

The Auditor-General

Audit Report No.20 1999–2000

Performance Audit

Special Benefit

Centrelink
Department of Family and Community Services

Australian National Audit Office

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Canberra ACT
22 November 1999

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in Centrelink and the Department of Family and Community Services 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 *Special Benefit*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—
<http://www.anao.gov.au>.

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

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Contents

Abbreviations/Glossary	7
Summary and Recommendations	
Summary	11
Special Benefit	11
Audit objective and scope	12
Audit methodology	12
Overall conclusion	13
FaCS response	14
Centrelink's response	14
ANAO comment	16
Key Findings	17
Compliance of assessments of new claims for Special Benefit with relevant legislation and guidelines	17
Management controls over assessment of new claims for Special Benefit	20
Information provided to intending migrants and newly arrived residents	22
Recommendations	23
Audit Findings and Conclusions	
1. Introduction	29
The Special Benefit payment	29
Previous examinations of the Special Benefit program	31
Assessment of claims for Special Benefit	31
Audit objective and scope	33
Audit criteria	34
Audit methodology	34
Consultants to the audit	35
Structure of the report	35
2. Compliance of Special Benefit New Claim Assessments with Relevant Legislation and Guidelines	36
Definition of a new claim	36
Sample selection	38
Overall findings relating to compliance of new claim assessments with relevant legislation and guidelines	39
Claims incorrectly assessed	43
Claims not fully assessed	49
Claims not complying with other procedural requirements	50
Overall conclusion concerning compliance of assessments of new claims with relevant legislation and guidelines	59

3.	Procedures for controlling assessments of new claims for Special Benefit	61
	Factors influencing assessment decisions	61
	Centrelink controls	63
	FaCS controls	78
	Overall conclusions relating to procedures for controlling assessments of new claims for Special Benefit	85
4.	Payment of Special Benefit to Migrants in the newly arrived residents waiting period	87
	Background	87
	Information for intending migrants and newly arrived residents	88
	Conclusion	92
Appendices		
	Appendix 1: Estimated rates of non-compliance of assessment decisions with relevant legislation and guidelines	96
	Appendix 2: Categories of Special Benefit recipient	98
	Appendix 3: Sample design	101
	Index	105
	Series Titles	107
	Better Practice Guides	109

Abbreviations/Glossary

AAT	Administration Appeals Tribunal
ABS	Australian Bureau of Statistics
BPA	Business Partnership Agreement (between FaCS and Centrelink)
CSC	Centrelink Customer Service Centre
DIMA	Department of Immigration and Multicultural Affairs
DSS	Department of Social Security
FaCS	Department of Family and Community Services
Guide to the Act	Guide to the Administration of the Social Security Act
PAC system	Procedure and Accuracy Checking system
the Act	<i>The Social Security Act</i>

Summary and Recommendations

Summary

Special Benefit

1. Special Benefit is a social security income support payment for people who are unable to support themselves or their dependents, and who are not otherwise entitled to any other income support payment. Its objective is to ensure that such people have adequate levels of income.
2. Payment of Special Benefit is made under the *Social Security Act* (the Act) and in accordance with the Guide to the Administration of the Social Security Act (the Guide to the Act) which is prepared by the Department of Family and Community Services (FaCS).
3. Special Benefit assessment decisions involve a consideration of many complex factors. For example, assessors are required to consider a customer's possible entitlement to another, more appropriate, social security benefit; whether the customer has any alternative means of support; and which of many different categories of Special Benefit is applicable to the customer's circumstances.¹ In its response to this audit Centrelink made the point that it inherited Special Benefit, which by its nature is complex to administer, as a program with a history of administrative difficulty.
4. Under a Business Partnership Agreement (BPA), FaCS has contracted Centrelink to administer the payment of Special Benefit to eligible customers. The BPA requires Centrelink to assess claims and make payments in accordance with the Act and the Guide to the Act. Centrelink is required to ensure that Special Benefit is paid at the correct rate and that only those customers with a genuine entitlement are paid. Similarly, under the BPA, FaCS must satisfy itself that Special Benefit is only delivered to qualified customers and that the rate paid is in accordance with the Act and the Guide to the Act.
5. In 1998–99 approximately \$100 million was paid to Special Benefit customers.

¹ Appendix 2 briefly describes the different categories of Special Benefit.

Audit objective and scope

6. The objective of the audit was to assess the extent to which new claims for Special Benefit had been determined in compliance with the *Social Security Act*, the Guide to the Act and other relevant guidelines, and whether Centrelink and FaCS had appropriate procedures to help ensure such compliance.

7. The audit also examined whether procedures had been established by FaCS and Centrelink to ensure that relevant and timely information is made available to intending migrants, and newly arrived migrants, concerning their eligibility for Special Benefit. This aspect was examined because there were indications that some newly arrived residents may not have been fully aware of the conditions under which they might be eligible for Special Benefit during the newly arrived resident's two year waiting period for social security benefits.²

8. The scope of the audit did not include an examination of Centrelink's procedures for periodically examining customers' entitlements in order to identify cases where customers have not informed Centrelink of changed circumstances.

Audit methodology

9. To achieve the audit objective the audit team:

- examined a random sample of new claim assessment decisions. The random sample was designed to enable the audit to extrapolate sample error rates to the total population of Special Benefit assessments³;
- interviewed Centrelink staff with responsibilities for assessing claims and providing advice to assessors;
- interviewed Centrelink and FaCS National Office staff with responsibilities for the management of Special Benefit; and
- examined Centrelink and FaCS National Office files relating to the management of Special Benefit.

10. Throughout the audit, Centrelink and FaCS have responded positively to the findings of the audit. In May 1999 Centrelink conducted a workshop in Canberra for Special Benefit assessors from a wide range

² In March 1997 legislation was passed to extend the waiting period for access to social security payments by newly arrived residents to two years.

³ The sample design was developed in conjunction with the Australian Bureau of Statistics (ABS) and in consultation with both Centrelink and FaCS. The design is described in more detail in Appendix 3.

of Area offices and Customer Service Centres (CSCs). The workshop discussed the issues identified in the audit and developed plans for improving the accuracy of assessments. For example, as a result of the workshop, Centrelink has moved to improve the accessibility of written guidance material for assessors of Special Benefit claims. In addition Centrelink plans to implement a project to improve skills in accessing and using information on its Intranet site.

Overall conclusion

11. The ANAO concluded that there was a significant degree of non-compliance of Special Benefit new claim assessment decisions with the Act, the Guide to the Act and other relevant guidelines. For example:

- 41.7 per cent (+/-7.6 per cent)⁴ of new claims were incorrectly assessed;
- 22.1 per cent (+/- 6.7 per cent) of new claims were not fully assessed, casting doubt on the final assessment decision⁵; and
- a high proportion of assessments failed to meet a range of other requirements under the Act and the Guide to the Act, for example, requirements relating to the use of required assessment checklists, the documentation of reasons for decisions and the verification of customer information.

12. The monetary effect of the incorrect assessments was relatively small. The resulting net overpayment of Special Benefit was estimated to be approximately \$1.4 million (+/- \$0.52 million) or 2.3 per cent of total Special Benefit payments during the period covered by the audit. Nevertheless, the level of assessment error was considerably higher than that identified by Centrelink through its internal quality checking mechanisms and reported in its performance reports to FaCS. Therefore, the ANAO concludes that the procedures used by Centrelink and FaCS to monitor and report the accuracy of assessments of Special Benefit new claims were not sufficiently reliable. Consequently, the performance reports provided by Centrelink to FaCS did not accurately report the extent of error in new claim assessments.

⁴ Error rates are ABS estimates of error rates for the relevant population of assessments during the audit period (11 May 1998 to 31 December 1998). The estimates are all based on a 95 per cent confidence interval, that is the conclusion can be drawn with 95 per cent confidence that the population error rate lies within the estimated error rate range.

⁵ A small number of claims were both incorrectly assessed and not fully assessed. Of new claims, 57.1 per cent (+/- 7.7 per cent) were either incorrectly assessed or not fully assessed.

13. Given the extent of compliance of assessments with relevant legislation and guidelines was considerably below the standard required under the BPA, the management controls, including quality control procedures, over the assessment process were not working as effectively as they should in practice. Furthermore, the high level of incorrect assessments has impaired the quality of service offered to Special Benefit customers. For example, incorrect assessments have led to some customers being paid Special Benefit at an incorrect rate, for an incorrect period, or instead of a more appropriate type of social security benefit.

14. In relation to the provision of information concerning Special Benefit to intending and newly arrived migrants, the ANAO concludes that FaCS and Centrelink had taken appropriate actions to help ensure that such people receive accurate and relevant information about their eligibility for Special Benefit during the two year waiting period for social security benefits.

FaCS response

15. FaCS recognises the complex nature of the Special Benefit payment, due in part to its discretionary nature, the small volume of claims involved and its role as a payment of last resort to people in very diverse circumstances. We are, however, gravely concerned by the results of the audit in identifying:

- the significant degree of non-compliance in new claim assessments with relevant legislation and guidelines;
- the inability of the current reporting mechanism to accurately identify the degree of the non-compliance; and
- the lack of effective management controls over the assessment process.

Centrelink response

16. We agree with ANAO observations that the quality of service offered to Centrelink Special Benefit customers is impaired by any level of incorrectness. We also agree with the stated impact of incorrect assessment on internal control mechanisms and performance reporting. We have put in place processes and procedures to address these issues.

17. Centrelink is making improvements to the administration of Special Benefit, including:

- reviewing and consolidating the Special Benefit guidelines into one document;
- reviewing the Special Benefit form and assessment checklist;

- developing a new communication strategy to increase staff awareness of the importance of Special Benefit;
- establishing a larger and more comprehensive Special Benefit national help desk;
- developing a new training package for Special Benefit to nurture expert staff;
- examining computer systems to assess whether improvements can be made to the way the system distinguishes between Special Benefit grants, re-grants and restorations;
- strengthening national quality assurance, accuracy checking and associated monitoring processes;
- participating with FaCS in a review of Special Benefit reviews;
- participating with FaCS in a review of Special Benefit categories;
- initiating a review of the timeliness of the Special Benefit claim processing timeliness standard;
- implementing a Special Benefit Page as part of the Rural & Housing team's Home page on the intranet;
- conducting more intensive performance monitoring and trend analysis;
- improving systems capability by mapping the systems relationship between Special Benefit and other relevant payment systems;
- introducing an electronic claim form for Special Benefit by linking with the Customer Declaration Form developed by Employment Services;
- improving the performance and administration of Special Benefit through a performance reporting framework whereby Areas are provided with the opportunity to advise on program results and performance improvement measures they have initiated; and
- in March 2000, reviewing progress against the aforementioned improvement program.

18. Special Benefit claims are complex, diverse and discretionary. Because of the variety of people claiming Special Benefit and the seriousness of their plight, staff have considerable discretion in applying the eligibility criteria. This discretion which in principle may be quite appropriate presents difficulties for consistent decision making. Centrelink has inherited Special Benefit as a program with a history of administrative difficulty. Although Centrelink has taken some steps to strengthen the Special Benefit assessment and determination procedures inherited from the Department of Social Security (DSS), we agree that further work can be done in this area.

19. Centrelink was aware of the program risks before this audit and now has strategies in place to improve control. The benefits of Centrelink's improvement program for Special Benefit have not yet been fully realised. Indeed the ANAO audit results will complement significantly Centrelink's efforts to continuously improve Special Benefit. Centrelink will follow up with a series of internal exercises to monitor and improve Special Benefit administration.

20. Centrelink has addressed all of the ANAO recommendations at the time of this response. Centrelink will also conduct a follow up review in March 2000, on the impact of the Special Benefit improvements on program performance.

ANAO comment

21. The ANAO considers that the actions initiated and planned by Centrelink as described in its overall response to this audit will, if implemented effectively, considerably improve the accuracy of the assessments of new claims for Special Benefit.

Key Findings

Compliance of assessments of new claims for Special Benefit with relevant legislation and guidelines

The population of new claims

22. The ANAO had sought to review assessments of new claims. However, we found that an estimated 24.4 per cent (+/- 6.3 per cent) of claims assessed were not new claims but had been reported internally, and externally to FaCS, as such. Rather, they were mostly claims to re-establish or re-grant Special Benefit following cancellation of payment due to, for example, failure by the customer to submit a review form. In some instances, problems relating to processing a review in the customer's computer record caused some customer's payments to be cancelled even though they had been reviewed. Such situations result in poor customer service and cause additional processing work to rectify the problem.

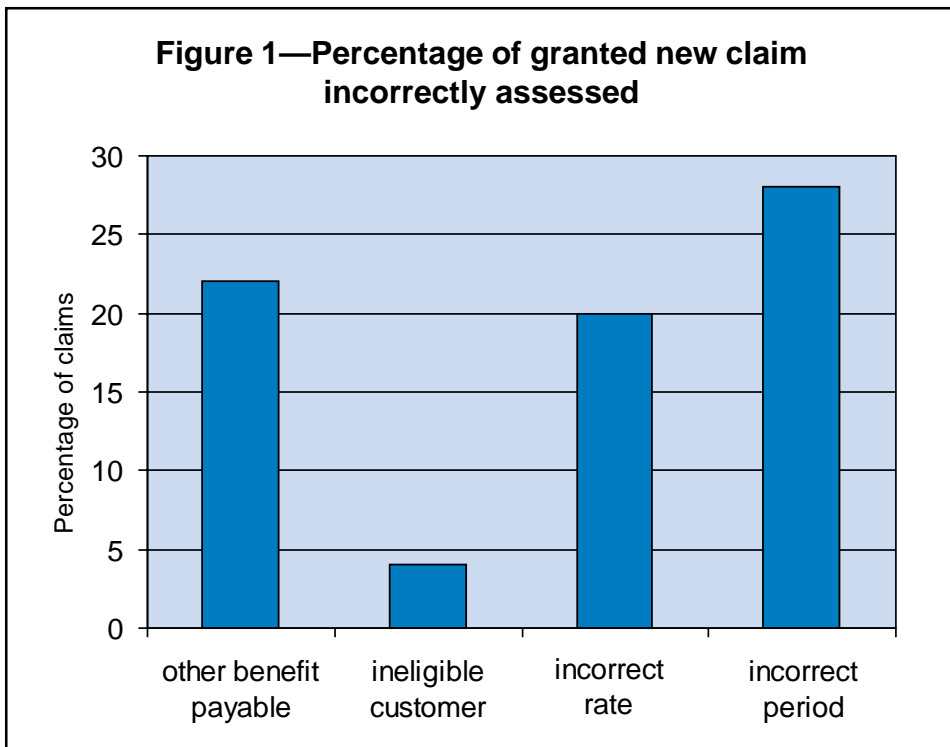
Compliance of new claims assessments

23. Based on the analysis of a random sample of new claims for Special Benefit for the period 11 May 1998 to 31 December 1998, the ANAO found that a significant number of claims were not assessed in compliance with relevant legislation and guidelines.⁶

New claims that were incorrectly or not fully assessed

24. Figure 1 summarises the estimated non-compliance rates for claims that were incorrectly assessed.

⁶ Appendix 1 details the estimated rates of non-compliance for the full range of issues identified in the audit.



Note that the error rates shown in Figure 1 have associated 95 per cent confidence intervals that are detailed in Appendix 1. The intervals range between 3.1 per cent for claims granted to ineligible customers and 7.8 per cent for claims granted for an incorrect period.

25. Figure 1 reveals that a significant proportion of granted claims are estimated to contain assessment errors. The net dollar overpayment identified for claims assessed during the period of the audit was estimated to be approximately \$1.4 million (+/- \$0.52 million). This represents approximately 1.4 per cent of Special Benefit cash payments for 1998–99 and 2.3 per cent of Special Benefit cash payments for the period covered by the audit.

26. The audit found no cases where a claim had been incorrectly rejected.

27. The proportion of assessed new claims (ie. the total of granted and rejected new claims) that contained at least one assessment error was estimated to be 41.7 per cent (+/- 7.6 per cent).

28. The ANAO also estimated that 22.1 per cent (+/- 6.7 per cent) of new claims assessed had a major aspect of the claim that was not fully considered by the assessor. Failure to consider a major aspect of the claim casts doubt on the final assessment decision. Overall, the proportion of assessed new claims that were either incorrectly, or not fully assessed, was estimated to be 57.1 per cent (+/- 7.7 per cent).

Claim assessments not complying with other requirements

29. The ANAO found substantial levels of non-compliance of assessments with a range of other requirements identified in relevant legislation and guidelines.⁷ Some of these types of non-compliance have significance for the accurate assessment or review of a customer's eligibility for Special Benefit. For example:

- consideration of a claim under an incorrect Special Benefit category, which occurred in an estimated 33.3 per cent (+/- 7.3 per cent) of claims granted, can lead to a claim being considered against inappropriate eligibility criteria;
- failure to use the Special Benefit assessment checklist, which occurred for an estimated 86.1 per cent (+/- 6.3 per cent) of assessments, was associated with significantly higher levels of assessment error;
- failure to undertake required verification of information provided by the customer can lead to incorrect decisions. For example, the level of a customer's available funds is a critical factor in determining eligibility. The audit estimated that a customer's available funds were not verified in 76.4 per cent (+/- 9.6 per cent) of claims where such funds were declared by the customer;
- inadequacies relating to information in a customer's claim form or in their computer record can lead to decisions being taken on the basis of inadequate or incorrect information. For example, the audit estimated that in 48.4 per cent (+/- 6.5 per cent) of assessed claims, the claim form was not fully completed; and
- failure to record the reasons for new claim assessments or reviews of entitlements in the customer's computer record makes later reviews of entitlement difficult. In an estimated 54.1 per cent (+/- 8 per cent) of assessments there was no explanation of the reasons for the assessment decision in Centrelink's computer documentation system.

Performance monitoring of new claim accuracy under the BPA

30. The ANAO found that the basis for measuring and reporting the accuracy of assessments of Special Benefit new claims was not reliable.

⁷ Appendix 1 details the estimated rates of non-compliance for the full range of issues identified in the audit.

31. Centrelink has reported in its bi-monthly reports to FaCS, that on average, during the period examined by the audit, approximately 96 per cent of Special Benefit new claim assessments were free from major error. In other words, approximately four per cent of assessments contained a major error such as:

- granting payment to ineligible customers;
- rejecting eligible customers;
- granting payment at the wrong rate or for the wrong period; and
- failing to fully assess a major aspect of the claim.

32. However, based on the findings in this audit, the ANAO has estimated the comparable actual error rate in the total population of Special Benefit assessments was significantly higher. Specifically, the audit estimated that the proportion of Special Benefit assessments that contained a major error was 44.5 per cent (+/- 7.0 per cent).⁸ The non-compliance rates found in this audit also imply that Centrelink did not meet its target under the BPA for 95 per cent of new claims to be accurately assessed.

Management controls over assessments of new claims for Special Benefit

Policy guidance

33. Under the BPA between FaCS and Centrelink, FaCS is required to make available to Centrelink a policy guide to the interpretation of the *Social Security Act*, which it will update promptly following any changes in policy or legislation.

