

The Auditor-General
Audit Report No.35 2000–2001
Performance Audit

Family and Community Services’ Oversight of Centrelink’s Assessment of New Claims for the Age Pension

**Department of Family and
Community Services**

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Canberra ACT
17 May 2001

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in 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 *Family and Community Services' Oversight of Centrelink's Assessment of New Claims for the Age Pension*.

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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Abbreviations

ANAO	Australian National Audit Office
BPA	Business Partnership Agreement (between FaCS and Centrelink)
BSC	Balanced Scorecard
CSO	Customer Service Officer
FaCS	Department of Family and Community Services
PAC	Procedure and Accuracy Check
QOL	Quality On-Line
RCS	Retirement Customer Segment Team/ Retirement Community Segment Team (within Centrelink)
SMT	Seniors and Means Test Branch (within FaCS)

Summary and Recommendations

Summary

Background

1. The Age Pension is a social security income support payment available to Australian residents and eligible Australians residing overseas who have reached Age Pension age¹ and whose income and assets are under certain limits.² In 1999–2000, approximately \$14 billion was paid to approximately 1.7 million Age Pension recipients.

2. Payment of Age Pension is made under the *Social Security Law*³ and in accordance with the *Guide to the Social Security Law* prepared by the Department of Family and Community Services (FaCS). The Age Pension program is delivered via a purchaser/provider agreement whereby FaCS, on behalf of the government, purchases program delivery and associated services from Centrelink.

Assessment of new claims for the Age Pension

3. In this audit, the Australian National Audit Office (ANAO) examined those aspects of the FaCS–Centrelink business arrangements designed to assist FaCS in its oversight of the assessment of new claims for the Age Pension by Centrelink. The focus of the ANAO’s examination was on the Business Partnership Agreement (BPA) between FaCS and Centrelink.

4. The assessment of new claims for the Age Pension involves consideration of many factors, including the claimant’s income, assets and accommodation details. This diversity of factors produces considerable variation in the complexity of individual assessments. To date, the trend has been for more complex claims, due to the interaction of increased targeting of benefits and the deregulation of financial markets. This impacts directly on Centrelink’s Customer Service Officers (CSOs) who must deal with such complexity on a daily basis.

¹ Age Pension age is currently 61.5 for women and 65 for men. The Age Pension qualifying age for women has been progressively increased from 1 July 1995 and will increase by an additional six months every two years until it reaches 65 in July 2013.

² A number of other factors can also affect entitlement to the Age Pension, for example, the number of years that the claimant has been an Australian resident and whether he/she is receiving other social security benefits.

³ The *Social Security Law* comprises the *Social Security Act (1991)*, the *Social Security (Administration) Act (1999)* and the *Social Security (International Agreements) Act (1999)*.

Business Partnership Agreement between FaCS and Centrelink

5. The BPA between FaCS and Centrelink requires Centrelink to assess new claims for the Age Pension, to make payments in accordance with the *Social Security Law* and the *Guide to the Social Security Law*, and to ensure that the Age Pension is paid to eligible claimants only and at the correct rate.

6. Under the 1999–2001 BPA, the primary performance indicator in relation to the objective of ensuring the compliance of new Age Pension claims with relevant legislation and guidelines was the proportion of claims correctly assessed, as measured by Centrelink’s Procedure and Accuracy Check (PAC) system. The PAC system was a quality improvement and risk management tool used by Centrelink to undertake sample checking of new claims and reassessments. For the 2000–2001 BPA, it is being measured by new accuracy checking software known as Quality On-Line (QOL), introduced on 25 May 2000. QOL was designed to reduce the likelihood of user error during the checking process; to identify the source of assessment error to inform training; and to provide more comprehensive management information reports on accuracy in decision-making. The accuracy standards, sampling regime and pay advancement performance thresholds remain essentially the same as for PAC.

7. The 1999–2001 BPA stated that the major priority area for Centrelink in 1999–2000 was ‘*payment correctness, and consistency and accuracy in decision making*’.⁴ The 1999–2001 BPA standard was 95% of new claims assessments ‘*correctly assessed*’, as measured by the PAC system. The 2000–2001 BPA standard was 95% of all claims ‘*completely accurate*’ in terms of correctness of payment as measured by QOL.

8. Centrelink stated in its 1999–2000 Annual Report that it had met the majority of its performance targets. Though a number of indicators had been agreed with FaCS to assess Centrelink’s performance, timeliness and accuracy of new claims processing remained the two key performance measures for the Age Pension reported by both FaCS and Centrelink in their 1998–1999 and 1999–2000 Annual Reports.⁵ Accordingly, Centrelink reported to FaCS and Parliament that it had exceeded the 95% accuracy target for the processing of new Age Pension claims, achieving a 97% and 98% accuracy standard in these two reporting years respectively.⁶

⁴ Schedule for Seniors and Means Test, Clause 5.

