection performance by counting default assessment liabilities as part of total scheme liabilities. In the past two years, adjustments to default assessment cases have contributed to the overall reduction of \$203m in prior year scheme liabilities. The CSA and ATO business lines recently have been finalising new working arrangements to improve tax return lodgment compliance operations in relation to CSA clients.

8.14 The ANAO noted that:

- the CSA now has 39 500 clients with default assessments. Their cumulative liabilities total some \$165m and represent 6 per cent of total liabilities since scheme inception;
- there has been a substantial reduction in the value of default assessments since June 1995, when default assessments amounted to \$218m. This improvement mainly results from the Agency revising default assessments downwards from the rate of 2.5 times average weekly earnings that it previously used;
- default assessments as a proportion of scheme liabilities range from 4 to 8 per cent across branches. Some offices with relatively high rates reduced them in 1996-97. Nonetheless, it would be desirable for the CSA to ascertain reasons for the variation between branch offices; and
- debt relating to default assessment cases amounts to \$91m, equivalent to 18 per cent of total child support debt.

8.15 The CSA has recently identified default assessment liabilities as a possible focus area for achieving the Agency's target child support collection rate for 1997-98. We concur with this view. It is essential that the CSA pursue actively the recovery, correction or write-off of debt associated with default assessment liabilities.

Employer withholding of arrears (EWA)

8.16 Where the CSA identifies payers who have not met their child support obligations, it encourages them to resume regular and timely payment of their ongoing liability and to pay their child support debts voluntarily. The Agency is prepared to negotiate arrears payment arrangements with payers, taking into account their reasonable personal and financial commitments.

8.17 The CSA is empowered to take a range of administrative actions to collect child support debts, including arranging for employer withholding of additional wage and salary deductions, intercepting income tax refunds that would be otherwise made to liable parents and collecting moneys that third parties owe to liable parents. EWA is one of its debt collection priorities. The Agency has undertaken useful national data analysis to identify the number of EW debtors not under EWA arrangements and the value of their debts.

8.18 We agree with the high priority that the CSA has accorded EWA for debt collection. It is a highly effective method for obtaining arrears payments on a regular basis from wage and salaried employees.

8.19 The ANAO observed that:

- the CSA currently is applying EWA to some 16 000 clients. Some 27 per cent of total EW cases are now paying arrears;
- there has been a significant improvement in the Agency's use of EWA arrangements in recent years, as EWA cases have increased from 8700 clients in June 1995; and
- EWA is being applied to between 18 and 35 per cent of EW clients at branch office level. Various factors may account for this range, including the local client base and branch usage of EWA or other methods to recover debts. It would be desirable for the CSA to examine this matter further.

Setting employer withholding of arrears at appropriate rates

8.20 We consider that the CSA can make significant improvements to its processes for recovering arrears through EWA arrangements. There would be value in the CSA reviewing the pattern of EWA rates for EW debtors and revising EWA guidelines, forms and procedures. CSA guidelines on the collection of arrears by withholding provide two very different formula methods of setting EWA rates for clients. These guidelines have not been updated since 1992. This would seem to raise equity questions, as depending on the formula used, different rates of debt recovery result.

8.21 Charts 15a and 15b describe the two assessment methods and show EWA rates using the methods. It is apparent that EWA rates under the 'debt size' formula remain constant regardless of debtor income, whereas EWA rates under the 'available income' formula rise sharply for debtors in the higher-income ranges.

8.22 The ANAO carried out a data analysis exercise of actual EWA rates applied to EWA debtors. Chart 15c illustrates the overall pattern of EWA rates. Our analysis indicates that:

- the average EWA case is required to pay \$26 per week additional to their normal child support liabilities. This rate is well below the EWA rate of \$40 per week under the first assessment method set out in the guidelines. It is also lower than the EWA rate of \$35 per week that we calculated would have applied using the second method;
- given that the average EWA case involves arrears of \$2 900, it would take more than two years for the CSA to recover the child support debt (excluding any penalties) fully. This time frame is much longer than the twelve month period that CSA guidelines state should be the maximum time for debt recovery by withholding; and
- actual average EWA rates are similar for clients in income ranges from \$10 000 to \$40 000 annual income. This suggests that CSA processes for setting EWA rates do not adequately take into account the financial capacity of debtors to pay.

8.23 The ANAO analysis was not designed to reach a view as to whether the actual EWA rates that the CSA is applying to individual debtors are more appropriate than the EWA rates specified in or calculated by the ANAO using CSA guidelines. However, we note that there is potential for the CSA to collect additional child support payments through a relatively small increase in the average EWA rate.