34. The ANAO found that FaCS had made the Guide to the Act available promptly to Centrelink as part of the Centrelink on-line Reference Suite of information. The Guide to the Act contained policies and procedures to be taken into account as relevant considerations when a delegate exercises his or her powers under the Act. Such guidelines are permissible and valid in as far as they do not contradict any provision of the Act and their content and use is consistent with generally applicable principles of administrative law. The ANAO found that the Guide to the Act, as it related to Special Benefit, was broadly consistent both with the Act and with relevant case law.

⁸ The calculations supporting this estimate are discussed in Chapter 3.

Controls over assessment procedures

35. The ANAO found that Centrelink had taken a range of actions, prior to the start of this audit, to help control and monitor the accuracy of Special Benefit new claim decisions. These included:

- new claim assessment aids;
- a Special Benefit user Guide issued in July 1998;
- a new quality checking, improvement and risk management tool—the Procedure and Accuracy Checking (PAC) system; and
- monitoring and review of anomalous Special Benefit payments.

36. The ANAO also found that Centrelink and FaCS have people with considerable expertise and depth of knowledge of the policy and procedures for assessing Special Benefit claims. For example, policy officers at some of the Centrelink Area offices visited by the audit were providing effective, high quality advice to assessors on a regular basis. A challenge for Centrelink is to maintain and extend the reach of such advice.

37. Notwithstanding these factors the audit found that:

- many of the assessment errors discovered in the audit would have been avoided had assessors referred to and followed the relevant sections of the Act or Guide to the Act;
- a significant majority of Special Benefit claims were assessed without using an existing Centrelink assessment checklist which was specifically designed to assist the assessment process;
- Centrelink’s written guidance material for assessing Special Benefit did not provide assessors with an up to date consolidated source of detailed guidance on the procedural steps involved in assessing a Special Benefit claim;
- Centrelink’s main quality checking process over new claim accuracy, the PAC system, failed to detect and correct the actual level of errors in assessments; and
- periodic program review processes for checking a customer’s entitlement to Special Benefit were not effective in detecting initial assessment errors.

38. In addition, the audit found that there had been delays in developing an appropriate framework, under the BPA, for reporting on the monitoring of variations in Special Benefit payments. These delays may have hindered the ability of FaCS and Centrelink to identify potential inaccuracies in Special Benefit assessments.

Information provided to intending migrants and newly arrived residents

39. The ANAO found that FaCS has liaised with the Department of Immigration and Multicultural Affairs (DIMA) to develop new information products and establish procedures to ensure that intending migrants obtained accurate information, during the migration process, regarding their eligibility for Special Benefit.

40. The ANAO also found that accurate and relevant information was available on the internet home pages of DIMA and Centrelink. Centrelink, through its Multicultural Services Customer Segment, has also provided relevant information to newly arrived residents and relevant community groups to help ensure that intending migrants and newly arrived residents receive accurate and relevant information about their eligibility for Special Benefit during the two year waiting period for social security benefits.

Recommendations

The ANAO recommends that priority be given to recommendations 2, 4, 6, 7 and 9. These recommendations address systemic issues that impact on management control over the compliance of assessments of claims for Special Benefit with relevant legislation and guidelines.

Recommendation No.1
Para. 2.6 To improve customer service and reduce the level of unnecessary processing associated with reinstating payments that were incorrectly cancelled, the ANAO recommends that Centrelink assesses the costs and benefits of revising the relevant systems and procedures to achieve better outputs.

Centrelink response: Agree.

Recommendation No.2
Para. 2.18 To improve the compliance of assessment decisions, the ANAO recommends that Centrelink takes action to ensure that assessors identify fully, and follow closely the requirements for assessing Special Benefit claims that are contained in the *Social Security Act*, the Guide to the Administration of the Act and other relevant guidelines.

Centrelink response: Agree.

Recommendation No.3
Para. 2.33 The ANAO recommends that Centrelink takes action to identify and correct rate of payment errors for Special Benefit customers in the 'under 18, independent' category resulting from a failure to increase the applicable payment rate on 1 July 1998.

Centrelink response: Agree.

**Recommendation No.4
Para. 2.65** To improve the accuracy of decisions on the assessment of Special Benefit claims, the ANAO recommends that Centrelink reviews the existing Special Benefit assessment checklist and similar assessment aids to ensure that they are up to date and comprehensively cover all relevant qualification and payability criteria.

Centrelink response: Agree.

**Recommendation No.5
Para. 2.74** To maximise the efficiency and effectiveness of review processes and responses to customer inquiries, the ANAO recommends that Centrelink provides advice to assessors detailing the type of information required to be recorded in relation to Special Benefit decisions in order to facilitate compliance with the documentation requirements under the Guide to the Act.

Centrelink response: Agree.

**Recommendation No.6
Para. 3.22** In order to improve the usefulness of the current written guidance material issued by Centrelink, the ANAO recommends that Centrelink:

- ensures this guidance material is consistent with the *Social Security Act* and Guide to the Administration of the Act;
- consolidates the material into a single source; and
- restructures and supplements the material to provide a clear and full explanation of the procedures required to appropriately assess a Special Benefit claim.

Centrelink response: Agree.

Recommendation No.7
Para. 3.62 The ANAO recommends that Centrelink reassesses the reliability of the operation of the Procedure and Accuracy Checking system, including the skills and knowledge of checking officers who use the system, with the aim of revising its application or implementing an appropriate quality control mechanism to significantly improve the detection and correction of Centrelink assessment errors.

Centrelink response: Agree.

Recommendation No.8
Para. 3.80 The ANAO recommends that Centrelink, in line with good management practice, recommences and expands its monitoring of performance trends over time, and anomalies in Special Benefit payments across Centrelink offices, to provide possible indications of performance issues that may require further investigation.

Centrelink response: Agree.

Recommendation No.9
Para. 3.105 In order to obtain a reliable measure of the accuracy of Special Benefit assessment decisions the ANAO recommends that FaCS and Centrelink reassess the reliability of the operation of the Procedure and Accuracy Checking system as a basis for reporting the accuracy of Special Benefit new claim assessments under the Business Partnership Agreement.

FaCS response: Agree.

Centrelink response: Agree.

Audit Findings and Conclusions

1. Introduction

This Chapter provides an overview of the Special Benefit payment and identifies those aspects of the payment that were examined in the audit. The chapter also describes the audit objectives and methodology.

The Special Benefit payment

1.1 Special Benefit is a social security income support payment for people who are unable to support themselves or their dependents, and who are not otherwise entitled to any other income support payment. Its objective is to ensure that such people have adequate levels of income.

1.2 The Special Benefit payment contributes to the achievement of Outcome 3—Economic and Social Participation—for the Department of Family and Community Services (FaCS). This outcome recognises that:

participation in the labour force and community life is facilitated by income support measures and services that encourage independence and contribution to the community.

1.3 Special Benefit is, in essence, a safety net—a payment of last resort. Under the *Social Security Act* (the Act) the Secretary of FaCS may determine that a Special Benefit should be granted to a person if certain qualification and payability conditions are met. These include:

- there must be no other Social Security pension or benefit payable to the person;
- the Secretary must be satisfied that the person is unable to earn a sufficient livelihood, including for his or her dependants, because of age, physical or mental disability, domestic circumstances or for any other relevant reason;
- the person must be an Australian resident or have a qualifying residence exemption;
- the value of the person's assets must not exceed an assets value limit;
- the person must provide a tax file number;
- the person must not be receiving another income support payment; and
- the person must not be subject to a newly arrived resident's waiting period, unless there has been a substantial change in circumstances beyond the person's control.

1.4 The number of people receiving Special Benefit increased from 10 850 in January 1998 to 11 869 in August 1999.

1.5 Recipients are categorised according to the circumstances surrounding the payment of their benefit. For example, as at August 1999 approximately 58 per cent of recipients were categorised as not residentially qualified for age pension. These people are of age pension age but do not have sufficient Australian residency to qualify for an Australian age pension. Table 1 summarises the major categories of Special Benefit recipients as at January 1998 and August 1999.⁹

Table 1
Categories of Special Benefit beneficiary

Category	Numbers as at January 1998	Numbers as at August 1999
<i>Not residentially qualified for age pension</i>	7233	6843
<i>Not residentially qualified for other benefits</i>	1075	968
<i>Expectant mother</i>	367	51
<i>Holders of specified provisional visas</i>	325	631
<i>Newly arrived residents in two year waiting period</i>	277	1003
<i>Under 16 years</i>	245	145
<i>Caring for a child</i>	239	97
<i>Assurance of support</i>	151	126
<i>Applicant for other pension or benefit</i>	146	20
<i>Caring for an incapacitated person</i>	123	64
<i>Socially marginalised</i>	107	65
<i>Other long term cases</i>	95	1313
<i>Migrant (see note a)</i>	63	41
<i>Other short term cases</i>	58	353
<i>Refugees (see note b)</i>	16	0
<i>Australian citizen child in custody of non-permanent resident</i>	13	24
<i>Released prisoner</i>	7	3
<i>Nationals of Peoples Republic of China with temporary entry permit (see note c)</i>	5	0
<i>Victim of disaster</i>	3	0
<i>Not classified</i>	302	122
Total	10850	11869

Note a: This category is now obsolete. From May 1998 such customers have been included in the 'newly arrived residents in two year waiting period' categories.

Note b: This category is now obsolete. From 1994 refugees have not had to serve a waiting period—they have direct access to mainstream benefits.

Note c: This category is now obsolete. These visas ceased to be valid from 30 June 1994.

Source: Information provided by Centrelink

⁹ Appendix 2 describes each of the categories in more detail.

1.6 Table 2 shows cash outlays relating to Special Benefit for the last two financial years.

Table 2
Special Benefit cash outlays

	<i>1997–98 actual cash outlays \$'000</i>	<i>1998–99 estimated cash outlays \$'000</i>
<i>Running costs</i>	<i>842</i>	<i>not yet available</i>
<i>Payment for delivery by Centrelink</i>	<i>9 690</i>	<i>not yet available</i>
<i>Other program costs¹⁰</i>	<i>95 867</i>	<i>100 000 (see note a)</i>

Note a: Preliminary estimate provided by FaCS.

Source: FaCS 1997–98 Annual Report

Previous examinations of the Special Benefit program

1.7 The ANAO examined a number of previous studies of Special Benefit¹¹ to assist it develop the scope and focus for the current audit. These previous studies have shown that the administration of Special Benefit payments has historically been complex and subject to some administrative problems. In its response to this audit Centrelink has made the point that it inherited Special Benefit as a complex program with a history of administrative difficulty.

Assessment of claims for Special Benefit

1.8 FaCS purchases services relating to the administration of Special Benefit payments from Centrelink under a Business Partnership Agreement (BPA). The delivery of Special Benefit Services from 1 July 1998 is dealt with specifically under the Special Payments Business Agreement 1998–2001. It requires Centrelink to provide a range of customer services including:

- assessing claims and making payment in accordance with the Act and the Guide to the Administration of the *Social Security Act* (the Guide to the Act); and
- ensuring that customers in receipt of social security income support and ancillary payments are paid at the correct rate in accordance with the Act and the Guide to the Act and that only those customers with a genuine entitlement are paid.

¹⁰ These costs are payments of Special Benefit (including rent assistance) to customers.

¹¹ ANAO Audit Report No. 18 1992–93. *Administration of Special Benefit*; DSS internal audit report into Special Benefit, January 1995; DSS follow-up Special Benefit audit, November 1996; and DSS—How special is it? An evaluation of Special Benefit, November 1997.

1.9 Other requirements under the BPA are contained in agreed protocols between FaCS and Centrelink. For example, under the Performance Reporting and Performance Information Protocol, Centrelink:

acknowledges that FaCS requires regular and comprehensive performance information of high integrity to allow FaCS to assess Centrelink's performance and to satisfy its own obligations and accountability to the Minister and to the Parliament.

1.10 Under the protocol, FaCS must satisfy itself, among other things, that:

- programs are only delivered to those qualified to receive Social Security payments or other related benefits; and
- those qualified are paid at the correct rate in accordance with the Act and Guide to the Act.

1.11 To assist Centrelink to correctly assess claims for Special Benefit FaCS has issued the Guide to the Act. The Guide does not extensively reproduce the relevant provisions of the Act, but is complementary to it. It addresses matters on which the Act is silent and issues of interpretation.

1.12 For example, section 729(2)(e) of the Act provides that the Secretary may, at his or her discretion, determine that a Special Benefit should be granted to a person for a period if the Secretary is satisfied that the person is unable to earn a sufficient livelihood for the person and the person's dependents (if any) because of age, physical or mental disability or domestic circumstances or for any other reason.

1.13 This particular provision is a broad one. It requires the Secretary's delegate to form an opinion as to what constitutes circumstances where the claimant is 'unable to earn a sufficient livelihood'. The Act is of limited assistance and the Guide provides further advice to delegates on matters that are not expressly canvassed in the Act. This helps to provide some meaning to the terms "insufficient livelihood" and "unable", by directing the delegate to consider any other reasonable means of support and by introducing what the Secretary considers to be several other relevant considerations to assist the delegate to reach an opinion under the subsection. These include, but are not limited to:

- an available funds test;
- a direct deduction income test¹²; and
- a reduction in rate of payment where free accommodation is received.

¹² The rate of Special Benefit payment is reduced on a dollar for dollar basis for other income received by the customer.

1.14 The Guide to the Act also deals with the different categories of applicants, for example, expectant mothers and carers, and provides an outline of relevant considerations which the delegate is to apply when forming an opinion under subsection 729(2)(e).

1.15 In addition, the Guide provides guidance relating to section 739A of the Act, which defines the length of time a person must wait after arriving in Australia to receive payment. Subsection 739A(7) allows for an exemption from the requirement to wait for that period where the person has suffered a *'substantial change in circumstances beyond the person's control'*. The Guide provides assistance in determining when a substantial change has occurred.

Audit objective and scope

1.16 The objective of the audit was to assess the extent to which new claims for Special Benefit had been determined in compliance with the *Social Security Act*, the Guide to the Act and other relevant guidelines, and whether Centrelink and FaCS had appropriate procedures to help ensure such compliance.

1.17 The audit also examined whether procedures had been established by FaCS and Centrelink to ensure that relevant and timely information is made available to intending migrants and newly arrived migrants concerning their eligibility for Special Benefit. This aspect was examined because there were indications that some newly arrived residents may not have been fully aware of the conditions under which they might be eligible for Special Benefit during the newly arrived resident's two year waiting period for social security benefits.¹³

1.18 The scope of the audit did not include an examination of Centrelink's procedures for periodically examining customers' entitlements in order to identify cases where customers have not informed Centrelink of changed circumstances.

1.19 The audit primarily examined the operations of Centrelink at National Office and at a sample of Area Offices and Customer Service Centres (CSCs) within those Areas. However, it also examined the relationship between Centrelink and FaCS as it related to the management and control of Special Benefit assessment decisions.

¹³ In March 1997 legislation was passed to extend the waiting period for access to social security payments by newly arrived residents to two years.

Audit criteria

1.20 In assessing whether assessments of new claims for Special Benefit complied with relevant legislation and guidelines the audit developed audit criteria based on the requirements contained in relevant sections of the *Social Security Act*, the Guide to the Act and other relevant Centrelink internal guidelines. These requirements are identified throughout the audit report.

1.21 The management controls over assessments of new claims were examined to determine whether they were providing relevant and reliable assistance to assessors and to management. The criteria associated with each type of control are discussed in more detail in Chapter 3.

1.22 Finally, the audit assessed whether the information provided to intending migrants and newly arrived residents about their eligibility for Special Benefit was accurate and timely. These criteria are discussed further in Chapter 4.

Audit methodology

1.23 To achieve the audit objectives the audit team:

- examined a random sample from the population of Special Benefit new claims assessed during the period 11 May 1998 to 31 December 1998.¹⁴ The random sample was designed to enable the audit to extrapolate sample error rates to the total population of Special Benefit assessments;
- interviewed Centrelink staff with responsibilities for assessing claims and providing advice to assessors;
- interviewed Centrelink and FaCS National Office staff with responsibilities for the management of Special Benefit; and
- examined Centrelink and FaCS National Office files relating to the management of Special Benefit.

1.24 The random sampling strategy was based on a stratified approach that ensured that claims were selected from a representative range of offices, based on the volume of claims processed. The sampling strategy also ensured a representative selection of accepted and rejected claims as well as the various categories of Special Benefit payment.

¹⁴ This period was chosen because a new computer platform for the recording of Special Benefit assessments was introduced on 11 May 1998. Population data for periods prior to 11 May 1998 were not readily available in a form that would allow implementation of the audit sample strategy. Restricting analysis to the period covered by the new computer platform facilitated the extraction, analysis and comparison of mainframe information relating to cases included in the audit sample. The period examined was sufficient to provide a statistically reliable sample.

1.25 In addition to examining the sample of claims, the audit team interviewed Special Benefit team leaders and assessors at 27 CSCs; policy officers at eight Centrelink Area Offices; and relevant staff at Centrelink National Office. The purpose of these interviews was to:

- provide contextual information and insights into the individual office approaches to assessing Special Benefit;
- explore issues that arose during the audit from particular claims; and
- assess management controls aimed at ensuring compliance of new claim assessment decisions with relevant legislation and guidelines.

1.26 The audit was conducted in conformance with ANAO auditing standards at a cost of \$352 000.

Consultants to the audit

1.27 To assist the ANAO to develop an appropriate sample design we sought the assistance of technical experts. The Australian Bureau of Statistics (ABS) Statistical Consultancy was chosen because of their expertise in this field. Their contribution to the audit included:

- developing a sample design¹⁵;
- assisting with the selection of the sample; and
- analysing sample results, including the estimation of error rates to the population of new claims for Special Benefit.

1.28 To assist the ANAO to evaluate the Guide to the Act we sought expert technical assistance from Deacons Graham and James. This organisation was chosen because of its expertise in administrative law. The contribution of the consultants to the audit was to advise the ANAO whether the Guide to the Act, as it related to Special Benefit, was consistent with the *Social Security Act* and relevant case law. This issue is discussed further in Chapter 3.

Structure of the Report

1.29 Chapter 2 reports the results of the audit examination of the random sample of new claims for Special Benefit. It assesses how well the assessments complied with relevant legislation and guidelines. Chapter 3 examines and assesses management controls implemented by Centrelink and FaCS to help ensure that assessments comply with the legislation and guidelines. Finally, Chapter 4 examines the provision of Special Benefit information to intending migrants and newly arrived residents.

¹⁵ Appendix 3 describes the sampling strategy in more detail.

2. Compliance of Special Benefit New Claim Assessments with Relevant Legislation and Guidelines

This chapter reports the audit findings relating to the compliance of assessments of new claims for Special Benefit with relevant legislation and guidelines. The ANAO found high levels of non-compliance, covering claims that were incorrectly assessed, claims that were not fully assessed and claims that were assessed without complying with other requirements of the Guide to the Administration of the Social Security Act. The level of assessment error found in the audit was significantly higher than that measured and reported by Centrelink. The level of error was also significantly higher than the service delivery target set in the Business Partnership Agreement between FaCS and Centrelink.