⁵ The audit sample period lies within the reporting time frame for the 1999-2000 Centrelink Annual Report.

⁶ These accuracy performance figures were calculated by Centrelink from PAC data for the period 1 July 1998 to 24 May 2000.

Reasons for the audit

9. This audit was conducted in parallel with the audit *Assessment of New Claims for the Age Pension by Centrelink*⁷ to determine the compliance of its assessments with the *Social Security Law* and the *Guide to the Social Security Law*.⁸ The ANAO considered that the two audits:

- would provide assurance to Parliament and the public about the implementation of government policy in relation to the Age Pension program; and
- could identify opportunities for improvement in the administration of the Age Pension program.

10. The audit *Assessment of New Claims for the Age Pension by Centrelink* was tabled on 17 May 2001.

Audit objective and scope

11. The objective of the audit was to assess whether FaCS had established effective business arrangements with Centrelink to help ensure that new claims for Age Pension were properly assessed in accordance with the *Social Security Law* and the *Guide to the Social Security Law*.

12. In the context of the audit objective, the primary issues examined were whether FaCS had:

- established an appropriate business framework;
- adopted an appropriate risk management approach;
- appropriately monitored and evaluated performance; and
- provided relevant business support to Centrelink.

13. The focus of the audit was on assessing FaCS' performance in 1999–2000. However, in its assessment of the FaCS–Centrelink business framework, the ANAO examined both the 1999–2001 and 2000–2001 Business Partnership Agreements between Centrelink and FaCS. The latter agreement came into effect on 1 July 2000.

⁷ ANAO Audit Report No.34 (2000–01), *Assessment of New Claims for the Age Pension by Centrelink*.

⁸ An ANAO theme within audits undertaken in recent years has been to provide Parliament, client agencies and the public with a positive assurance about the level of compliance that underpins the delivery of key products and services. The delivery of the Age Pension is a significant government service.

Audit approach

14. To achieve the audit objectives, the ANAO:

- interviewed Centrelink and FaCS staff with responsibilities for the management of the Age Pension program;
- interviewed Centrelink and FaCS staff with internal audit and overall risk management responsibilities;
- interviewed Centrelink and FaCS staff responsible for the overall management of the business arrangement between the organisations;
- examined the 1999–2001 and 2000–2001 Business Partnership Agreements between Centrelink and FaCS; and
- examined relevant Centrelink and FaCS files and other documentation.

15. The business arrangements established by FaCS with Centrelink to assess new claims for the Age Pension were examined against a set of criteria developed by the ANAO on the basis of better practice principles for public sector purchaser/provider arrangements.

Overall conclusion

16. The business arrangements FaCS had established with Centrelink were not fully effective in terms of helping to ensure that new Age Pension claims assessments complied with the *Social Security Law* and the *Guide to the Social Security Law*. The business framework and risk management approach were generally appropriate. In addition, FaCS provided Centrelink with effective business support. However, FaCS was unable to monitor and evaluate Centrelink's performance effectively.

17. FaCS relied upon Centrelink's performance monitoring systems, Procedure and Accuracy Check (PAC) and Quality On-Line (QOL), that did not produce accurate data on new claim assessment compliance.⁹ As a result, FaCS did not detect the significant level of non-compliance in Centrelink's new Age Pension claim assessments identified by the ANAO. This represented a level of performance considerably below the performance standard set by FaCS even if some allowance is made for cases where further information from the Age Pensioner customer and/or other sources could indicate no actual payment error. FaCS was therefore not in a position to take appropriate remedial action.

⁹ The PAC system was replaced by the QOL system in August 2000. Although QOL is capable of delivering better management information than PAC, it was not producing reliable data at the time of the audit fieldwork. The ANAO considers that the ability of the QOL system to deliver reliable performance data was undermined by failure to address a number of structural issues that were identified as problematic in PAC and still underpinned QOL.

18. FaCS could enhance its ability to monitor and evaluate Centrelink's performance by conducting periodic independent validation of the performance information provided by Centrelink in a cost-effective manner without unnecessary duplication.

FaCS' response

19. FaCS notes the report concludes that FaCS' business framework and risk management approach were generally appropriate and that FaCS provided Centrelink with effective business support. FaCS Business Partnership Agreement sets out clear standards and there was a strategy for assessing Centrelink's performance against that standard.