Extending employer withholding of arrears to more debtors

8.24 In our view, the CSA should undertake a comprehensive review of the EWA rates contained in the guidelines and being applied in practice. EWA guidelines and documentation can be improved by:

- providing more comprehensive guidance on appropriate debt recovery methods, including EWA, for larger debts;
- making it clear that the personal and financial situation of the individual debtor is the paramount consideration in any method used to set the EWA rate;
- updating calculation examples in EWA guidelines to reflect current income tax, child support liabilities, other deductions and basic costs of living;
- designing national forms to obtain similar information from all debtors to help with the assessment of their capacity to pay; and
- developing guidance on how to scrutinise the reasonableness of the claimed living expenses of debtors, as disclosed on returned forms.

8.25 The ANAO considers that there is significant potential to extend EWA to a greater number of EW debtors and recover their child support arrears.

8.26 There are currently some 18 300 EW debtors who have incomes over \$20 000 but are not under EWA arrangements. The total arrears of these debtors amount to \$18m. By extending EWA to these debtors at rates applying to comparable existing EWA cases, the Agency could potentially recover some \$7m in child support arrears within a year.

Legal action against debtors with realisable assets

8.27 The CSA may take legal action against debtors to recover child support arrears through the courts. It usually considers litigation where clients are unwilling to enter into debt payment arrangements and have assets that could be sold to pay debts. Only a relatively small number of cases go before the courts, but successful action in individual cases can have substantial financial benefits for children of separated parents.

8.28 The Agency has recently introduced a number of significant initiatives to provide better support to enforcement officers who handle potential litigation cases. It has issued enforcement procedural instructions, provided staff with enforcement training and established national and regional mentor and officer networks.

8.29 The CSA has experienced difficulties in achieving the desired rate of referral of possible litigation cases from MFTs to enforcement officers, and on to the Australian Government Solicitor (AGS) for legal action. This follows the Agency's adoption of a more selective, focused approach to the issue of notices of intended legal action against debtors. Regions and branches have instituted various remedial measures that aim to improve working relations between MFT staff and enforcement officers and to select more potential litigation debt cases. We consider that there is a need for closer overall Agency coordination of these initiatives, the maintenance of basic statistics on case referrals and the systematic monitoring of performance results from actions taken.

8.30 There would be value in the CSA undertaking pilot studies to assess the cost effectiveness of putting more debt collection effort into focusing on particular debtor categories that are likely to have significant assets. We acknowledge that the Agency initially may find it difficult to discover such cases. The CSA's capacity to identify and pursue appropriate cases would be enhanced by providing staff with additional guidance and training in how to identify debtor ownership and equity in assets, take account of debtor use of

assets for their livelihood and everyday living, and estimate the net realisable value of debtor assets.

8.31 Other aspects of the Agency's enforcement operations can be further improved by:

- examining whether in-house or outsourced accounting or legal specialists would assist the Agency to handle debtor cases involving complex business arrangements;
- expressly recognising that it is not practicable to take legal action to secure payment of child support obligations in every case;
- establishing an integrated management information system to report on enforcement casework;
- designing national operational performance measures to monitor enforcement performance;
- integrating procedural instructions for enforcement officers into the CSA's standard suite of debt collection procedural guidance and expanding them to provide practical advice on instructing AGS and on the conduct of court proceedings; and
- extending local service agreements with AGS throughout the Agency.

8.32 The CSA does not publicise legal action taken to recover debts. There could be advantages in the CSA publicising the overall results of its enforcement operations (not individual court cases) in an appropriate manner. This would help to bolster community confidence in the effectiveness of the 'safety net' features of the Child Support Scheme. Ongoing payer voluntary compliance with child support obligations is likely to be enhanced through their greater awareness of successful CSA action. The CSA advised the ANAO that this issue would be addressed as part of the Agency's communication strategy.

Penalties

8.33 Penalties are imposed automatically on the late payment of child support liabilities under current child support legislation. The CSA has the discretion to remit penalties in part or full in certain circumstances. It also may write them off where they are uncollectable. Penalties are debts due to the Commonwealth and are not paid to carer parents. Outstanding penalties (additional to child support debt) total \$208m.

8.34 We consider that there would be benefit in the CSA reviewing its guidelines on the remission of penalties. The Agency has given a wide interpretation to the circumstances where remission is appropriate. This would seem to reduce the overall effectiveness of the legislated penalty regime which is intended to discourage late payments. The CSA's advice to staff to use discretion in negotiating with debtors appears to be at odds with the ATO's view of the use of similar remission powers relating to tax late penalties. The CSA also has not offered guidance on when to remit part rather than all of the penalties.