Definition of a new claim

2.1 In order to measure the compliance of assessments of new claims for Special Benefit with relevant legislation and guidelines the audit examined a random sample from the total population of such assessments during the period 11 May 1998 to 31 December 1998. During this period 11 950 claims were assessed, 9610 being granted and 2340 rejected. The categories of granted claims are shown in Table 3.

2.2 Using the stratified random sampling approach described in Appendix 3 the audit selected 350 claims from the total population of 11 950 claims. However, of the 350 claims selected, the audit found that 85 were not new claims. Rather, they were mostly claims to re-establish or re-grant Special Benefit following cancellation of payment due to, for example, failure by the customer to submit a review form.

2.3 Using the sample results, the ANAO has estimated that the proportion of claims that were not new claims in the total population of claims is 24.4 per cent (+/- 6.3 per cent). It should be noted, however, that the incidence of claims that were not new claims during the period of the audit may be higher than is normally the case, due to temporary computer systems requirements following the introduction of the Newstart Common Platform in May 1998. For example, the audit found that seven of the 85 claims in the sample that were not new claims were 'systems workarounds' to ensure continuity of payment to customers of the Newstart payment. This was to offset the effect of some Newstart customers experiencing payment interruptions and to preserve the interest of those customers.

Table 3**Claims granted between 11 May 1998 and 31 December 1998 by category of Special Benefit**

<i>Category</i>	<i>Claims Granted</i>	<i>Percentage of total claims granted</i>
<i>Not residentially qualified for age pension</i>	2809	29
<i>Other long term cases</i>	2045	21
<i>Released prisoner</i>	891	9
<i>Other short term cases</i>	747	8
<i>Newly arrived residents in two year waiting period</i>	739	8
<i>Not residentially qualified for other benefits</i>	486	5
<i>Expectant mothers</i>	462	5
<i>Holders of specified provisional visas</i>	427	4
<i>Under sixteen years</i>	269	3
<i>Caring for a child</i>	162	2
<i>Caring for an incapacitated person</i>	124	1
<i>Applicant for other pension or benefit</i>	91	1
<i>Assurance of support</i>	85	1
<i>Migrant</i>	51	1
<i>Socially marginalised</i>	33	-
<i>Australian citizen child in custody of non-permanent resident</i>	27	-
<i>Not classified</i>	162	2
<i>Total</i>	9610	100

Source: Information provided by Centrelink.

2.4 During the course of the audit the ANAO recommended that, to improve the ability to monitor customer service for Special Benefit customers, Centrelink's statistical reporting to FaCS on the level of Special Benefit grants distinguish between grants to new customers and grants to other customers. The latter could include those whose payment has been cancelled due to failure to complete a review form or for other reasons. The 1998–1999 BPA did not require such reporting. However, the BPA for 1999–2000, which began on 1 July 1999, now includes a requirement for Centrelink to provide weekly information to FaCS on the number of grants and re-grants separately broken up by Special Benefit category. Centrelink advised that it is currently assessing the capability of systems to provide this information.

2.5 Audit discussions at some CSCs revealed that problems relating to processing a review in the customer's computer record are causing some customers' payments to be cancelled even though they have been reviewed. Such situations not only contribute to the high level of non-new claims but also reflect poor customer service and cause additional processing work to rectify the problem.

Recommendation No.1

2.6 To improve customer service and reduce the level of unnecessary processing associated with reinstating payments that were incorrectly cancelled, the ANAO recommends that Centrelink assesses the costs and benefits of revising the relevant systems and procedures to achieve better outputs.

Centrelink response

2.7 Agree.

2.8 Legal advice from FaCS is that if a Special Benefit customer's payment is cancelled Centrelink can review the cancellation (up to three months from cancellation). Where the cancellation is overturned and payment restored from date of cancellation the customer would not be required to complete a new claim form. Currently the computer system is designed to enable easy restoration on some categories and require a new claim on other categories.

2.9 Centrelink will assess the cost of making changes to systems including the issue of who bears the cost given that Centrelink functions within a purchaser-provider model and inherited the computer systems it uses. Centrelink will also assess the impact of this change on other payment types and their associated computer systems. The cost of not making any systems changes will be factored in.

Sample selection

2.10 Deleting the 85 non-new claims from the audit sample of 350 left 265 new claims for audit. However, Centrelink was unable to locate customer paper files for 35 of these claims.¹⁶ Consequently, the audit examined 230 new claims of which 173 had been granted and 57 rejected. The distribution of the 173 granted new claims by category of Special Benefit is shown in the following table.

¹⁶ The elimination of the claims that were not new claims and the failure to locate some files were taken into account in the statistical estimation of error rates for the population. These factors did not prevent the audit from making reliable extrapolations at the 95 per cent confidence level.

Table 4
Granted Special Benefit claims audited by category

<i>Category</i>	<i>Granted claims audited</i>	<i>Percentage of granted claims examined</i>
<i>Not residentially qualified for age pension</i>	39	23
<i>Other long term cases</i>	28	16
<i>Released prisoner</i>	28	16
<i>Newly arrived residents in two year waiting period</i>	18	10
<i>Other short term cases</i>	13	8
<i>Expectant mothers</i>	11	6
<i>Not residentially qualified for other benefit</i>	10	6
<i>Under sixteen years</i>	8	5
<i>Holders of specified provisional visas</i>	6	3
<i>Caring for a child</i>	5	3
<i>Caring for an incapacitated person</i>	3	2
<i>Migrant</i>	2	1
<i>Applicant for other pension or benefit</i>	2	1
<i>Total</i>	173	100

Source: Information provided by Centrelink.

2.11 The audit examined the sample of 230 new claim assessments in order to identify the extent and nature of compliance with relevant legislation and guidelines.

Overall findings relating to compliance of new claim assessments with relevant legislation and guidelines

2.12 The random sample was chosen to enable the ANAO to make reliable estimates of non-compliance (or error) rates for the population of new claims during the period 11 May 1998 to 31 December 1998. For purposes of analysis the results were grouped into the following three categories of non compliance:

- claims that were incorrectly assessed;
- claims that were not fully assessed; and
- claims that were processed without complying fully with other procedural requirements.

2.13 The rates of non-compliance for each of these groupings are shown in Table 5.

Table 5
Estimated rates of non-compliance¹⁷

	ABS estimate of population error rate %	95% confidence interval +/- %
<i>Claims incorrectly assessed or not fully assessed</i>		
<i>Proportion of claims granted when another more appropriate benefit was payable</i>	22.2	6.6
<i>Proportion of claims granted to ineligible customers for other reasons</i>	3.7	3.1
<i>Proportion of claims granted at an incorrect rate</i>	19.5	6.2
<i>Proportion of claims granted for an incorrect period</i>	28.0	7.8
<i>Proportion of claims rejected but should have been granted</i>	0.0	n/a
<i>Proportion of claims assessed with at least one incorrect assessment error</i>	41.7	7.6
<i>Proportion of claims assessed that were not fully assessed</i>	22.1	6.7
<i>Proportion of claims assessed that had at least one aspect that was either incorrectly assessed or not fully assessed</i>	57.1	7.7
<i>Assessments not complying with other aspects of guidance</i>		
<i>Proportion of claims granted that were granted under an inappropriate category</i>	33.3	7.3
<i>Proportion of claims assessed without using a Special Benefit assessment checklist</i>	86.1	6.3
<i>Proportion of assessments where the reason for the new claim decision was not recorded in the customer's computer record</i>	54.1	8.0
<i>Proportion of reviews where the reason for the review decision was not recorded in the customer's computer record</i>	82.9	8.8
<i>Proportion of claims granted where customer proof of identify was not verified</i>	37.1	10.2
<i>Proportion of claims granted where available funds were declared but not verified</i>	76.4	9.6
<i>Proportion of claims requiring verification of residency but where verification was not obtained</i>	23.1	10.5
<i>Proportion of claims requiring verification of rent details but where verification was not obtained</i>	55.8	10.6

¹⁷ Error rates reported in this chapter are ABS estimates of error rates for the relevant population of claims during the audit period (11 May 1998 to 31 December 1998). The estimates are based on a 95 per cent confidence interval, that is the conclusion can be drawn with 95 per cent confidence that the population error rate lies within the estimated error rate range.

	<i>ABS estimate of population error rate %</i>	<i>95% confidence interval +/- %</i>
<i>Proportion of claims assessed where an incorrect claim form was used</i>	10.1	3.6
<i>Proportion of claims assessed where the claim form was not signed by the customer</i>	5.0	2.8
<i>Proportion of claims assessed where the claim form was not dated</i>	10.9	4.0
<i>Proportion of claims assessed where the claim form was not date stamped</i>	26.0	9.8
<i>Proportion of claims assessed where the claim form was not fully completed</i>	48.4	6.5
<i>Proportion of claims granted where there was some inconsistency between the customer's computer record and the customer's claim</i>	68.4	8.1
<i>Proportion of claims assessed where the customer's tax file number had not been removed from the customer's file</i>	22.1	6.8

Source: ABS estimates—see footnote 17

2.14 The extent, found during this audit, of non-compliance in assessing new claims for Special Benefit, was considerably higher than that identified and reported by Centrelink under its BPA with FaCS. For example, Centrelink has reported in its bi-monthly reports to FaCS that on average, during the six months leading up to 31 December 1998, approximately 96 per cent of Special Benefit new claim assessments were free from major error. In other words, approximately four per cent of assessments contained a major error such as:

- granting payment to ineligible customers;
- rejecting eligible customers;
- granting payment at the wrong rate or for the wrong period; and
- failing to fully assess a major aspect of the claim.

2.15 However, based on the findings in this audit, the ANAO has estimated the comparable actual error rate in the total population of Special Benefit assessments was significantly higher. Specifically, the audit estimated that the proportion of Special Benefit assessments that contained a major error was 44.5 per cent (+/- 7.0 per cent).¹⁸

¹⁸ Chapter 3 of this report, in its discussion of quality control procedures, contains a more detailed comparison of Centrelink reported accuracy rates with the non-compliance rates discovered in this audit.

2.16 The non-compliance rates found in this audit also imply that Centrelink did not meet its target under the BPA for 95 per cent of new claims to be accurately assessed.

2.17 The nature of non-compliance for each of the three groupings is discussed in detail below. However, the ANAO found that many of the instances of non-compliance across each of the groups resulted from a failure by assessors to follow existing requirements that are clearly identified in the Act, the Guide to the Act and other relevant guidelines. The ANAO considers that Centrelink could improve compliance of assessments by reinforcing the need for assessors to identify and follow existing guidelines. Consequently, the ANAO has made the following broad recommendation, which addresses instances described in this chapter where assessors have not followed existing guidelines. These include:

- the lack of assessment of eligibility of claims from people being released from prison (paragraphs 2.25–2.29);
- inappropriate backdating of the commencement date for payment of Special Benefit (paragraphs 2.37–2.43);
- the failure to fully assess approximately 22 per cent of all new claims (paragraphs 2.46–2.50);
- the assessment of claims under an inappropriate Special Benefit category (paragraphs 2.52–2.57);
- the failure to use existing assessment checklists (paragraphs 2.58–2.67);
- the lack of documentation of reasons for decisions (paragraphs 2.68–2.76);
- the lack of verification of customer information (paragraphs 2.77–2.80);
- the failure to fully complete claim forms and collect relevant information to support the claim (paragraphs 2.81–2.85);
- the lack of accurate recording of data in a customer’s computer record (paragraphs 2.86–2.90); and
- the failure to treat a customer’s records in accordance with privacy principles, for example not removing a tax file number from a customer’s file (paragraphs 2.91–2.93).

Recommendation No.2

2.18 To improve the compliance of assessment decisions, the ANAO recommends that Centrelink takes action to ensure that assessors identify fully, and follow closely the requirements for assessing Special Benefit claims that are contained in the *Social Security Act*, the Guide to the Administration of the Act and other relevant guidelines.

Centrelink response

2.19 Agree.

2.20 A Special Benefit communication strategy has been initiated. This instructs Centrelink staff to comply with guidelines and use current assessment tools that help improve accuracy. Methods will include the use of screen saver promotion, regular appearances on Business television by the National Manager, the use of well received staff publications such as Managers Update and Centrelink People magazine, and other relevant media.

2.21 In addition a training program will be implemented targeted at identified Special Benefit expert staff. Programs will also be developed and implemented to increase the awareness of other staff about Special Benefit issues.

2.22 Jointly with the Department of Family and Community Services (FaCS) Centrelink will also review the current system of categorisation for Special Benefit with a view to rationalise and simplify the categories.

Claims incorrectly assessed

2.23 Table 5 reveals that, overall, the proportion of Special Benefit new claims that were incorrectly assessed during the period of the audit study was 41.7 per cent (+/- 7.6 per cent).

2.24 The audit defined a claim as being incorrectly assessed if it met any of the following conditions:

- accepted when it should have been rejected, either because the customer was entitled to another benefit rather than Special Benefit, or for other reasons;
- paid at an incorrect rate;
- paid for an incorrect period; or
- rejected when it should have been accepted.

Special Benefit claims granted when the customer was eligible for another benefit

2.25 Under the Act and Guide to the Act, Special Benefit should only be paid where no other social security pension or benefit is payable. However, the audit found that 22.2 per cent (+/- 6.6 per cent) of new claims granted failed to satisfy this requirement. This type of error was most common for customers in the following categories:

- ‘not residentially qualified for age pension’ customers who should have been granted partner allowance;
- ‘under sixteen years of age’ customers who should have been granted Youth Allowance;
- ‘expectant mothers’ who should have been granted Newstart Allowance or Youth Allowance; and
- ‘prison release’ customers who should have been granted Newstart Allowance, disability support pension or parenting payment.

2.26 The Guide to the Act states that released prisoners may be eligible for up to one week’s payment of Special Benefit at twice the normal rate. In most cases, however, released prisoners will qualify for Newstart Allowance or Youth Allowance and Special Benefit will not be payable.

2.27 The audit found that some CSCs located close to prisons granted prisoners the one-off Special Benefit payment without assessing their eligibility for other benefits. These CSCs made arrangements for prisoners to complete an abridged claim form prior to release. The claims forms were processed in bulk by the CSC and a bulk cheque issued to the prison. The prison then paid the relevant amount to the prisoner. This practice has the effect of providing the prisoner with immediate access to payment, without having to attend for assessment at the local CSC.

2.28 Some CSCs recognised that the payment of Special Benefit in this way was not in accordance with the Guide to the Act. As a way of attempting to regularise the payment some CSCs did not immediately code the payment as a Special Benefit payment on the customer’s computer record. Rather they placed a documentary note on the customer’s mainframe computer record requesting other CSCs to code the original payment as a Newstart payment if the customer subsequently visits another CSC to claim Newstart. However, if the customer does not subsequently claim Newstart at another office, within a short period of time, the original office then codes the original payment as a Special Benefit payment. Thus, this practice would not rectify the initial assessment error where a customer does not subsequently successfully apply for Newstart Allowance.

2.29 Centrelink has advised that legislation has been prepared to introduce a new 'crisis payment' for certain customers, including those being released from prison after serving a minimum of 14 days. Once this proposed payment is introduced Special Benefit will no longer be payable to released prisoners. Nevertheless, the ANAO concludes that, until that new payment is introduced, unless there are changes in assessment processes to ensure that assessments comply with the Guide to the Act, some released prisoners will continue to be paid Special Benefit rather than a more appropriate benefit.

Special Benefit claims granted to customers who were ineligible for other reasons

2.30 The proportion of new claims granted to customers who were ineligible for other reasons was low (3.7 per cent +/- 3.1 per cent). The most common reason for this type of error was failure by the assessor to take into account other means of support available to the customer that should have precluded the customer from receiving Special Benefit.

Paid Special Benefit at an incorrect rate

2.31 The audit found that 19.5 per cent (+/- 6.2 per cent) of new claims granted were paid at an incorrect rate. This error occurred when the rate:

- was not reduced to reflect free accommodation being received by the customer. The Guide to the Act states that:

For free board and lodging an amount should be deducted from the rate calculated after application of the income test so that the customer is left with one third, as the rate payable. If lodging only is provided, the reduction should leave the customer with two thirds, as the rate payable. The reduction should apply to the rate calculated after application of the income test.

- was not reduced to reflect income earned. Where the customer receives income, the rate of payment should be reduced on a dollar for dollar basis; or
- exceeded the maximum allowed under the Act. Section 746 (2) of the Act states the rate of Special Benefit cannot exceed the rate of Newstart Allowance, Youth Allowance, or Austudy payment otherwise payable, except in situations of major disaster or release from gaol.

2.32 In addition, the audit found in the sample of claims examined that seven claims, from customers aged under 18 years of age and assessed as independent from their guardians, had been paid at a rate that was below their maximum entitlement. The rate payable to these customers

was increased on 1 July 1998 from \$240 to \$265.50 each fortnight. In the cases examined the rate of payment remained at the previous \$240 per fortnight rate. This underpayment may have been a result of an error in the automated payment system programming.

Recommendation No.3

2.33 The ANAO recommends that Centrelink takes action to identify and correct rate of payment errors for Special Benefit customers in the 'under 18, independent' category resulting from a failure to increase the applicable payment rate on 1 July 1998.

Centrelink response

2.34 Agree.

2.35 Centrelink has taken action to address this issue. In addition all those customers identified as impacted have had their payments corrected.

Paid Special Benefit for an incorrect period

2.36 The audit found that 28.0 per cent (+/- 7.8 per cent) of new claims granted were paid for an incorrect period.

2.37 The causes of payment for an incorrect period included:

- inappropriate backdating of the commencement date for payment prior to the date of lodgement of the Special Benefit claim form;
- incorrect calculation of preclusion period. Failure to correctly apply the short term available funds test resulted in customers receiving Special Benefit for a period in which they had sufficient funds to support themselves, and should therefore have been precluded from payment; and
- incorrect recording of eligibility end date. Failure to record the eligibility end date in the mainframe computer system resulted in no review of the customer's qualification for Special Benefit after thirteen weeks, as required by s729A (3) of the Act. As the customer's qualification for Special Benefit was not re-determined, payments should not have been extended to these customers beyond thirteen weeks.

2.38 The most common cause of payment for an incorrect period was the inappropriate backdating of the Special Benefit commencement date. In most cases this was for a short period (averaging approximately seven working days) and typically reflected the period between the date a customer made an appointment for an interview and the date when the interview occurred.

2.39 The Guide to the Act provides that:

Claims for Special Benefit may only be backdated where the delegate is satisfied that the provisional commencement date of a claim for Special Benefit may be taken to be the date on which a claim was made for a payment similar to Special Benefit. The circumstances under which this provision may be applied are set out in subsection 731(2), which also lists the types of claims which are similar to Special Benefit. The person must subsequently make a claim for Special Benefit and they must have been qualified for Special Benefit on the date they made the initial claim for a similar payment, and the delegate must be satisfied that it is reasonable to apply subsection 731(2).