20. FaCS has been working with Centrelink to improve its system of measuring quality assurance on its performance. FaCS accepts that the present arrangements have shortcomings. In the light of the ANAO's findings, FaCS acknowledges that it was unable to monitor and evaluate Centrelink's performance effectively because it relied on Centrelink's systems and self-reporting that has been found to be unreliable.

21. FaCS considers that the Business Partnership is the key mechanism through which the relationship operates. In response to the ANAO findings as part of the re-negotiation of the Business Partnership Agreement, FaCS will implement a strategy to increase the effectiveness of the business arrangements between FaCS and Centrelink, including compliance and verification arrangements.

22. In developing the strategy the following issues will be considered:

- reinforcement of the objective that Age Pension payments comply with the *Social Security Law* and the *Guide to the Social Security Law*;
- a review of Centrelink's Quality On-Line (QOL) measurement tool and associated correct assessment definitions;
- a review of the range of legislative requirements and guidelines applying to the Age Pension assessments; and
- strengthening of FaCS' risk management framework.

23. To optimise this strategy and ensure a sound basis for ongoing risk management, FaCS will investigate the most effective method of conducting periodic independent validation of Centrelink performance information in the next six months, with a view to establishing an independent assessment process.

Key Findings

Business Framework, Risk Management and Performance Monitoring (Chapter 2)

Did the framework clearly specify the objective of maximising (subject to the costs of controls not exceeding their benefits) the compliance of new Age Pension claim assessments with the Social Security Law and the Guide to the Social Security Law?

24. Both the 1999–2001 BPA and the 2000–2001 BPA clearly specified the objective of ensuring that new Age Pension assessments complied with the *Social Security Law* and the *Guide to the Social Security Law*. Both agreements also placed an appropriate emphasis on this objective.

Was there an appropriate balance between purchaser oversight and operational flexibility for the provider?

25. FaCS senior management encouraged FaCS program managers to pursue a strategy of moving away from a focus on Centrelink inputs and processes towards one of specifying and monitoring outputs, outcomes and related performance measures. An integral part of this strategy was an effort to put in place a rigorous partnership assurance framework for services delivered by Centrelink on behalf of FaCS, backed by independent external assurance. The FaCS strategy was reflected in a reduction in the level of detail and the number of process-related requirements in the 2000–2001 BPA compared with its predecessor.

How effectively did the framework align the interests of FaCS and Centrelink in relation to the above objective?

26. The BPA did not link Centrelink’s performance to payment by FaCS. There were no explicit sanctions for poor performance and no explicit rewards for good performance. FaCS was examining the possibility of introducing explicit financial sanctions in the BPA. The particular model under examination was the introduction of milestone payments for non-core work by Centrelink.

27. FaCS managers interviewed as part of this audit advised that Centrelink senior management had taken the BPA seriously and striven to achieve agreed targets.

Was there an effective performance management framework?

28. Both the 1999–2001 BPA and the 2000–2001 BPA specified clear performance reporting and dispute resolution mechanisms.

29. The primary performance indicator in relation to the objective of ensuring the compliance of new Age Pension claims with relevant legislation and guidelines was the number and proportion of claims correctly assessed (as measured by the Procedure and Accuracy Check (PAC) and Quality On-Line (QOL) tools—in the 1999–2001 and 2000–2001 BPAs respectively). The ANAO found significant deficiencies in these measurement tools and ambiguity in the definition of what constituted a correct assessment for this performance indicator. This does not reflect any assessment of the reasonableness of the performance indicator nor any judgement about varying levels of importance or likely impact of such differences on the outcomes. These are issues for the BPA.

30. The ANAO audit *Assessment of New Claims for the Age Pension by Centrelink*¹⁰ found that there was a significant degree of non-compliance with the *Social Security Law*, the *Guide to the Social Security Law* and other relevant guidelines developed by Centrelink.¹¹ In particular, it was estimated by the ANAO that 52.1% (+/-6.8 percentage points)¹² of new Age Pension claim assessments conducted over the audit sample period (1 September 1999 to 31 March 2000) contained ‘actionable’ errors¹³ that should have resulted in the assessments being recorded as inaccurate by the PAC system—an error rate significantly higher than the 5% BPA performance standard.^{14 15}

31. In contrast, the average PAC error rate reported by Centrelink to FaCS over the same period was only 3.2%, well within the BPA performance standard. From May 2000, Centrelink made significant changes to its compliance monitoring software, with the gradual implementation of QOL. Nevertheless, over the three months to November 2000, the average QOL assessment error rate was reported by Centrelink as 4.1%.¹⁶

¹⁰ ANAO Audit Report No.34 (2000–01), *Assessment of New Claims for the Age Pension by Centrelink*.