8.35 We found that the CSA has not closely monitored the operation of the imposition, remission and collection of penalties. Such monitoring would help to minimise the risk that its discretion to remit penalties might be exercised inconsistently between regions and branches.

Debt write-off

8.36 The CSA may write-off child support debts where they are irrecoverable or recovery is uneconomic to pursue. Debt write-off does not expunge debts. Following debt write-off, carer parents are advised that the CSA has been unsuccessful in recovering the child support debts. They cannot enforce liabilities privately as the debts are due to the Commonwealth. The Agency reviews written-off debt at least annually. Where debtor circumstances have changed and there is a prospect of recovery, debts can be re-raised.

8.37 The ANAO observed that:

- the CSA has 4 700 clients with written-off debts totalling some \$58m. This represents 11 per cent of total child support debt and is equivalent to 2 per cent of total child support liabilities raised since scheme inception;
- there has been a marked increase in debt write-off since June 1995, when debt write-off stood at \$16m; and
- debt write-off as a percentage of gross debt ranges from 3 per cent to 22 per cent across branches. These figures suggest that some branches have been very active in writing-off debt and other branches have given low priority to such work.

8.38 A useful recent CSA review of write-off procedures and practice identified some \$210m of debt not written-off as 'doubtful' or 'uncollectable' debt (43 per cent of net debt). It proposed that the Agency produce lists of debt cases for possible write-off and action them separately from other debt

cases. The CSA has endorsed the general approach, but for a more narrow range of debtor cases.

8.39 We concur with the Agency view that there is considerable scope for additional debt write-off. However, we consider that the pursuit of these possible debt write-off cases separately from general debt collection work may not produce optimum debt collection results for the Agency. It could be more effective for the CSA to target suitable debtor segments and finalise these cases by debt write-off, liability reduction or debt recovery, as appropriate.

8.40 Operational improvements can be made to debt write-off actioning by:

- reviewing carefully past debt write-off actions involving clients whose incomes indicate they have some prima facie financial capacity to pay;
- providing staff with practical advice and examples of what constitutes sufficient grounds for debt write-off; and
- designing a standard register and using Agency-wide records for debt write-off cases.

Recommendation No.12

8.41 The ANAO recommends that the CSA maximise financial support for children of separated parents and reduce net child support debt by:

- a) reducing the time taken to identify and take initial action on new debt cases;
- b) pursuing actively the recovery of debt associated with default assessment liabilities;
- c) revising guidelines on employer withholding of arrears and making greater use of this method to recover debts in appropriate circumstances;
- d) identifying debtors with assets for possible legal action and publicising effective enforcement operations;
- e) reviewing the current guidelines on the remission and collection of penalties and monitoring the outcomes; and
- f) targeting doubtful debts for appropriate debt recovery, liability reduction or debt write-off action.

CSA Response

8.42 The CSA agrees with parts a, c and f; and agrees with qualification to parts b, d and e of this recommendation.

- a) There is now a far greater focus on responding immediately to first time defaulters.
- b) A greater focus on default assessment liabilities is required in terms of ensuring that those liabilities are accurate and are recovered where a capacity to pay can be established. The over-riding consideration, however, when selecting cases for debt recovery action will be the capacity of the client to pay rather than the income used as the basis for the assessment.
- c) The Agency agrees that the guideline needs to be revised and updated. It is also agreed that a greater focus on, and more timely application of, arrears by employer withholding is necessary in appropriate cases. The application of this method of debt recovery needs to be balanced, however, with the desire to achieve broader scheme objectives. This includes ensuring that current child support is paid and recognition of the intention that recovery action should not discourage clients from participating in the workforce. The Agency notes the analysis of arrears by employer withholding contained in the body of the report and advises that we are conducting our own examination of this data and the potential for improving collections.
- d) Processes are in place in all branches to facilitate the identification of appropriate debtors against which litigation proceedings are to be instituted. Branches have officers dedicated to coordinating the litigation proceedings. The Agency does not plan to publish details of enforcement actions, in the belief that it does not help to build positive relationships with clients and as such has very little potential to influence improved collections across the wider client base.
- e) The Agency will review the guidelines on the remission of penalties.
- f) The Agency is continuing to take steps to address this recommendation and has processes in place for selecting appropriate cases for each action.

Canberra ACT
6 April 1998

P. J. Barrett
Auditor-General