2.40 In determining if the date of commencement had been recorded correctly, the ANAO compared the date the claim for Special Benefit was lodged, as indicated by the date stamp on the claim form, with the date payment commenced. Where the date of commencement preceded the date the claim was lodged, the ANAO examined whether an inappropriate claim had been initially lodged and whether the backdating of the claim was in accordance with section 731 of the Act.

2.41 Backdating of the commencement date to the time at which an appointment is made is allowed under the Act for other types of benefit, for example Disability Support Pension, Newstart Allowance, Sickness Allowance and Youth Training Allowance. Audit discussions with CSCs revealed that some assessors incorrectly believed that such backdating was also allowable for Special Benefit.¹⁹ In some cases assessors justified the backdating on the grounds that the customer should not be penalised because the CSC is unable to interview them until a later date.

2.42 The examples of backdating identified in the audit would have been largely avoided or at least reduced if the customer had been seen immediately or with minimum delay following their initial contact with Centrelink. Alternatively, backdating would not have been necessary if the customer had lodged a claim form immediately even if they were not interviewed until a later date.

¹⁹ The audit team interviewed assessors at 27 CSCs. At 13 of these, the assessor stated that backdating of Special Benefit commencement date to date of contact was allowable. At 10 CSCs, the assessor stated that such backdating was not allowable. In November 1998, one Centrelink Area office in NSW requested all CSCs within its jurisdiction to ensure that they did not inappropriately backdate Special Benefit payments in this way. This was in response to that Area's observation that inappropriate backdating was occurring.

2.43 The Guide to the Act makes it clear that Special Benefit customers are expected to be in immediate need of assistance. Therefore, the ANAO considers that where customers are seeking interviews for the payment of Special Benefit every effort should be made to conduct that interview with a minimum of delay.

Significance of claims that are incorrectly assessed

2.44 Based on the sample of claims examined the ANAO has estimated that the net overpayment of Special Benefit, as a result of the incorrect assessment of new claims during the period 11 May 1998 to 31 December 1998 is approximately \$1.4 million (+/- \$0.52 million). This figure is based on net overpayments calculated for the sample of new claims examined. The dollar errors were calculated for the period between the date of grant and the date of audit. The \$1.4 million dollar net overpayment is approximately 1.4 per cent of estimated cash Special Benefit payments for 1998–99 and 2.3 per cent of Special Benefit cash payments for the period covered by the audit.²⁰

2.45 The dollar overpayment is not a material figure in terms of the overall financial statements. The extent to which Centrelink aims to reduce this level of overpayment requires a consideration of the extra administrative costs involved within an overall risk management framework. Nevertheless, the amount involved reflects poor customer service and is of concern because:

- payments to ineligible customers result in overpayments that remain a drain on Commonwealth resources and which, if detected place a debt on the customer;
- customers who are granted Special Benefit when another more appropriate benefit was payable may be disadvantaged. This is because Special Benefit is subject to a direct deduction income test that reduces the benefit on a dollar for dollar basis for any other income earned. Recipients of other benefits, such as Newstart Allowance and Partner Allowance, are allowed to earn some income without a reduction in benefit. In addition, for those benefits, reductions in benefit are phased in as income rises; and
- failure to identify the correct payment for a customer also results in less reliable information for social policy development and for resource allocation decisions.

²⁰ Special Benefit payments for the period 11 May 1998 to 31 December 1998 were approximately \$60 million.

Claims not fully assessed

2.46 The audit defined a claim as being not fully assessed when there was some major aspect of the claim that was not fully considered by the assessor. Failure to consider a major aspect of the claim casts doubt on the final assessment decision. Some of the claims in this category were also included in the incorrectly assessed category. The ANAO estimates that 57.1 per cent (+/- 7.7 per cent) of new claims were either incorrectly assessed or not fully assessed.

2.47 The proportion of new claims that were not fully assessed was 22.1 per cent (+/- 6.7 per cent).

2.48 The main situations where a claim was not fully assessed were:

- claims from released prisoners. As discussed above, some CSCs routinely granted Special Benefit to released prisoners without a full assessment of their eligibility;
- claims where there was inadequate assessment of a customer's inability to earn a sufficient livelihood;
- claims from expectant mothers who may have been eligible for Newstart Allowance; and
- claims where there was insufficient or conflicting evidence as to whether the customer was a newly arrived resident with an assurance of support from a sponsor, or an insufficient assessment had been made by Centrelink of the sponsor's ability to support the customer.

Significance of claims that are not fully assessed

2.49 Decisions to grant or reject Special Benefit may be incorrect when a full assessment of a customer's eligibility is not performed. As a result customers may either:

- receive payments to which they are not entitled to; or
- not receive payments for which they are entitled.

2.50 The ANAO estimates that payments associated with new claims in the population that were granted without a full assessment was approximately \$2.5 million (+/- \$1.2 million).²¹

²¹ This figure is based on payments for the sample of new claims examined. The amounts were calculated for the period from the date of grant to March 1999.

Claims not complying with other procedural requirements

2.51 Assessments of claims in this category involved failures to comply with other aspects of the Guide to the Act or the Centrelink Special Benefit User Guide. These are discussed under the following headings:

- categorisation of benefit;
- use of assessment aids;
- documentation of reasons for decisions;
- verification issues;
- claim form issues;
- accuracy of customer records; and
- privacy requirements.

Categorisation of benefit

2.52 The circumstances surrounding a customer's claim for Special Benefit can vary considerably. The Guide to the Act specifies 19 different categories of customer, grouped into short term and long term cases.²² Correct categorisation is important to ensure that:

- the correct available funds test (short term or long term) is applied;
- eligibility criteria specific to the customer's category are considered. For example, customers who are classified as 'newly arrived migrants in the two year waiting period' are only eligible to receive Special Benefit if they have suffered a substantial change in circumstances beyond their control; and
- information provided to management on the characteristics of the population of Special Benefit customers is accurate.

2.53 The ANAO found that the proportion of new claims granted that were incorrectly categorised was 33.3 per cent (+/- 7.3 per cent).

2.54 Sixty-three per cent of the incorrect categorisations in the audit sample were claims which related to the 'other long term' or 'other short term' categories; the estimated proportions of incorrect categorisations in the population being 85.7 per cent (+/- 11.8 per cent) for 'other long term' customers, and 78.6 per cent (+/- 20.1 per cent) for 'other short term' customers.

²² Appendix 2 describes the various categories.

2.55 Claims categorised as ‘other long term’ increased from 0.9 per cent of Special Benefit customers in January 1998 to 15.4 per cent of Special Benefit customers in December 1998. Similarly, claims categorised as ‘other short term’ increased from 0.5 per cent of Special Benefit customers in January 1998 to 3.2 per cent of Special Benefit customers in December 1998. The audit findings indicate that the increase in the use of these categories largely reflects incorrect categorisation of claims. Moreover, the audit found that the proportion of incorrectly assessed claims in these ‘other’ categories was significantly higher than the average proportion for the population as a whole.²³

2.56 Incorrect categorisation can lead to incorrect assessment, for example:

- the majority of cases incorrectly categorised as ‘other long term’ in the audit sample should have been categorised as ‘not residentially qualified for age pension’. Customers in this category are required to test their eligibility for Age Pension, whereas such testing is not required for customers in the ‘other long term’ category. Consequently, the customer’s potential eligibility for Age Pension may not be discovered;
- approximately 25 per cent of cases in the sample that were incorrectly categorised as ‘other long term’ should have been categorised as one of the short term categories. As short term categories are subject to a more stringent available funds test than long term cases it is possible that a customer who is eligible as a long term recipient may not be eligible under the short term category;
- approximately 13 per cent of the incorrect categorisations in the audit sample were incorrectly placed into the ‘newly arrived residents in the two year waiting period’ category. Such customers are required to demonstrate a substantial change in circumstances beyond their control before they can be eligible for Special Benefit. In all of the sample cases the customer should have been categorised as ‘a spouse with an extended eligibility provisional visa’. As such, they would have an exemption from the two year waiting period and would not be required to demonstrate a substantial change in circumstances beyond their control in order to receive Special Benefit; and
- approximately 13 per cent of the incorrect categorisations in the audit sample were wrongly placed into the long term category ‘not residentially qualified for other benefit’. A majority of these should

²³ The estimated proportion of new claims in the population that were incorrectly assessed was 86.01 per cent +/- 16.8 per cent for new claims in the ‘other short term’ category, and 57.91 per cent +/- 19.54 per cent for the ‘other long term’ category.

have been assessed under a short term category. As short term categories are subject to a more stringent available funds test than long term cases, it is possible that such customers may not be eligible under the short term category.

2.57 A number of other incorrect categorisations was noted in the sample, including two claims incorrectly categorised as MIG—‘newly arrived migrant in waiting period’. The population of grants for the period 11 May 1998 to 31 December 1998 included 51 claims categorised as MIG. This category was replaced by other categories relating to newly arrived residents, following the introduction of the Newstart Common Platform on 11 May 1998. Consequently this category should no longer be used.

Use of assessment aids

2.58 On 9 September 1998, the Guide to the Act was amended to require that all Special Benefit claims be assessed using either the Special Benefit Assessment Sheet or the Special Benefit Script.²⁴ Prior to this date, both the Script and the Special Benefit Assessment Sheet were available for use but were not mandatory under the Guide.

2.59 The ANAO found that none of the 230 new claims examined had been assessed using the new claim Script. Nationally the Script was used on only 80 occasions for the period 12 June 1998 to 25 December 1998.

2.60 The Special Benefit Assessment Sheet requires the assessor to consider the qualification and payability criteria for Special Benefit including whether the customer has other means of support. It contains a series of questions that the assessor must answer.

2.61 The audit found that the proportion of new claims assessed without the use of the Special Benefit Assessment Sheet was 86.1 per cent (+/- 6.3 per cent). The majority of claims were either assessed using a new claim action sheet—a generic assessment sheet that does not address the particular eligibility criteria for Special Benefit²⁵ or without the use of any assessment sheet.

2.62 The audit found that the use of the Special Benefit Assessment Sheet was associated with significantly lower assessment error rates. The estimated error rates are shown in Table 6.

²⁴ The Special Benefit Assessment Sheet is a paper based checklist, whereas the Special Benefit Script is a computer based checklist.

²⁵ Centrelink’s Special Benefit user Guide at 1.6 states that ‘A *Special Benefit New Claim Assessment Sheet SU353 must be attached to the file ... (not a Newstart Action Sheet, which is totally different and inappropriate)*’.

Table 6**Use of Special Benefit Assessment sheet and assessment errors**

	<i>New claims assessed using the Special Benefit assessment sheet</i>	<i>New claims assessed without using the Special Benefit assessment sheet</i>
<i>Proportion of new claims that were incorrectly assessed</i>	19.7% (+/- 10.5%)	43.1% (+/- 8.5%)
<i>Proportion of new claims that were not fully assessed</i>	10.0% (+/- 9.2%)	23.1% (+/- 7.7%)

Source: ABS estimates of assessment error rates for the relevant population of new claims during the audit period—11 May 1998 to 31 December 1998. The estimates are based on a 95 per cent confidence interval, that is the conclusion can be drawn with 95 per cent confidence that the population error rate lies within estimated error rate range.

2.63 In discussions with CSCs, the ANAO found that common reasons for not using the Special Benefit Assessment Sheet included:

- lack of awareness that the form existed;
- lack of easy availability of the form; and
- the view that the new claim action sheet was quicker to use.

2.64 The ANAO considers that the use of the Special Benefit Assessment Sheet is an important means to improving the accuracy of assessments. Moreover, the value of the sheet could be enhanced by:

- including a reference to the need to ensure that claims are not backdated inappropriately;
- including examples of typical situations where another benefit, rather than Special Benefit, might be payable;
- including further examples of other means of support that may be available to the customer;
- removing out of date references, for example, reference to non-current visa classes and the Commonwealth Employment Service which no longer exists;
- making it available as an on-line product; and
- expanding it to include subsidiary assessment checklists for the more common Special Benefit categories.

Recommendation No.4

2.65 To improve the accuracy of decisions on the assessment of Special Benefit claims, the ANAO recommends that Centrelink reviews the existing Special Benefit assessment checklist and similar assessment aids to ensure that they are up to date and comprehensively cover all relevant qualification and payability criteria.

Centrelink response

2.66 Agree.

2.67 Centrelink is taking action to address this issue. In particular, the Special Benefit assessment checklist is being updated to incorporate the improvements suggested by the ANAO. Consideration is also being given to making it available on-line.

Documentation of reasons for decisions

New claim decisions

2.68 The Guide to the Act requires assessors to create a 'DOC' in Centrelink's On-line Decision Recording system to explain the reason for a person receiving Special Benefit. The purpose of the DOC is to provide a basis for future reviews of a customer's entitlement. While the Guide to the Act refers to documenting the reason for a person receiving payment, the ANAO considers that documentation of the reason for rejecting a claim is equally important so that future communication with, or appeals from, the customer can be fully informed.

2.69 Currently no detailed guidance exists as to what is required to be included in a DOC in order to record fully the reason for the decision. Based on the qualification and payability criteria for Special Benefit, the ANAO considers that, at a minimum, the DOC should discuss whether:

- the customer was eligible for another form of income support;
- the customer had other means of earning a sufficient livelihood;
- there were other means of support that affected the customer's eligibility or rate of benefit;
- the customer's inability to earn a sufficient livelihood was beyond their control; and
- the available funds test was met.

2.70 The audit found that for 54.1 per cent (+/- 8.0 per cent) of new claims assessed there was no DOC to record the reasons for the decision. Consequently:

- later reviews of these customers would not be performed easily without referring to the customer's file. Locating the file may be difficult and time consuming;
- incorrect assessments of the customer's continuing eligibility could result because insufficient information is available to determine why the customer was initially granted Special Benefit; and
- if a customer were to query or appeal a claim rejection, the reason the claim was rejected may not easily be established by referring to the

information held in the customer's computer record. This could result in unnecessary delays in responding to customer queries, as well as an incorrect interpretation of why the customer's claim was initially rejected.

2.71 In its overall response to the audit, FaCS has indicated concern at the high level of cases where no DOC has been created to record the reasons for a decision. FaCS considers that the lack of recorded reasons makes the task of checking decision accuracy more difficult, if not impossible.

Review decisions

2.72 All Special Benefit customers are required to complete a review form after 13 weeks on payment. The Guide to the Act requires the results of the review to be recorded on a DOC and kept for one hundred and forty days. If payment is to continue the following information must be recorded:

- Special Benefit review indicates continuing entitlement;
- customer still satisfies section 729 of the Act;
- any change in circumstances; and
- the new date on which a customer's eligibility for benefit will end.

2.73 If payment is not going to continue, the reason must also be recorded on the DOC. The audit found that, for 82.9 per cent (+/- 8.8 per cent) of reviews conducted, there was no DOC to record the reasons for the review decision.

Recommendation No.5

2.74 To maximise the efficiency and effectiveness of review processes and responses to customer inquiries, the ANAO recommends that Centrelink provides advice to assessors detailing the type of information required to be recorded in relation to Special Benefit decisions in order to facilitate compliance with the documentation requirements under the Guide to the Act.

Centrelink response

2.75 Agree.

2.76 Centrelink is taking action to address this issue. It will reinforce the use of Online Document Recording and associated computer assisted learning packages. Centrelink is providing guidelines to assessors about the type of information to be recorded on DOCS based on qualification and payability criteria. These will include the items suggested by the ANAO. Jointly with FaCS, Centrelink will complete a review of the

Special Benefit review process to examine the basis of reviews and risk. Centrelink will also investigate how to monitor the use of DOCS in Special Benefit assessments and plan monthly trend analysis to identify anomalies and take corrective action. Centrelink will also remind staff about the minimum requirements for information to be recorded on DOCS through appropriate media.

Verification issues

2.77 At the new claim assessment stage, the assessor must collect and verify certain key information, including:

- available funds. The level of a customer's financial assets is critical in applying the available funds test to determine whether Special Benefit is payable;
- rental details. The Guide to the Act requires that customers supply documents that verify the amount of rent paid. Those documents must be current and have integrity;
- proof of identity. In order to receive Special Benefit customers must establish proof of identity by providing acceptable documentation; and
- residency. The Guide to the Act requires that proof of residence be sighted and describes what evidence can be accepted.

2.78 The audit estimated that appropriate verification of information, where required, was not obtained:

- for available funds in 76.4 per cent (+/- 9.6 per cent) of claims;
- for rental details in 55.8 per cent (+/- 10.6 per cent) of claims;
- for proof of identity in 37.1 per cent (+/- 10.2 per cent) of claims; and
- for residency in 23.1 per cent (+/- 10.5 per cent) of claims.

2.79 In relation to inadequate proof of identity, the main reasons for inadequacy were either that copies of relevant documents were not on the customer's file or that insufficient documentation was obtained. The risk of incorrect and fraudulent claims increases where the identity of the customer is not adequately established. In addition, where original identification documentation is not sighted, there is an increased risk that customers may have provided fraudulent documentation to establish their identification.

2.80 The ANAO concludes that there are significant levels of inadequate verification of financial assets, rental details and proof of identity in benefit determination. This increases the risk that initial assessment decisions contain errors related to both qualification and payability.

Claim form issues

2.81 The claim form is a major source of information about the customer that is used by the assessor to assess qualification and payability. The audit examined whether:

- an appropriate claim form was lodged;
- the claim form was fully completed; and
- whether it was signed, dated and date stamped by Centrelink.

2.82 An incorrect claim form was used in 10.1 per cent (+/- 3.6 per cent) of new claims assessed. Where an inappropriate claim form is not used, there is a risk that some relevant information relating to the claim will not be obtained.

2.83 The claim form was not fully completed for 48.4 per cent (+/- 6.5 per cent) of new claims assessed. Where a customer does not fully answer a question on the claim form the basis for the assessment decision may be inadequate. For example, in the sample of claims examined, the audit found:

- 16 instances where the reason for claiming Special Benefit (Question 6) was omitted. This question is a significant one in the assessment of a person's entitlement to Special Benefit. It is where the customer would be expected to detail their need for assistance. Apart from the complete omission of a response in these 16 cases, the audit found the quality of responses generally did not greatly assist the staff member in determining the reasons for the customer's claim. In this regard the ANAO considers that the usefulness of this question might be significantly increased if it more specifically requested the customer to outline why he or she was currently unable to earn a sufficient livelihood and whether other reasonable means of support were available;
- 29 instances where the question about the customer's income and assets (Question 8) was not fully completed. In most of these 29 cases, the bank account balance was not provided. The amount of a customer's bank balance helps determine whether the customer could reasonably be expected to utilise financial assets to provide support, before accessing Special Benefit;
- 22 instances where the question regarding the customer's accommodation details (Question 9) was omitted. This question is significant in determining the customer's rate of payment. Where the customer pays rent for accommodation there may be an entitlement to rent assistance. Where the customer receives free accommodation or free board and lodgings the basic rate of Special Benefit should be reduced; and

- 3 instances where the customer did not complete the question asking whether there was an assurance of support for the customer by a sponsor. This question is significant because Special Benefit payments to a customer who has migrated, with an assurance of support, may be recovered by the Commonwealth from the customer's sponsor.

2.84 5.0 per cent (+/- 2.8 per cent) of new claims assessed were not signed; 10.9 per cent (+/- 4.0 per cent) not dated, and 26.0 per cent (+/- 9.8 per cent) not date stamped.

2.85 Failure of the customer to sign the claim form results in the customer making no declaration that the information provided is correct. Should the information in the claim be found to be false or misleading, no evidence would exist that the customer provided the information or believed it to be correct when completing the claim form. Failure to date stamp the claim forms results in ambiguity about when the claim form was lodged, and therefore the date from which the customer became entitled to receive payments.

Accuracy of customer records

2.86 Centrelink maintains a computer-based system that records key details in relation to each customer who claims Special Benefit. Information recorded includes:

- personal customer details;
- accommodation;
- assets;
- income; and
- Australian residency.

2.87 The audit examined the accuracy of computer data relating to assets, residency, accommodation and income for each of the 173 new claims that were granted. The information held on the computer at the date of claim was compared with information provided by the customer at that date.

2.88 The audit found that in 68.4 per cent (+/- 8.1 per cent) of new claims granted there was some inconsistency between the customer's mainframe computer record and the data in the customer's application. Examples of inconsistency include:

- omission of a customer's financial assets; and
- failure to record that a customer was in receipt of free accommodation.

2.89 The computer based information may be accessed and used at a later stage for a number of purposes, for example to:

- facilitate communication with the customer;
- review a customer's continuing entitlement to a benefit;
- conduct data matching for compliance purposes;
- produce performance statistics; and
- produce management information for policy development.

2.90 The inaccuracies observed in the audit would make each of these activities less reliable and/or more difficult.

Privacy requirements

2.91 The application of the Information Privacy Principles is covered in Centrelink's Privacy Manual, which discusses the storage of personal information in regard to social security payments. It requires paper records of tax file numbers to be destroyed by removal or blackout. However, tax file numbers had not been removed in 22.1 per cent (+/- 6.8 per cent) of new claims assessed.

2.92 The Privacy Manual also requires that information stored on a customer's file should be relevant to that customer only. The ANAO found two cases where information concerning another person was held on the customer's file. In one of those cases information had been incorrectly included in the customer's computer record.

2.93 Finally, the Centrelink Special Benefit User Guide requires medical reports regarding a customer's medical condition and social worker reports about a young person's homelessness be sealed in an envelope attached to the customer's file. The ANAO found some situations where sensitive information was not held securely, for example, medical reports and social worker reports were not always held in sealed envelopes and, in one instance, a highly sensitive police report was held unsecured on the file.

Overall conclusion concerning compliance of assessments of new claims with relevant legislation and guidelines

2.94 The ANAO concluded that there was a significant level of non-compliance of assessments of new claims for Special Benefit comprising:

- claims that were incorrectly assessed;
- claims that were not fully assessed; and

- claims that were processed without complying fully with other procedural requirements.

2.95 The level of assessment error identified in the audit was considerably higher than that identified by Centrelink through its internal quality checking mechanisms and reported in its performance reports to FaCS. The extent of error was also considerably higher than the service delivery target set in the BPA between FaCS and Centrelink.

2.96 The net monetary effect of incorrect assessments was found to be relatively small. Nevertheless, the high proportion of claims that are inappropriately assessed reflects a poor level of customer service.

2.97 This chapter has made a number of specific recommendations that should help to reduce the level of assessment error and improve compliance of assessments with relevant legislation and guidelines. Chapter 3 examines the effectiveness of various management controls that are aimed at maintaining assessment accuracy and compliance.

3. Procedures for Controlling Assessments of New Claims for Special Benefit

This chapter assesses the effectiveness of various management controls implemented by Centrelink and FaCS to help ensure that assessments of new claims for Special Benefit comply with relevant legislation and guidelines. These controls include the use of assessment checklists, the provision of assessment guidance material and expert advice to assessors, the use of a quality checking system and the monitoring of accuracy under the BPA. The ANAO found that while there has been appropriate policy guidance for assessing Special Benefit claims, the other management controls have not been fully effective in ensuring an adequate level of compliance of assessment decisions with relevant legislation and guidelines. The chapter makes a range of recommendations aimed at improving those controls.

Factors influencing assessment decisions

3.1 Special Benefit decisions are complex. Assessors are required to consider many factors, such as:

- the customer's possible entitlement to another benefit;
- which of many different categories of Special Benefit is applicable to the particular customer's circumstances;
- whether the customer has alternative means of support; and
- whether the customer is subject to the newly arrived residents waiting period.

3.2 Special Benefit is only payable where no other benefit is payable. Consequently, the assessor is required to have a wide knowledge of eligibility criteria for all other types of benefit. This level of required knowledge puts considerable demands upon the assessor's breadth and depth of knowledge and underscores the need for assessors to have access to appropriate expert advice and guidance material.

3.3 Furthermore, the section responsible for assessing Special Benefit claims within CSCs can vary. For example, such claims may be processed by the Pensions Section in some offices but by the Employment Section in others. Consequently, the background and experience of the assessor can vary. One assessor may be fully familiar with pension payments, whereas another may be more experienced with employment related payments.

3.4 The move to a one main contact approach within Centrelink may place an increasing emphasis on the need for assessors to become familiar with many types of payment.

3.5 Chapter 2 identified several factors specific to particular assessments that may have caused assessment error, for example:

- the payment of an incorrect rate to customers being paid at the youth rate may be due to payment programming problems;
- the payment to prison release cases where another payment is payable or without a full assessment is related to specific operational arrangements created for such customers; and
- backdating of a commencement date prior to the date of lodgement of a claim form may be the result of trying to ensure that a customer is not disadvantaged by the inability of Centrelink to provide an immediate interview.

3.6 However, the high levels of assessment errors in Special Benefit new claim decisions across a wide range of issues strongly suggest that the causes are related to broad systemic factors and not just ones specific to particular assessments. Many of the following types of errors would have been avoided had the assessor referred to and followed the relevant section of the Act or Guide to the Act:

- payment of Special Benefit to ineligible customers;
- failure to consider a customer's entitlement to another benefit rather than Special Benefit;
- payment of a rate different to that provided for in the Act or Guide to the Act;
- incorrect calculation of a preclusion period;
- consideration of a claim under an incorrect category;
- failure of assessors to use appropriate assessment checklists;
- failure to document fully the reasons for a decision;
- lack of verification of key determinants of eligibility such as proof of identity and available funds;
- incomplete preparation of a valid claim form;
- inconsistencies in data recorded in the customer's computer record with data on the customer's file; and
- failure to remove tax file numbers from files.

3.7 This chapter assesses whether Centrelink and FaCS had effective management controls to help ensure that assessments of new claims comply with relevant legislation and guidelines.

Centrelink controls

3.8 The ANAO found that Centrelink had taken a range of actions, prior to the start of this audit, to help control and monitor the accuracy of Special Benefit new claim decisions. These included:

- new claim assessment aids;
- expert help desk facilities at Area Offices and National Support Office;
- a Special Benefit User Guide issued in July 1998;
- a new quality checking, improvement and risk management tool; and
- monitoring and review of anomalous Special Benefit payments.

3.9 This section examines these and other controls implemented by Centrelink, under the following headings:

- training;
- assessment aids;
- written guidance;
- expert assistance;
- quality control; and
- other reviews of continuing eligibility.

Training

3.10 Development of the required level of assessor expertise within CSCs is complicated by the fact that Special Benefit is a relatively low volume benefit. In many offices Special Benefit claims occur infrequently. Consequently, there is little opportunity for assessors to become familiar with such claims. Special Benefit customers are generally not channelled to particular assessors with Special Benefit expertise. Rather, all assessors are required to assess such claims and call on the assistance of more experienced assessors where necessary.

3.11 With low volumes of customers it may not be cost effective to provide training specifically on Special Benefit. Of the 27 CSCs interviewed by the audit team only three had arranged formal training focussing specifically on Special Benefit in the last twelve months. Many CSCs provided on-the-job training in relation to Special Benefit claims as they arose. Nevertheless, ten offices considered there was currently a need for some formal training in Special Benefit assessing.

3.12 The ANAO considers that the decision whether to conduct formal Special Benefit training is one that is best made by each CSC given their particular operational requirements and resource constraints. For many offices, where Special Benefit claims are low, the development and retention of up-to-date staff expertise in assessing Special Benefit may be an inappropriate option. Rather, such CSCs will need to rely on having clear guidance on how to assess claims and having access to assessment expertise at other Centres or at Area levels.

Assessment aids

3.13 Chapter 2 revealed that, to a significant extent, assessors are not complying with the requirement to use the Special Benefit Script or Special Benefit Assessment Sheet to help the assessment process. Chapter 2 also demonstrated that use of the assessment sheet is associated with a lower level of assessment errors.

3.14 Chapter 2 contained recommendations to help ensure that assessors have access to and use an appropriately designed assessment aid.

Written guidance

3.15 All assessors interviewed by the audit team stated that they used the Act and the Guide to the Act issued by FaCS to assist the assessment decision. In addition, assessors identified a range of Centrelink guidance material, including:

- the Centrelink Special Benefits User Guide that was issued in July 1998. However, approximately one third of assessors stated that they were not aware of this guide;
- Mutant Help, a summarised help facility designed primarily for Call Centre use; and
- a 'two year waiting period job aid' issued in January 1998.

3.16 Where there is a range of alternative written guidance material, there is increased scope for inconsistency between sources. The ANAO found, for example, that the Centrelink Special Benefits User Guide and Mutant Help are inconsistent with the revised FaCS Guide to the Act issued in January 1999 in relation to the assessment of claims for Special Benefit from newly arrived residents subject to the two year waiting period.

3.17 Both Mutant Help and the Centrelink Guide state that Special Benefit may be payable to such customers where a substantial change in circumstances has occurred *after arriving* in Australia. This is inconsistent with the January 1999 Guide to the Act which points out that in some

situations the change in circumstances may occur before arriving in Australia but after becoming irrevocably committed to migrating to Australia. The two year waiting period job aid does not explicitly restrict the change in circumstances to 'after arriving in Australia'.

3.18 Where many sources of Guidance exist it may be more difficult for assessors to notice and use new sources as they become available. A view was expressed by one Area policy officer that there has been a proliferation of guides in various places on the system and that often little or no notice is taken of new ones as they are added. The lack of awareness of the Centrelink User Guide by a third of assessors interviewed during the audit gives some support to this view.

3.19 Centrelink has advised that a new process is to be implemented that will combine information currently in Mutant Help with that in the current on-line Reference Suite of information. Also, Centrelink is proposing to implement a project to improve skills in accessing and using information on the Centrelink's intranet site.

3.20 The Centrelink User Guide primarily restates policy information that is available in the Guide to the Act. The ANAO considers that the Centrelink User Guide could be restructured and supplemented to better meet the needs of assessors for clear guidance on the procedural steps involved in processing a Special Benefit claim. For example, gains in understanding and usefulness could be achieved if the User Guide were restructured and aligned more closely with the Special Benefit Assessment Sheet (discussed in Chapter 2). The Guide would then provide clearer guidance by addressing the key qualification and payability criteria that should be considered in a step by step fashion. Issues to be covered would include whether the customer:

- is eligible for any other Social Security pension or benefit;
- is unable to earn a sufficient livelihood, including for his or her dependants, because of age, physical or mental disability, domestic circumstances or for any other relevant reason;
- is an Australian resident or has a qualifying residence exemption;
- has assets that exceed the assets value limit;
- has provided a tax file number;
- is receiving another income support payment; and
- is subject to the newly arrived resident's waiting period, and whether there has been a substantial change in circumstances beyond the person's control during that period.

3.21 The effectiveness of the Guide could be further enhanced by:

- providing clearer guidance on how to determine an appropriate Special Benefit category;
- highlighting the key points at which the assessor should consider seeking expert advice, for example, when deciding:
 - the appropriate category;
 - whether the customer has alternative means of support;
 - how to calculate the preclusion period; and
 - whether the customer is subject to the two year waiting period;
- providing case examples to illustrate such things as:
 - when alternative benefits might be payable; and
 - types of alternative support that would preclude the granting of a benefit;
- including assessment checklists designed to address issues relevant to particular Special Benefit assessment categories; and
- describing practices that are clearly not in accordance with the Act and Guide to the Act.

Recommendation No.6

3.22 In order to improve the usefulness of the current written guidance material issued by Centrelink, the ANAO recommends that Centrelink:

- ensures this guidance material is consistent with the *Social Security Act* and *Guide to the Administration of the Act*;
- consolidates the material into a single source; and
- restructures and supplements the material to provide a clear and full explanation of the procedures required to appropriately assess a Special Benefit claim.

Centrelink response

3.23 Agree.

3.24 Centrelink advised that it has restructured and supplemented the User Guide to incorporate the improvements suggested by the ANAO in paragraphs 3.20 and 3.21 above.

Expert advice

3.25 Access by assessors to expert advice is an important need at many CSCs. Assessors interviewed indicated that Policy Officers at Centrelink Area Offices, together with more experienced assessors within their own CSC, were important sources of advice on difficult assessment issues.

3.26 While a few CSCs visited had established in-house positions to provide expert advice, most rely heavily on advice from the relevant Area Office. The ANAO considers that the ready availability of such advice is a key factor in assuring accordance of decisions with the Act and Guide to the Act. The ANAO held discussions with policy officers at six Area Offices. Five of those offices had a policy officer position that was responsible for providing advice to Special Benefit assessors.

3.27 The degree of decentralisation of the source of specialist advice is an issue for Centrelink to consider. There may be cost savings and improved consistency in advice by providing a more centralised advice function. On the other hand, a centralised function may lose touch with the specific needs and issues that emerge at the assessment interface, unless it is refreshed through interchange arrangements. The essential point remains, however, that specialist advice is necessary for assessors in relation to the more complex aspects of this benefit.

Quality control – the Procedure and Accuracy Checking System

3.28 Centrelink advises that the PAC system is a quality improvement and risk management tool which it uses to undertake sample checking of new claims and reassessments. It is a system based ‘real time’ quality check in that payments or reassessments selected for checking cannot be finalised until the check has been completed and the work marked as having met the requirements for payment. PAC is the tool that measures the accuracy of decisions made, as it provides the number of activities checked, and the results of those checks. The PAC check involves the Checking Officer answering a series of questions relevant to the piece of work being checked.

3.29 The proportion of claims subject to the PAC process depends on the assessed accuracy level for individual assessors. For those assessed as having an accuracy level of 95 per cent or higher, five per cent of their cases are randomly selected for checking prior to transactions being passed to the computer system for finalisation. Where accuracy levels are assessed as being below 95 per cent, all cases are selected for checking.

3.30 The ANAO compared the accuracy rates reported through the use of PAC with error rates identified in this audit. In doing this, the audit recognised that the outputs of a system depend not only on hardware and software being reliable, but also on the skills and knowledge of those people who use the system.

3.31 Centrelink first reported the accuracy of Special Benefit new claim decisions, from 1 July 1998, in its August 1998 bi-monthly report.²⁶ Table 7 shows the reported accuracy levels for the period 1 July 1998 to 26 February 1999. The rates only relate to claims sampled from assessors who have been assessed as 95 per cent accurate. The rates also exclude claims that failed only due to procedural errors.

Table 7

PAC accuracy rates for Special Benefit new claim decisions

<i>Fortnight ended</i>	<i>PAC accuracy of new claims %</i>
<i>3 July 98</i>	<i>94</i>
<i>17 July 1998</i>	<i>92</i>
<i>31 July 1998</i>	<i>92</i>
<i>14 August 1998</i>	<i>93</i>
<i>28 August 1998</i>	<i>99</i>
<i>11 September 1998</i>	<i>98</i>
<i>25 September 1998</i>	<i>94</i>
<i>9 October 1998</i>	<i>98</i>
<i>23 October 1998</i>	<i>92</i>
<i>6 November 1998</i>	<i>100</i>
<i>20 November 1998</i>	<i>100</i>
<i>4 December 1998</i>	<i>100</i>
<i>18 December 1998</i>	<i>100</i>
<i>1 January 1999</i>	<i>94</i>
<i>15 January 1999</i>	<i>91</i>
<i>29 January 1999</i>	<i>88</i>
<i>12 February 1999</i>	<i>94</i>
<i>26 February 1999</i>	<i>92</i>

Source: Centrelink Performance Report to FaCS, January–February 1999

3.32 The PAC accuracy rates for the six months ended 31 December 1998 fell below the standard of 95 per cent on seven occasions, the lowest accuracy being 92 per cent. On average, the accuracy rate is 96.1 per cent, which implies an average error rate of 3.9 per cent.

3.33 This implied average error rate is significantly lower than the error rates observed in this audit and reported in Chapter 2.

3.34 For comparison purposes, it is important to understand how the PAC accuracy rates are measured. Under the PAC system, the new claims selected for checking are checked for accuracy of decisions with regard to aspects such as qualification, payability, rate of payment and date of

²⁶ Prior to 1 July 1998 PAC accuracy was recorded in total for new claims and not new claims for the Newstart system rather than by program type.

commencement; as well as for adherence to certain core procedures, such as proof of identity. The system provides checkers with the ability to distinguish between fatal and non-fatal errors in assessment.

3.35 If a claim has a fatal error the PAC checker refers the claim back to the original decision maker for re-processing and the PAC system records the decision as in error.

3.36 Non fatal procedural errors, on the other hand, include claims where a decision is not in accordance with the guidelines but which does not result in the customer receiving an incorrect benefit and/or amount. PAC allows flexibility for checkers to decide if a particular case should be passed (despite the existence of procedural errors). The PAC accuracy rates exclude claims that failed only due to procedural errors.

3.37 Fatal errors would include the following types of error observed in the audit:

- claims that were incorrectly assessed, for example:
 - grants to ineligible customers;
 - grants where another benefit is payable;
 - payment at an incorrect rate;
 - payment for an incorrect period; and
 - rejection of eligible customers; and
- claims that were not fully assessed. Claims included in this category were decided without a complete consideration of some major aspect of the claim.

3.38 Table 8 shows the estimated population error rates for these types of errors.

Table 8
Errors that would be regarded as fatal errors by PAC

<i>Error type</i>	<i>ABS estimate of population error rate %</i>	<i>95% confidence interval +/- %</i>
<i>Proportion of new claims assessed that were incorrectly assessed</i>	41.7	7.6
<i>Proportion of new claims assessed that were not fully assessed</i>	22.1	6.7
<i>Proportion of new claims assessed that were either incorrectly assessed or not fully assessed</i>	57.1	7.7

Source: ABS estimates of assessment error rates for the population of new claims during the audit period—11 May 1998 to 31 December 1998. The estimates are based on a 95 per cent confidence interval, that is the conclusion can be drawn with 95 per cent confidence that the population error rate lies within estimated error rate range.

3.39 The average PAC error rate of 3.9 per cent can be compared directly to the audit error rate measuring the proportion of claims that were either incorrectly assessed or not fully assessed. For new claims this was 57.1 per cent (+/- 7.7 per cent).

3.40 It should be noted, however, that the audit only examined new claims. It did not assess the accuracy of those 'new claims' that were in fact re-grants following, for example, failure by the customer to submit review forms. The PAC accuracy rates, on the other hand, would be based on a sample that might include such re-grants.

3.41 Based on the audit findings the estimated error rates for the entire population of Special Benefit claims, using the assumption that all non-new claims were accurately assessed, are as follows:

- the proportion of claims incorrectly assessed was 32.7 per cent (+/- 6.1 per cent);
- the proportion of claims that were not fully assessed was 17.3 per cent (+/- 5.8 per cent); and
- the proportion of claims that were either incorrectly assessed or not fully assessed was 44.5 per cent (+/- 7.0 per cent).

3.42 This final error rate (44.5 per cent +/- 7.0 per cent) is still significantly higher than the comparable average error rate of 3.9 per cent reported by the PAC system.

3.43 The audit did not undertake a detailed investigation of the reliability of the PAC system in operation during the period covered by the audit sample. However, the ANAO, as part of its audit of Centrelink's financial statements, has drawn the attention of Centrelink to possible areas where the operation of PAC could be improved.²⁷ These areas include:

- procedures for determining whether a Customer Service Officer's performance is of adequate quality for the checking of their work to be reduced from a one hundred per cent sample;
- the structure of the PAC questionnaires used in the checking of Customer Service Officers' work; and
- training in the use of PAC.

²⁷ These issues were discussed in the ANAO's interim audit report on the 1997-98 Centrelink financial statement audit dated July 1998.

3.44 Centrelink has advised that PAC is currently under redevelopment and will change so that:

- the assessment screens visited by the Customer Service Officer will be replayed to the Checking Officer and each replayed screen will include specific questions relevant for that screen. In this way the Checking Officer will work directly from the paperwork to the assessment screen and PAC questions. This will improve the ease of use of the PAC system and make it easier for Checking Officers to record errors as they find them; and
- new reports will show the errors made for a particular screen or groups of screens. This will improve the identification of training needs and isolation of system design problems by enabling easier targeting of problems areas. There will also be reports which show the incidence of when a Checking Officer passes an assessment when they have recorded serious errors during the check. These decisions will then be subject to independent review. These enhancements will highlight the responsibility of Checking Officers in deciding to pass or fail an assessment.

3.45 Centrelink has advised that, in preparation for these changes, work is underway to simplify the flow of questionnaires and to improve the frequency and accuracy with which Checking Officers record errors in a Customer Services Officer's work.

3.46 In addition, Centrelink has advised that training in the importance of PAC is a key component of the PAC redevelopment and implementation, and that a draft communication and training strategy is being progressively implemented.

3.47 The introduction of revised procedures for PAC may go some way towards improving the reliability of the reported accuracy rates. However, the complex nature of the Special Benefit assessment decision, combined with the low volume of such decisions at many CSCs, leads the ANAO to conclude that a more stringent quality control approach may be needed for Special Benefit new claim decisions. It may be, for example, that a higher proportion of Special Benefit assessments should be checked. Alternatively, a requirement might be introduced to refer the more complex aspects of Special Benefit assessment decisions to specialist advisers for checking.

3.48 The ANAO concludes that Centrelink's operation of the PAC system and procedures did not result in reliable measures of accuracy rates for the assessment of new Special Benefit claims during the period covered by the audit. The operational use of the system by checking officers also failed to correct errors made as part of the initial assessment process.

Quality control—program reviews of entitlements

3.49 Program reviews of entitlements provide an opportunity to assess whether the reason for the initial grant was correct, as well as an opportunity to determine whether the grant should continue. Reviews take place:

- automatically every 13 weeks through the submission of a mail review form by the customer;
- at dates that are manually coded at the time of the initial grant; and
- through the National Selective Review System, which selects cases for intensive field reviews at 36 weeks (short term cases) and 49 weeks (long term cases).

Mail reviews at 13 weeks

3.50 All Special Benefit customers are required to complete a review form after 13 weeks on payment. The Guide to the Act and the Centrelink User Guide require that the review process should be a detailed reconsideration of whether the reasons for the initial grant were valid and whether they continue to be so.

3.51 Discussions with CSCs indicated that most CSCs process the review form by simply recording changes in circumstances in employment, bank balances, accommodation etc. Many CSCs stated that the review process did not involve a detailed reconsideration of whether the reasons for the initial grant were valid and whether they continue to be so.

3.52 This anecdotal evidence is supported by audit findings. The audit sample included 48 cases where the 13 week review was conducted and where the initial assessment was either incorrect or where the initial claim was not fully assessed. However, for 45 (94 per cent) of those cases the review did not pick up the initial error. For the population, the proportion of reviews (of claims that had an initial error) that failed to detect the error was estimated to be 82.8 per cent (+/- 9.2 per cent).

Manually coded review dates

3.53 Where it is established at grant or review that a customer's qualification for Special Benefit will cease within thirteen weeks, or that payment is required for a period of less than thirteen weeks, the Guide to the Act requires assessors to code a manual review in accordance with the customer's short term need. In addition, the Guide to the Act and the Centrelink Special Benefit User Guide require manual reviews to be coded for particular Special Benefit categories.

3.54 The audit found that the proportion of claims that required a review date to be coded, but which did not have such a date coded, was 92.9 per cent (+/- 5.0 per cent).

3.55 One implication of not coding a manual review date at the time of grant or review is that customers may continue to receive Special Benefit beyond the date when they cease to be eligible.

Intensive field reviews

3.56 Centrelink's National Selective Review System selects intensive field reviews at 36 weeks for short term cases and 49 weeks for long term cases. These reviews provide an opportunity to discuss available options with Special Benefit customers. For short term cases, the 36 week field review is intended to provide an opportunity to reconsider all the available options well before the maximum benefit period expires.

3.57 The audit did not examine the operation of these reviews in depth. However, discussions with CSCs revealed that some CSCs are conducting few, if any, field reviews. This is supported by statistics produced by Centrelink Compliance Group which show that:

- the number of short term case field reviews fell by 46 per cent from 403, in the nine months to 31 March 1997, to 214 in the comparable period for 1998;
- the number of long term case field reviews fell by 54 per cent from 6684, in the nine months to 31 March 1997, to 3032 in the comparable period for 1998;
- in relation to long term review activity for the period 1 April 1998 to 30 September 1998, 749 had been completed, 736 were outstanding at 30 September and 1928 had been deleted; and
- in relation to short term review activity for the period 1 April 1998 to 30 September 1998, 76 had been completed, 369 were outstanding at 30 September and 25 had been deleted.

3.58 In response to this reduction in reviews, and in the light of earlier internal audit reports that had recommended changes to the 13-week review process, Centrelink's National Customer Segment Team initiated a project in August 1998 aimed at investigating current review practices and exploring procedures. The aim of the review was to provide more effective and economical results for the review cycle.

3.59 The implication of the fall in intensive field reviews is increased risk of inappropriate Special Benefit payments and a reduced probability that initial errors in assessment decisions are undetected.

Conclusions relating to quality control

3.60 The primary quality checking mechanism for detecting assessment errors is the PAC system. The audit findings indicate that the PAC accuracy rates reported under the 1998–99 BPA for Special Benefit payments are significantly overstated. The ANAO concludes that the accuracy rates reported by PAC for Special Benefit new claims are an inappropriate basis for:

- controlling assessment accuracy;
- monitoring individual assessor performance; and
- reporting of accuracy under the BPA.

3.61 The ANAO also concludes that the 13-week mail reviews are generally not being conducted with sufficient rigour to detect initial assessment errors.²⁸ While intensive field reviews provide the opportunity to detect initial assessment errors, albeit only after at least 36 weeks after grant, the ANAO found that such reviews are not always being conducted. The ANAO concludes, therefore, that they can not be relied upon to detect initial assessment errors.

Recommendation No.7

3.62 The ANAO recommends that Centrelink reassesses the reliability of the operation of the Procedure and Accuracy Checking system, including the skills and knowledge of checking officers who use the system, with the aim of revising its application or implementing an appropriate quality control mechanism to significantly improve the detection and correction of Centrelink assessment errors.

Centrelink response

3.63 Agree.

3.64 PAC itself cannot guarantee accuracy of payment. Like any computer based system it relies on the skills and knowledge of the operator—in this case the Checking Officer. If the Checking Officer has insufficient knowledge to assess the claim then he or she will not be able to detect errors and will pass the work when it contains errors. An inadequately skilled checker may pick up transcription, omission and procedural errors but is likely to miss decision making errors involving discretion. This is consistent with the audit finding that errors in rate, duration and benefit payable were predominant. Procedures are being considered to systematically check the skills of the Checking Officer.

²⁸ The low level of documentation of the reasons for the initial decision, discussed in Chapter 2, would also make the review process more difficult in some cases.

3.65 Centrelink is taking a number of steps against this recommendation.

3.66 Centrelink is modifying the processes used to administer Special Benefit new claims and reviews. Fundamental to this approach is a recognition that small and complex payment types require different administrative and management frameworks compared to high volume and relatively less complex payments. Some of the key changes Centrelink is making include improved support and access to expertise through an expanded national help desk and closer monitoring of Special Benefit performance for accuracy and timeliness.

3.67 In addition to the PAC sample check, Centrelink is introducing a stringent quality control approach for Special Benefit new claims which will require all (100 per cent) of Special Benefit assessments to be checked by a second officer with expert knowledge of Special Benefit. This will involve:

- as part of the assessment workflow, a telephone check of identified high risk Special Benefit categories to ensure that guidelines and legislation have been complied with; and
- a later file check of all Special Benefit assessments.

3.68 A virtual national help desk will be established to provide consistent advice to staff and to provide a source of accredited Special Benefit expertise. The help desk staff will conduct the checks referred to above.

3.69 In addition a new PAC system will be implemented in May 2000. Special Benefit processes and relationships with the proposed new PAC system have yet to be finalised. However the new system will enable more rigorous analysis of the types of errors being made by Customer Service Officers. This data will inform the development of training and system design solutions.

ANAO comment

3.70 The ANAO considers that the actions initiated and planned by Centrelink as described in this response will, if implemented effectively, considerably improve the ability of Centrelink to detect and correct assessment errors.

Other reviews of continuing eligibility

3.71 Between April 1998 and November 1998 Centrelink's National Customer Segment Team undertook a regular process of identifying and correcting anomalous Special Benefit payments.

3.72 The Customer Segment Team identified anomalies by reviewing computer reports that detail, for existing customers, their Special Benefit Category, office code and the duration of benefit. The category of benefit is compared to the duration of benefit to identify a potential anomaly. For example, the Assurance of Support category has a maximum term of 104 weeks. Therefore, any benefits in this category in excess of 104 weeks would be considered anomalous. Similarly, expectant mothers may be entitled to Special Benefit for a period six weeks prior to the expected date of birth to six weeks after the date of birth. Therefore, Special Benefit paid under this category in excess of 12 weeks would be considered anomalous. The Customer Segment Team advised Centrelink Areas of the anomalies and requested further investigation by the Area Office.

3.73 The ANAO noted that, as a result of this work, one Area had conducted an extensive review of customers. The review of 946 claims found that:

- 19.9 per cent of cases reviewed had been incorrectly categorised; and
- approximately 10 per cent of cases should not be in receipt of Special Benefit because they are likely to have entitlement to another form of payment.

3.74 Other feedback from one Area was that common problems were:

- date of legal residence is incorrect on the system;
- customers are not testing their eligibility for Age Pension before claiming Special Benefit;
- eligibility for Partner Allowance or Widow Allowance is not considered once the new migrant waiting period has been served;
- bank balances are seldom, if ever, sighted at grant or review; and
- little investigation into how overseas trips were funded.

3.75 Another Area advised that it is often not evident that the issue of alternative means of support has been adequately addressed, in particular other possible payments.

3.76 Centrelink has advised that this review process of anomalies has not been undertaken by Centrelink National Office since November 1998. This type of review is focused on the continuing entitlement to Special Benefit rather than a reconsideration of the original assessment decision. Consequently, it is not the main focus of this audit. Nevertheless, the ANAO considers that the monitoring of anomalous payments is valuable and that it should be reintroduced and expanded to include, for example:

- variations in acceptance/rejection rates across offices and over time.
- The ANAO found that acceptance rates varied considerably across

offices. To illustrate, one CSC assessed 131 claims during the period 11 May 1998 to 31 December 1998 and granted 70 (53 per cent) whereas another CSC assessed 81 claims and granted 77 (95 per cent); and

- variations in customer numbers in the various categories of benefit across offices and over time.²⁹

3.77 Centrelink Compliance group also conducts a range of compliance activities aimed at uncovering incorrect Special Benefit payments and preventing fraud. These include:

- accelerated claimant matching reviews, comprising an initial computerised check of Centrelink records at the time a new claim is submitted. The check identifies whether there is any aspect of the claim that indicates increased risk of fraud;
- reviews by mobile review teams;
- data matching reviews with other organisations such as the Australian Taxation Office and DIMA;
- duration reviews, that is reviews conducted after 36 weeks for short term Special Benefit categories and 49 weeks for long term categories³⁰; and
- reviews based on other risk factors.

3.78 An analysis of the effectiveness of these review processes is beyond the scope of this audit. Primarily they are focused on discovering cases where customers have failed to advise Centrelink of changed circumstances (such as increases in income) that would alter a customer's entitlement, rather than discovering errors made in assessment decisions at the new claim stage.

3.79 Nevertheless, the audit examined whether any of customers in the audit sample had their Special Benefit payment reviewed as part of the compliance checks. The audit found that 66 of the 173 customers granted Special Benefit had been subject to at least one form of compliance review between 11 May 1998 and 28 June 1999. In 30 of those cases the review was related to Special Benefit. In only one case was the Special Benefit payment cancelled or rate revised. These results confirm the view that compliance reviews are focused on discovering cases where customers have failed to advise Centrelink of changed circumstances that would alter a customer's entitlement, rather than at discovering errors made in assessment decisions at the new claim stage.

²⁹ Chapter 2 has commented on the significant increase in the 'other long term' and 'other short term' categories.

³⁰ The audit found that there has been a recent significant reduction in the number of Special Benefit duration reviews being conducted.

Recommendation No.8

3.80 The ANAO recommends that Centrelink, in line with good management practice, recommences and expands its monitoring of performance trends over time, and anomalies in Special Benefit payments across Centrelink offices, to provide possible indications of performance issues that may require further investigation.

Centrelink response

3.81 Agree.

3.82 Centrelink had already started a program of identifying trends, anomalies and performance related issues. Centrelink has found that increased performance analysis is generally accompanied by reduced errors in Special Benefit processing. This monitoring was also recognised as a key component for Centrelink to report against in its Business Partnership Agreement with FaCS.

3.83 A rolling program of monitoring is in place.

FaCS controls

Policy guidance

3.84 Under the Program Management and Business Development Protocol of the BPA between FaCS and Centrelink, FaCS is required to make available to Centrelink a policy guide to the interpretation of the *Social Security Act* which it will update promptly following any changes in policy or legislation.

3.85 The ANAO found that FaCS had made the Guide to the Act available to Centrelink as part of the Centrelink on-line Reference Suite of information. Throughout 1998 Chapter 15 of the Guide contained detailed advice relating to the assessment of claims for Special Benefit. In late January 1999 the Guide was revised and produced in a new format that continued to provide detailed advice relating to Special Benefit assessments. The new format contains useful links to the Act, other parts of the Guide and to procedural guidelines issued by Centrelink.

3.86 To assist the ANAO to evaluate the Guide to the Act it sought expert technical assistance from Deacons Graham and James. This organisation was chosen because of its expertise in administrative law. The contribution of the consultants to the audit was to advise the ANAO whether the version of the Guide which was in place during 1998, and the revised version finalised in late January 1999, were consistent with the Act and relevant case law.

3.87 In relation to the Guide to the Act the ANAO concluded that:

- both versions of the Guide, as they relate to Special Benefit, address issues and considerations on which the Act is silent. They are thus intended to provide guidance and to elaborate upon the Act. Therefore, while in both versions of the Guide there is appropriate reference made to the relevant sections of the Act, they also introduce additional matters of administration and procedure to assist delegates in exercising the statutory discretion;
- these policies and procedures generally do not have any legislative basis. However, as they are incorporated in the Guide, they are to be taken into account as a relevant consideration when a delegate exercises his or her powers under the Act. Such guidelines are permissible and valid in as far as they do not contradict any provision of the Act and their content and use is consistent with generally applicable principles of administrative law;
- the Guide contains recommended best practices that, in the Secretary's opinion, would assist the delegate to form the most appropriate opinion in the legislative context. The delegate is required to reach an independent judgment after taking these matters and all other relevant matters into consideration. If the merits of the case suggests a conclusion other than that suggested by the Guide, then that is the decision which is to be made; and
- both the 1998 and the 1999 Guide as they relate to Special Benefit Payment are broadly consistent both with the Act and with relevant case law.

3.88 However, in relation to the 1998 version of the Guide, an issue arises in relation to the Guide's interpretation of S739A(7) of the Act.

3.89 Section 732(1) of the Act provides that even though a person might otherwise be qualified for a Special Benefit, the benefit may not be payable to the person because the person is subject to a newly arrived resident's waiting period and that period has not ended.³¹ However, section 739A(7) provides that a newly arrived resident's period will not apply to a person if the person, in the Secretary's opinion, has suffered a substantial change in circumstances beyond the person's control.

3.90 The 1998 Guide, at sections 15.2100 or 15.2104, limited the scope of the inquiry into the 'substantial change in circumstances' to changes occurring when the applicant is in Australia. However, relevant case law

³¹ *The Social Security Act 1991* was amended on 4 March 1997 to introduce this provision.

developed during 1998 made it clear that such changes may include changes occurring before arrival, so long as the applicant was irrevocably committed to the migration process. The Administrative Appeals Tribunal spelled this out in several cases from 18 February to 28 August 1998 (AAT).³² Further, the principle of a change in circumstances possibly occurring prior to arrival but after becoming irrevocably committed to the migration process was confirmed in November 1998 by the Federal Court in *Secretary, Department of Social Security v Calin-Al Secara & Ors* [1998] 1510 FCA.

3.91 The ANAO has examined this issue further and has found that, following the March 1998 AAT decision in *Secara*, FaCS decided not to amend the Guide to remove the requirement that a migrant's change in circumstances needed to be after arriving in Australia.

3.92 The primary basis for this decision was that FaCS had decided, after taking independent legal advice, to appeal the *Secara* decision to the Federal Court. The independent legal advice argued that the temporal restriction in the Guide was consistent with the intention of the legislation as discussed in the second reading speech to the March 1997 amendment to the Act. Given that the Act was ambiguous on this matter it was argued that the second reading speech could be used to resolve the ambiguity.

3.93 At the same time FaCS argued that the Guide to the Act contained sufficient flexibility to allow a change in circumstances that occurred prior to arrival to be considered if appropriate. For example, section 15.2144 of the 1998 Guide states that '*cases outside the parameters of the guidelines should be referred to the Help Desk by the Area PDU for advice ... This procedure will allow the policy to be administered consistently across Australia*'. FaCS has advised the ANAO that help desk policy advice which was provided by FaCS during 1998 in relation to the two year waiting period did recognise that a change in circumstances prior to arriving in Australia might be relevant in certain circumstances.

3.94 The ANAO also found that other steps had been taken by FaCS and Centrelink to make assessors aware of the appeals to the AAT and the implications for the need for assessors to consider what information had been provided to migrants prior to their arrival. For example:

- in May 1998 Centrelink issued a package of material to CSC managers relating to the two year waiting period. The advice alerted managers to the AAT appeals cases and noted that information provided to

³² See *Chelechkov* (AAT No 12531 [1998] AATA 94, *Tadros* (AAT No 12649 [1998] AATA 111, 26 February 1998), *Singh* (AAT No 12667 [1998] AATA 123, 2 March 1998), *Secara* (AAT No 12702 [1998] AATA 162, 12 March 1998), *Fomin* (AATA No 12703 [1998] AATA 161, 12 March 1998), *Shaikh* (AAT No 12785 [1998] AATA 242, 8 April 1998) and *Arulandu* (AAT No 13223 [1998] AATA 675, 28 August 1998).

migrants prior to their migration may have an effect on their entitlement to Special Benefit. The advice also reminded managers that migrants should be encouraged to test their entitlement to Special Benefit by submitting a claim; and

- in September 1998 FaCS Special Payments Branch issued a 'Hot Issues' information sheet dealing with 'Payment of Special Benefit during the Two Year Newly Arrived Waiting Period'. It referred to the AAT judgements that, in some cases, a substantial change in circumstances may occur before arrival in Australia. The information sheet also noted that:

The Secretary's guidelines state that the change in circumstances would usually be relevant only if it occurs after arrival in Australia but also allow flexibility for the decision maker to recognise that there may be exceptions to this Guideline.

3.95 In light of FaCS's decision to appeal to the Federal Court, and in view of actions taken to help ensure that assessors were aware of the issues relating to the AAT appeals, the ANAO considers that the decision by FaCS to delay changing the Guide to the Act until the outcome of the Federal Court appeal decision was reasonable.

3.96 Following the Federal Court confirmation on 28 November 1998, that the restriction of the change in circumstances to those occurring after arriving in Australia was inappropriate, FaCS took action to amend the Guide to the Act to remove the restriction. The amendment was included in a general rewrite of the Guide issued in late January 1999.

3.97 However, while FaCS guidance was amended to reflect the changed policy following the November 1998 Federal Court decision, Centrelink guidance material was not subsequently amended. Both the Centrelink Special Benefit User Guide and Mutant Help continued to state that the substantial change in circumstances was required to occur after arriving in Australia. Recommendation No.6 (paragraph 3.22) recommends that Centrelink update its Special Benefit guidance material to accurately reflect the latest policy guidance.

Performance monitoring

3.98 Under the Performance Reporting and Performance Information Protocol for 1998–99, FaCS requires regular and comprehensive information of high integrity to allow it to assess Centrelink's performance and to satisfy its own obligations and accountability to the Minister and to the Parliament. Under the protocol, FaCS must satisfy itself, among other things, that:

- programs are delivered only to those qualified to receive payments or other benefits; and

- those qualified are paid at the correct rate in accordance with the Act and Guide to the Act.

3.99 The July 1998 Special Payments Agreement specified actions that were to be taken by FaCS and Centrelink to develop and implement performance measurement and monitoring arrangements. However, many of these proposed actions were superseded in December 1998 by an agreement between FaCS and Centrelink to amend the BPA to reflect the establishment of a joint performance information review. The core tasks of the review, which was to be completed in time for input into the 1999–2000 BPA revision, were to:

- identify an agreed approach to service specification;
- identify agreed core performance indicators at a corporate level;
- define business processes associated with the agreed performance indicators; and
- make recommendations for a performance management regime for income support payments for the next BPA.

3.100 Nevertheless, for 1998–99, the BPA specified that accuracy of new claim decision making will be measured by the PAC system. As reported earlier in this chapter the PAC accuracy rates that were reported for the period covered by the audit are significantly higher than those observed in this audit.

3.101 In view of the error rates discovered in this audit, the ANAO concluded that the error rates reported by the PAC system are not a reliable basis for monitoring accuracy.

3.102 The BPA also requires that Centrelink deliver certain client agency services. Under the Special Payments Agreement FaCS and Centrelink were to:

jointly develop a method for reporting on the monitoring by the relevant National Manager of variations by Area of the Remote Area Allowance and Special Benefit components of the sub-program by 31 October 1998.

3.103 The initial target date of 31 October 1998 for the development of a framework for analysing variations has not been achieved. The ANAO notes that delays beyond this date were partially explained by higher competing priorities, by data accuracy issues and by changes in organisational responsibilities for Special Benefit within FaCS in February 1999. However, FaCS has agreed with Centrelink that a joint project to examine anomalies within Special Benefit statistics should be undertaken.

3.104 The ANAO considers that monitoring of variations in Special Benefit statistics is an important means by which FaCS can identify

possible problems and issues for investigation. To illustrate, over the last 18 months the numbers of customers being granted Special Benefit under the 'other short term' and 'other long term' categories has increased dramatically. In January 1998 the 'other short term' and 'other long term' categories represented 0.5 per cent and 0.9 per cent of total customers respectively. By August 1999 the percentages had increased to 2.9 per cent and 11.1 per cent. The reason for the increase is not clear. The audit analysis of claims suggests that this increase may be associated with an increased likelihood of non-compliance in decisions. Had an agreed framework for analysing variations been in place earlier, the reasons for this significant increase in 'other' categories may have been investigated by FaCS and Centrelink at an earlier stage.

Recommendation No.9

3.105 In order to obtain a reliable measure of the accuracy of Special Benefit assessment decisions the ANAO recommends that FaCS and Centrelink reassess the reliability of the operation of the Procedure and Accuracy Checking system as a basis for reporting the accuracy of Special Benefit new claim assessments under the Business Partnership Agreement.

FaCS response

3.106 Agree.

3.107 The 1999–2000 BPA requires Centrelink to redevelop the Procedure and Accuracy Checking System (PAC2) to improve the reliability and accuracy of new claim assessments. The new system is expected to be implemented in May 2000. FaCS is working with Centrelink to design the strategy for the post-implementation review of PAC2. This will include assessment of the impact of PAC2 on the issues raised in the ANAO audit, including operational reliability.

3.108 Additionally, FaCS is working with Centrelink through the BPA to address and resolve the issues of assessment accuracy and the measurement and reporting of the correctness of assessments. The 1999–2000 BPA incorporates processes and projects designed to develop, improve and provide assurance on measures of assessment accuracy. Some have quite broad application and others are specific to Special Benefit.

Centrelink response

3.109 Agree.

3.110 Centrelink has completed a re-assessment of PAC. The result is that Centrelink considers the basis for using PAC is not in question. The issue in question relates to the processes underpinning the way in which

PAC checking staff are using the systems and the level of competence of those staff. Centrelink is taking action to address these issues as outlined in its response to recommendation 7.

Communications with Centrelink

3.111 Clause 10.6 of the Special Payments Agreement for 1998–99 requires that Centrelink staff, at the appropriate management level, will meet on a bi-monthly basis with relevant Departmental officers to discuss progress and any issues arising from the execution of each party’s responsibilities under this agreement.

3.112 Formal meetings, with documented minutes, were held on 24 September 1998 and 10 December 1998. In view of the change in area of responsibility for Special Benefit within FaCS and a change of staff within Centrelink an informal bi-monthly meeting was held in February 1999 to introduce new staff and discuss changes. The March/April bi-monthly meeting was held on 11 May 1999.

3.113 In addition to these formal meetings, as required by the BPA, FaCS and Centrelink staff at program level maintain close contact on a day to day basis to deal with any operational and policy issues as they arise. For example, in 1999 informal meetings have been conducted to discuss management information and data accuracy.

3.114 The ANAO notes that informal communication between FaCS and Centrelink is critical to a successful management of compliance related issues. In addition, however, the ANAO considers that there is merit in holding formal bi-monthly meetings, with documented agreed agenda items, minutes of decisions and action items. Such formal meetings provide the opportunity to clearly demonstrate that both parties have fulfilled their responsibilities in relation to monitoring compliance issues. For FaCS, as a purchaser of services, the records of these formal meetings will provide an important authoritative basis for the resolution of contract management (including compliance) issues with Centrelink and for the development of future business agreements.

Help desk operations

3.115 Under clause 7 of the BPA Communications Protocol for 1998–99 Centrelink national managers and FaCS program managers may agree upon business rules and administrative arrangements for help desks covering their joint areas of responsibility. In doing this, the Protocol states that:

- FaCS is the authority in relation to policy;
- Centrelink will manage help desk arrangements for its staff, including arrangements for channelling queries through to FaCS where necessary;

- Centrelink will ensure that only policy queries where there is a clear established policy will be answered by Centrelink staff and that queries that raise issues of interpretation will be referred to FaCS; and
- as a general rule FaCS should respond to queries about newly implemented policy, while established policy will largely be a matter for Centrelink. However, Centrelink will regularly brief FaCS on queries about established policy coming to internal help desks which it has not referred to FaCS.

3.116 The ANAO found that, during the period covered by the audit, FaCS has provided a policy advice help desk to answer policy questions from Centrelink concerning Special Benefit issues in a timely manner. Further, the ANAO found that Centrelink has consistently referred such policy questions to FaCS for advice.

3.117 The ANAO concludes that FaCS has facilitated the accurate assessment of claims for Special Benefit by providing Centrelink with access to an appropriate help desk facility relating to Special Benefit policy issues.

Overall conclusions relating to procedures for controlling assessments of new claims for Special Benefit

Centrelink controls over assessment procedures

3.118 The high level of non-compliance of assessment decisions with relevant legislation and guidelines leads the ANAO to conclude that Centrelink's management controls over assessment decisions have not been fully effective.

3.119 In particular, the audit found that during the period of the audit examination:

- a significant majority of Special Benefit claims were assessed without using an existing Centrelink assessment checklist that was specifically designed to assist the assessment process;
- Centrelink's written guidance material for assessing Special Benefit did not provide assessors with an up to date consolidated source of detailed guidance on the procedural steps involved in assessing a Special Benefit claim;
- the operation of Centrelink's main quality checking process over new claim accuracy, the PAC system, failed to detect and correct the actual level of errors in assessments; and

- periodic program review processes for checking a customer's entitlement to Special Benefit were not effective in detecting initial assessment errors.

3.120 The high levels of assessment errors in Special Benefit new claim decisions across a wide range of issues strongly suggests that the causes of error are related to broad systemic factors and not just factors specific to particular assessments. Many of the errors discovered in the audit would have been avoided had the assessor referred to, and followed, the relevant sections of the Act or Guide to the Act.

3.121 The ANAO recognises that Special Benefit assessment decisions are complex. Development of the required level of assessor expertise within Centrelink offices is also complicated by the fact that Special Benefit is a relatively low volume benefit. In many offices Special Benefit claims occur infrequently and there is, therefore, little opportunity for assessors to become familiar with the assessment of Special Benefit claims. Consequently, it is important for assessors to have accurate and easily accessible sources of guidance and advice to assist the assessment process.

FaCS Policy guidance

3.122 Under the BPA between FaCS and Centrelink, FaCS is required to make available to Centrelink the Guide to the Act, which it will update promptly following any changes in policy or legislation.

3.123 The ANAO found that throughout the period of the audit FaCS had made the Guide available promptly to Centrelink as part of the Centrelink on-line Reference Suite of information. The Guide contained policies and procedures to be taken into account as relevant considerations when a delegate exercises his or her powers under the Act. Such guidelines are permissible and valid in as far as they do not contradict any provision of the Act and their content and use is consistent with generally applicable principles of administrative law. The ANAO found that the Guide, as it related to Special Benefit, was broadly consistent both with the Act and with the relevant case law.

Performance monitoring under the BPA

3.124 The ANAO found that the PAC system measures of Special Benefit new claim assessment accuracy were not reliable. The accuracy levels reported to FaCS using this system were considerably higher than the accuracy levels found in this audit.

3.125 The ANAO also found that there had been delays in developing an appropriate framework for monitoring variations in Special Benefit payments. The delays may have hindered the ability of FaCS and Centrelink to identify potential inaccuracies in Special Benefit assessments.

4. Payment of Special Benefit to Migrants in the Newly Arrived Residents Waiting Period

This chapter assesses whether FaCS and Centrelink have taken appropriate action to ensure that intending migrants and newly arrived residents are aware of their eligibility conditions for Special Benefit. Specifically, the chapter looks at whether such people are aware of the conditions under which they may be eligible for Special Benefit during the newly arrived residents two year waiting period for social security benefits. The ANAO found that Centrelink and FaCS, through cooperative arrangements with DIMA, have taken appropriate action.

Background

4.1 Following its election in March 1996 the Government introduced a policy to extend the waiting period for access to social security payments by newly arrived residents to two years. Relevant legislation was introduced to the Senate in May 1996 and was referred to the Senate Legal and Constitutional Legislation Committee. The Committee reported in September 1996 and, after extensive debate, the legislation was passed in February 1997 and received Royal Assent on 4 March 1997.

4.2 In relation to Special Benefit, the effect of the legislation was to prevent payment (with some exemptions) to newly arrived residents who were within the two year waiting period. However, the legislation allowed the waiting period to be waived if the newly arrived resident 'in the Secretary's opinion, has suffered a substantial change in circumstances beyond the person's control' (*Social Security Act 1991 S739B*).³³

4.3 Due to the lengthy period of time involved in the migration process, there are practical difficulties in ensuring that migrants are kept fully informed of changes in government policy. By early 1998 there were indications that some newly arrived residents may not have been fully aware of the conditions under which they might be eligible for Special Benefit during the new waiting period for social security benefits. For example:

- a relatively small number of appeals had been made to the AAT against decisions to reject claims for Special Benefit by people in the newly

³³ As at August 1999, 1003 people were receiving Special Benefit under the 'newly arrived resident in the two year waiting period' category.

arrived waiting period. The AAT commented in some cases that information provided to the migrants about their eligibility to social security benefits had been incorrect and confusing³⁴; and

- in April 1998, the Senate Legal and Constitutional Legislation Committee tabled a report into ‘The operation of the Special Benefit provisions relating to the newly arrived residents waiting period’. The Committee noted the importance of providing accurate, relevant and timely information to intending migrants about their access to social security benefits. In evidence before the Committee, FaCS stated that, in view of AAT comments, it had updated information provided to prospective migrants.

4.4 The ANAO examined whether FaCS and Centrelink had taken action to help ensure that appropriate information is made available to intending migrants and newly arrived residents about the conditions under which they may receive Special Benefit in the newly arrived residents waiting period.

Information for intending migrants and newly arrived residents

Information provided as part of the migration process

4.5 The focus of this audit was on information provided to intending migrants since early 1998 relating to their eligibility for Special Benefit during the two year waiting period. However, it should be noted that DIMA has advised that:

- liaison between FaCS and DIMA in relation to information products on the two year waiting period commenced in March 1996, shortly after the new Government policy was announced;
- from April 1996, DIMA began providing information (developed by FaCS) to intending migrants in the form of an information sheet on the two year waiting period. Posters about the waiting period were also displayed in overseas missions; and
- from August 1997, information about the two year waiting period (with text provided by FaCS) began to be included in visa grant letters to migrants.

³⁴ See for example *Zoorder v DSS*, AAT No N97/945, 18 February 1998 and *DSS v Singh* No N97/1703, 2 March 1998. As at 18 November 1998, 12 cases had been decided by the AAT. Of those, Special Benefit was paid in 4 cases and not paid in 8 cases.

4.6 During early 1998, FaCS liaised with DIMA to develop improved information products for distribution to intending migrants. The new products included revised information relating to the two year waiting period for social security payments, and the conditions under which Special Benefit might be payable during that period. In particular the following revised arrangements were introduced from 1 May 1998:

- a new information form 1105i 'Supporting yourself in Australia' was introduced as part of the migrant application package received by all intending migrants. It contained the following information relating to the two year waiting period and Special Benefit³⁵:

- ***Two year wait for social security payments***

- New settlers to Australia have to wait two years before they may get most social security payments, including unemployment payments, sickness allowance, Austudy income support payments and a number of other payments. The 2 year waiting period begins the date you arrive in Australia or the date your permanent visa is granted, whichever is the later.*

- Special benefit is an income support payment for people in hardship. Apart from payments for children (explained below), it is the only government welfare assistance which might be payable to people during the first two years. Special benefit is only available to new migrants on a very restricted basis—that is, if there has been a substantial change in circumstances beyond the person's control. Inability to gain employment or running out of money are not sufficient reasons of themselves to qualify for special benefit. It is therefore very important you understand that you should have enough resources to keep yourself (and your dependents) for the first two years;*

- general information forms provided to prospective migrants and sponsors were revised to include information on the two year waiting period and, where appropriate, to refer the reader to the new information form;
- intending migrants in visa classes 105—Skilled—Australian Linked, and 126—Independent were now requested, prior to receiving a visa approval, to sign form 1102 acknowledging that they had read and understood the information presented in Form 1105i, including the information relating to the waiting period, the need to have enough money to support themselves for the first two years, the cost of living and employment issues;
- the information in the new information form was also included in the form 994i 'Settlement information for migrants' that is provided to

³⁵ The new information form also contained information about the cost of living and expanded information on employment in Australia.

migrants when they are informed of the decision to grant them a visa. The covering visa grant letter also specifically refers to the two year waiting period information in the Settlement information form; and

- revised visa grant letters to migrants in the visa classes 105—Skilled—Australian Linked, and 126—Independent, contained reference to the migrant’s previous signed acknowledgment that they had read the form ‘Supporting yourself in Australia’. The letter also reminded the migrant of the importance of making adequate financial arrangements to support themselves and their family. Furthermore it contained the following paragraph relating to Special Benefit:

Special benefit is the only form of government welfare assistance which might be payable to people during the two year waiting period. However, special benefit is only available to new migrants on a very restricted basis—that is, if there has been a substantial change in circumstances beyond the person’s control. Inability to find employment or running out of money are not sufficient reasons to qualify for special benefit.

4.7 In December 1998 DIMA advised that it would be introducing a series of separate migration booklets targeted at the various specific categories of migrants. As they are introduced, the booklets will incorporate material from separate information sheets, including Form 1105i. While the booklets will not describe eligibility for Special Benefit they will describe the operation of the two year waiting period and provide information on living costs and the competitive nature of the labor market. DIMA has advised that Form 994i ‘Settlement Information for Migrants’ will continue to be provided to migrants at the visa grant stage.

4.8 DIMA has also advised that following a recent review of the Points Test for intending migrants, a greater number of independent applicants will be interviewed from 1 July 1999, to ensure that they are aware of the implications of the two year waiting period and related settlement issues.

Information provided via the Internet

4.9 The Internet is a source of information to both intending migrants and newly arrived residents. The ANAO examined whether information about the two year waiting period and access to Special Benefit was available on the Internet as at April 1999.

DIMA’s Internet site

4.10 The ANAO found that the DIMA Internet site provided intending migrants and new arrivals with information about the two year waiting

period and eligibility for Special Benefit. The information was available in a number of pages on the site, including:

- **migrant help:** from the DIMA home page information on 'migrant help' can be selected. The migrant help page contains a section entitled 'payment of benefits' which states 'There is a two year wait before new migrants can access most social security payments. Please be aware of these rules.' From that section there is a link to:
 - **waiting period for benefits** which leads to a page entitled 'Two year waiting period for Social Security payments'. The information was prepared in August 1997 by FaCS. The information on this sheet required updating. For example, the statement that the migrant may only claim Special Benefit where their circumstances have changed substantially since their arrival was inconsistent with case law and more recent guidance on this issue. In addition the FaCS telephone number provided for further information is no longer connected. Since the conduct of the audit FaCS and DIMA have updated this page to rectify these problems; and
 - **help for migrants** which links the inquirer to two fact sheets on the Centrelink internet home page prepared by the Centrelink Multilingual Service. The two fact sheets, aimed at intending migrants and new arrivals respectively, outline the operation of the two year waiting period and identify that Special Benefit may be available under certain conditions. They are provided in 11 different languages; and
- **migration:** from the DIMA home page information on 'migration' can be selected. This leads to a page that allows further information on various categories of migration, for example 'families' to be selected. From these pages the reader can access forms 994i and 1105i as described above. There is also a link back to the migrant help page described in the previous dot point.

4.11 DIMA advised in September 1999 that information provided via the Internet has now been updated as part of its new Community Information Network (CIN) project. The CIN project seeks to improve access to and quality of settlement information available on DIMA's Internet site for settlement service providers, potential migrants, newly arrived migrants and their sponsors.

4.12 The CIN project will focus on providing information on key content areas such as: Moving to Australia; Working in Australia; Getting help; Health; Finding a home; Education; and Learning English. Information about the two year wait for social security benefits will be contained within the section "Working in Australia" under Income

Support. Besides providing two year wait information based on the text in the current form 994i, a hyperlink will allow the Internet user to click on the words *two year waiting period* to take them to the Centrelink web site that explains the two year wait provisions.

Centrelink's Internet site

4.13 The ANAO also examined Centrelink's Internet home page as at April 1999 to identify whether relevant information was available. The Centrelink home page contained information in the following places:

- **publications—general.** Under this heading is a publication entitled 'Newly Arrived Resident's Waiting Period—Information for Community Agencies'. It describes the operation of the two year waiting period and notes that Special Benefit may be available if the migrant has suffered a substantial change in circumstances beyond their control; and
- **multilingual—fact sheets.** Two fact sheets, aimed at intending migrants and new arrivals respectively, outline the operation of the two year waiting period and identify that Special Benefit may be available under certain conditions. They are provided in 11 different languages. Links to these sheets are also provided from DIMA's Internet site pages dealing with 'help for migrants'.

Other information provided to newly arrived residents by Centrelink

4.14 The Centrelink Multicultural Services Customer Segment had promoted information about Special Benefit eligibility during the two year waiting period through a number of programs, for example:

- information in the December 1997 and May 1999 issues of its magazine 'Community'. The magazine is distributed to 22 000 community organisations across Australia;
- multilingual broadcasts on SBS radio in March, July and November 1997, September 1998 and February 1999. The broadcasts contained summary information about the two year waiting period and the eligibility to Special Benefit in certain circumstances;
- the provision of transcripts of the radio broadcasts in several languages as editorial copy to 12 ethnic newspapers;
- information provided to quarterly meetings of seven State/Territory based Migrant Advisory Committees. The two year waiting period has been the subject of much discussion at these meetings since the introduction of the two year waiting period policy. With the exception of one occasion the NSW Committee has discussed the issue at every meeting since the announcement of the policy; and

- the activities of more than 80 Multicultural Service Officers located at major Centrelink CSCs. The role of these officers includes the provision of advice and information to clusters of CSCs where there is a high population of customers from diverse cultural and linguistic backgrounds. The officers also provide advice and information to local migrant communities.

Conclusion

4.15 The ANAO concludes that procedures introduced by FaCS and DIMA relating to information provided as part of the migration process will help ensure that intending migrants are aware of the conditions under which they may be eligible for Special Benefit during the two year waiting period. The procedures will ensure that at the visa grant stage migrants are advised that they may have eligibility to Special Benefit during the waiting period under certain restricted conditions.

4.16 The ANAO also concludes that DIMA and Centrelink have provided accurate and relevant information in their respective internet sites about the two year waiting period for newly arrived residents and the availability of Special Benefit during that period. The link from DIMA's site to Centrelink fact sheets that provide information in many different languages is particularly useful.

4.17 Finally, the ANAO concludes that Centrelink, through its Multicultural Services Customer Segment, has taken appropriate steps to help ensure that newly arrived migrants are aware of the two year waiting period and to their eligibility, under certain conditions, to Special Benefit.



Canberra ACT
22 November 1999

P. J. Barrett
Auditor-General

Appendices

Appendix 1

Estimated rates of non-compliance of assessment decisions with relevant legislation and guidelines

	ABS estimate of population error rate %	95% confidence interval +/- %
Claims incorrectly assessed or not fully assessed		
<i>Proportion of claims granted when another more appropriate benefit was payable</i>	22.2	6.6
<i>Proportion of claims granted to ineligible customers for other reasons</i>	3.7	3.1
<i>Proportion of claims granted at an incorrect rate</i>	19.5	6.2
<i>Proportion of claims granted for an incorrect period</i>	28.0	7.8
<i>Proportion of claims rejected but should have been granted</i>	0.0	n/a
<i>Proportion of claims assessed with at least one incorrect assessment error</i>	41.7	7.6
<i>Proportion of claims assessed that were not fully assessed</i>	22.1	6.7
<i>Proportion of claims assessed that had at least one aspect that was either incorrectly assessed or not fully assessed</i>	57.1	7.7
Assessments not complying with other aspects of guidance		
<i>Proportion of claims granted that were granted under an inappropriate category</i>	33.3	7.3
<i>Proportion of claims assessed without using a Special Benefit assessment checklist</i>	86.1	6.3
<i>Proportion of assessments where the reason for the new claim decision was not recorded in the customer's computer record</i>	54.1	8.0
<i>Proportion of reviews where the reason for the review decision was not recorded in the customer's computer record</i>	82.9	8.8
<i>Proportion of claims granted where customer proof of identify was not verified</i>	37.1	10.2
<i>Proportion of claims granted where available funds were declared but not verified</i>	76.4	9.6
<i>Proportion of claims requiring verification of residency but where verification was not obtained</i>	23.1	10.5
<i>Proportion of claims requiring verification of rent details but where verification was not obtained</i>	55.8	10.6
<i>Proportion of claims assessed where an incorrect claim form was used</i>	10.1	3.6
<i>Proportion of claims assessed where the claim form was not signed by the customer</i>	5.0	2.8

	ABS estimate of population error rate %	95% confidence interval +/- %
<i>Proportion of claims assessed where the claim form was not dated</i>	10.9	4.0
<i>Proportion of claims assessed where the claim form was not date stamped</i>	26.0	9.8
<i>Proportion of claims assessed where the claim form was not fully completed</i>	48.4	6.5
<i>Proportion of claims granted where there was some inconsistency between the customer's computer record and the customer's claim</i>	68.4	8.1
<i>Proportion of claims assessed where the customer's tax file number had not been removed from the customer's file</i>	22.1	6.8

Source: ABS estimates of assessment error rates for the relevant population of claims during the audit period—11 May 1998 to 31 December 1998. The estimates are based on a 95 per cent confidence interval, that is the conclusion can be drawn with 95 per cent confidence that the population error rate lies within the estimated error rate range

Appendix 2

Categories of Special Benefit recipient

Short term categories

Assurance of support

1. Where an assurance of support is effective and a customer is not being supported or inadequately supported or refuses support from a sponsor on reasonable grounds and is not residentially qualified for another payment.

Applicant for other pension or benefit

2. In some limited cases, Special Benefit can be considered if customers are in hardship while awaiting the determination of a pension claim where grant may be delayed or while waiting for the first pension pay day.

Expectant mother

3. Payment may be made up to 6 weeks prior to the birth and up to 6 weeks after the birth of a baby to expectant mothers who are in hardship and have no alternative means of support. Since 20 October 1997, expectant mothers in receipt of Newstart or Youth Training Allowance, have been able to receive an exemption from the activity test from six weeks prior to the expected date of birth of the child to six weeks after the date of birth. Expectant mothers receiving Youth Allowance are also able to receive an exemption from the activity test from six weeks prior to the expected date of birth of the child to six weeks after the date of birth. Therefore, there should be very few occasions when there is a need for expectant mothers to be paid Special Benefit.

Partner of a person on strike

4. The partner of a claimant, who is disqualified from Newstart Allowance or Youth Allowance owing to involvement in industrial action, may be considered for Special Benefit.

Holder of a specified provisional visas

5. Holders of provisional spouse visas and provisional interdependency visas may have access to Special Benefit, even though they are not Australian residents.

Newly arrived resident in two year waiting period

6. Where a customer is serving the two year newly arrived resident waiting period for social security payments, Special Benefit is only payable

where there has been a substantial change in circumstances beyond the customer's control. Under this category there are several sub categories:

- where the customer is granted Special Benefit under Newstart Allowance, Youth Allowance or Sickness Allowance conditions;
- where the customer is granted Special Benefit because they are serving the two year waiting period for Carer Pension, Mature Age Allowance, Partner Allowance, or Disability Wage Supplement or are not residentially qualified for Parenting Payment or Widow Allowance; or
- where the customer is serving a two year waiting period and has not completed the qualifying residence period for Age Pension.

Released prisoner

7. Released prisoners may qualify for up to one week's payment of Special Benefit at twice the normal rate. In most cases, released prisoners will qualify for Newstart Allowance or Youth Allowance and Special Benefit will not be payable.

Victim of disaster

8. Where a disaster occurs which is not a major or widespread disaster, Special Benefit may be paid to assist people during a short term period of crisis.

Other short term cases

9. For cases where no other category is applicable.

Long term categories

Australian citizen child in the custody of a non-permanent resident

10. In certain circumstances, Special Benefit may be paid to a child who is an Australian citizen, but whose custodial parent is not a permanent resident of Australia (and, therefore, precluded from receiving any social security payment).

Caring for a child

11. Where a customer is required to provide constant care to a child under 16 years of age and there is no alternative care available.

Caring for an incapacitated person

12. Where a customer is not qualified for Carer Pension, is unable to work because of caring responsibilities, and where there is no alternative care available.

Not residentially qualified for age pension

13. Australian residents who meet the qualifications for age pension, other than the period of residence, are in hardship and have no other alternative means of support.

Not residentially qualified—other payment

14. Australian residents who meet the qualifications for pension or allowance payments other than the period of residence, are in hardship and have no alternative means of support.

Other long term cases

15. For cases where no other category is applicable.

Socially marginalised

16. This category is used only as a last resort where, for example a customer suffering from a psychiatric illness who, because of the illness, will not seek medical help or claim Sickness Allowance or Disability Support Pension, but is clearly unable to work or participate in activities designed to improve their work prospects.

Under 18 years

17. Special Benefit can only be paid to full-time students under 18 years if they are homeless and do not qualify for another payment.

Appendix 3

Sample design

1. The audit examined a random sample from the population of Special Benefit new claims assessed during the period 11 May 1998 to 31 December 1998. The examination was aimed at identifying and measuring the extent of errors in the assessment process.

2. The ANAO contracted the ABS to design a sampling strategy that would enable the reliable estimation of assessment error rates in the population. Specifically the ANAO sought written advice from ABS concerning:

- the development of an appropriate sampling methodology in terms of how many assessments would need to be examined and how those assessments would be drawn from the various Centrelink CSCs throughout Australia; and
- the development of specifications for the actual selection of assessments from particular Centrelink CSCs.

3. The ANAO supplied ABS with relevant Centrelink data to enable this advice to be given. The information included the number of assessments conducted during the relevant audit period categorised by CSC, assessment decision (ie. whether the claim was rejected or granted) and the category of Special Benefit payment for those claims that were granted.

Sample design and selection

4. The ABS recommended that the sample be selected using a stratified random sampling approach that ensured that assessments were selected from:

- a representative range of CSCs, based on the volume of Special Benefit claims assessed; and
- a representative selection of accepted and rejected claims as well as the various categories of Special Benefit payment.

5. ABS found that the volume of Special Benefit claims assessed by a CSC impacted on the overall sampling error. Consequently, the population of CSCs was split into:

- those processing fewer than 11 claims during the period 11 May 1998 to 31 December 1998; and
- those processing 11 or more claims during that period.

6. A separate sample design was then developed for each grouping.

Sample Design for CSCs processing less than 11 claims

7. There were 103 CSCs that processed fewer than 11 claims during the period 11 May 1998 to 31 December 1998. The total number of claims processed by these Offices during that period was 514. A sample of 15 claims was selected from these CSCs, using the following selection process:

- all 514 claims were sorted by Centrelink Area, by CSC, by accepted/rejected status and by category of accepted claim;
- a skip (k) equal to the total number of claims in these CSCs divided by 15 and then rounded to the nearest integer was calculated³⁶;
- a random number (r) between 0 and the skip was determined; and
- claim numbers r, r+k, r+2k,... up to r+14k were selected.

8. This selection strategy ensured that the sample was representative of Areas, CSCs, accepted and rejected claims, and category of accepted claim.

Sample Design for CSCs processing 11 or more claims

9. There were 189 CSCs that processed 11 or more claims during the period 11 May 1998 to 31 December 1998. In total these offices processed 11 433 claims. The audit sampled 335 claims from 35 CSCs using a two stage approach.

Stage 1: Selecting Offices

10. The 189 CSCs were stratified by the number of claims processed during the period 11 May 1998 to 31 December 1998. Seven strata were created. From these strata 35 CSCs were selected, with the number selected from each stratum being proportional to the total number of claims processed by all of the CSCs in that stratum. Table 9 shows the number of CSCs selected from each stratum.

³⁶ The skip is used to identify the particular claims that are to be selected from the population. If the skip is 10, then every 10th claim would be selected.

Table 9
Selection of CSCs

<i>Stratum</i>	<i>Stratum boundaries: number of claims processed by CSC</i>	<i>Number of CSCs in stratum</i>	<i>Number of CSCs selected</i>
1	11–20	55	3
2	21–35	36	3
3	36–55	35	5
4	56–100	27	6
5	101–160	20	7
6	161–250	12	7
7	251+	4	4

11. The CSCs were selected independently for each stratum as follows:

- CSCs within the stratum were sorted by Area and by volume of claims processed;
- a skip (k) equal to the total number of CSCs in the stratum divided by the number of CSCs to be selected in the stratum and then rounded to the nearest integer was calculated;
- a random number (r) between 0 and the skip was determined; and
- CSC numbers $r, r+k, r+2k, \dots$ up to $r+(m-1)*k$ were selected, where m is the number of CSCs to be selected in the stratum.

12. This strategy ensured that the sample was representative of Centrelink Areas.

Stage 2: Selecting Claims

13. The second stage involved the selection of 335 claims from the 35 CSCs selected in the first stage. As with CSCs, the sample of claims was allocated to each stratum proportional to the number of claims processed by all the CSCs in that stratum. Table 10 shows the number of claims selected from each stratum.

Table 10
Selection of claims

<i>Stratum</i>	<i>Number of claims in each stratum</i>	<i>Number of claims selected</i>
1	846	24
2	974	29
3	1595	48
4	1895	56
5	2517	73
6	2411	71
7	1195	34

14. The sample of claims for each stratum was then divided among the selected CSCs for each stratum so that the sample size for each CSC was proportional to the number of claims processed by that CSC.

15. The method of selecting claims from the selected CSCs was as follows:

- for each selected CSC, all claims were sorted by accepted/rejected status and by category of accepted claim;
- a skip equal to the total number of claims in the CSC divided by the number of claims to be selected from the CSC and then rounded to the nearest integer was calculated;
- a random number (r) between 0 and the skip was chosen; and
- claim numbers $r, r+k, r+2k, \dots$ up to $r+(n-1)*k$ were selected, where n was the number of claims to be selected from the CSC.

16. This selection strategy ensured that the sample was representative of accepted and rejected claims and category of accepted claim.

Index

A

accuracy of customer records 50, 58
Administrative Appeals Tribunal
(AAT) 80, 81, 87, 88
ANAO comment 16, 75
audit criteria 34
Audit methodology 12, 34
audit objective 12, 29, 33, 34

B

backdating 42, 46, 47, 62
Business Partnership Agreement
(BPA) 11, 20, 31, 32, 37, 41, 42,
60, 74, 78, 82-84, 86

C

categorisation of benefit 50
Centrelink response 14, 23-25, 38,
43, 46, 54, 55, 66, 74, 78, 83
Centrelink Special Benefits User
Guide 64
claim form issues 50, 57
claims incorrectly assessed 17-18,
40, 43, 70, 96
claims not complying with other
procedural requirements 18, 50
Claims not fully assessed 17-18, 49
Communications with Centrelink 84
Community Information Network
(CIN) 91
consultants to the audit 35, 78
customer service 13, 17, 23, 31, 33,
37, 38, 48, 60, 70, 71, 75

D

Department of Immigration and
Multicultural Affairs (DIMA)
22, 88-91, 93
Documentation of reasons for
decisions 13, 42, 50, 54

E

expert advice 61, 66, 67

F

FaCS response 14, 25, 55, 83

G

Guide to the Administration of the
Social Security 11, 31, 36

H

Help desk operations 84

I

intending migrants 12, 22, 33-35,
87-93
internet 22, 90-93

K

Key Findings 17-22

M

Multicultural Services Customer
Segment 22, 92, 93
Mutant Help 64, 65, 81

N

newly arrived residents 12, 22, 30,
33-35, 37, 39, 51, 52, 61, 64,
87-93
Newstart Common Platform 36, 52

O

Overall conclusion 13

P

PAC system 21, 67, 85, 91-93, 96, 99, 101, 109

performance monitoring 15, 19, 81, 86

policy guidance 20, 61, 78, 81, 86

privacy requirements 50, 59

Procedure and Accuracy Checking (PAC) 21, 67-71, 74, 75, 82-86

program reviews 72

R

recommendations 23-25

released prisoners 44, 45, 49, 99

reviews of continuing eligibility 63, 75

S

Sample selection 38

Senate Legal and Constitutional
Legislation Committee 87, 88

Structure of the Report 35

T

training 15, 43, 47, 63, 64, 70, 71, 75, 98, 107

two year waiting period for social
security benefits 12, 14, 22, 33, 87

U

use of assessment aids 50, 52

V

verification issues 50, 56

W

written guidance 13, 21, 24, 63, 64, 66, 85

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