¹¹ ‘RETIDOC’ is the on-line source of information to Centrelink CSOs to assist in assessing new Age Pension claims.

¹² Error rates are ABS estimates for the relevant population of assessments during the audit sample period. These are subject to sampling error. The 95% confidence interval is presented in brackets.

¹³ The ANAO has reported such errors as ‘actionable’ errors rather than using Centrelink’s internal terminology, ‘critical’ error. This approach was taken to (i) convey the consequences of such an error, namely the necessity for follow-up action within Centrelink, including the return of the claim to the Original Decision Maker for review; (ii) avoid the possible misinterpretation that such errors always involved an incorrect payment. Actionable errors include instances of incorrect payment, but also include instances where there was the potential for incorrect payment when important information was not provided by the customer.

¹⁴ The 1999–2001 BPA specified that 95% of new assessments must be accurate—implying a 5% assessment error rate.

¹⁵ Error rates are defined as customer claims assessed incorrectly as a proportion of total customer claims assessed. This outcome, or customer-based approach, is consistent with Centrelink’s reporting of assessment accuracy under the BPA.

¹⁶ Data provided to the ANAO by Centrelink’s Service Integration Shop.

32. The divergence between the PAC/QOL error rate figures and the ANAO estimates demonstrates that the PAC/QOL systems did not reliably measure the accuracy of new Age Pension claim assessments.

33. The ANAO audit of the *Assessment of New Claims for the Age Pension in Centrelink* also found a very high error rate in relation to administrative procedures (such as failing to date stamp claim forms or failing to ensure that forms are fully completed by claimants). Almost all claim assessments (95.6%, +/-3.5 percentage points) contained at least one administrative error. Such errors do not generally have any direct impact on Age Pension customers and therefore should not be a matter of general concern to pensioners. Their occurrence nevertheless represented a departure by Centrelink Customer Service Officers (CSOs) from expected practice when assessing new claims.

Was there an effective risk management framework?

34. The risk management framework employed by FaCS to assure itself on the accuracy of Centrelink's new Age Pension claims assessment includes:

- the annual partnership assurance statement specified in the BPA (supported by independent external assurance); and
- FaCS' high-level risk management framework and regular program specific risk assessments.

35. If implemented effectively, these should provide a sound basis for the ongoing management of the risk that assessments of new Age Pension claims do not comply with relevant legislation and guidelines.

36. Given the ANAO's findings on the level of non-compliance of new Age Pension claims (outlined above), FaCS should strengthen this framework. To ensure that it has a sound basis for risk management, FaCS should also supplement these mechanisms with the introduction of a FaCS system to conduct independent validation of the performance information provided by Centrelink in relation to new Age Pension claim assessment compliance.

Was there a co-operative relationship between FaCS and Centrelink?

37. The ANAO found that, overall, a co-operative relationship existed between the program areas responsible for Age Pension administration in FaCS and Centrelink (the Seniors and Means Test Branch and the Retirement Community Segment respectively) as well as between the central areas responsible for overall BPA management (Partnerships and Service Delivery Branch in FaCS and the Business Development Unit in Centrelink).

Business Support (Chapter 3)

Did FaCS provide Centrelink with effective business support?

38. FaCS provided Centrelink with business support to assist Centrelink's performance in relation to new Age Pension claim assessment via:

- updating the *Guide to the Social Security Law* following any changes in policy or legislation;
- maintaining three helpdesks that were widely used by Centrelink to request policy advice on new Age Pension claim assessments; and
- providing general guidance and advice on policy issues.

39. Overall, Centrelink indicated a high level of satisfaction with the business support provided by FaCS in relation to the assessment of new Age Pension claims.

Recommendations

Set out below are the ANAO's recommendations with abbreviated responses from FaCS. More detailed responses are shown in the body of the report together with the relevant audit findings. The ANAO considers that priority should be given to implementing Recommendations 1, 3 and 4.

Recommendation No. 1
Para. 2.34

To assure itself that performance information produced by Centrelink in relation to new Age Pension claim assessment compliance with the *Social Security Law* and the *Guide to the Social Security Law* is accurate, the ANAO recommends that FaCS undertakes periodic, independent (of Centrelink) validation of this information.

FaCS response: Agreed and priority noted.

Recommendation No. 2
Para. 2.36

To assure itself that Centrelink is taking appropriate measures to achieve new Age Pension claim assessment compliance with the *Social Security Law* and the *Guide to the Social Security Law*, the ANAO recommends that FaCS uses targeted process monitoring as a control strategy.

FaCS response: Agreed.

Recommendation No. 3
Para. 2.74

To help ensure that reliable and valid information on new Age Pension claim assessment compliance with the *Social Security Law* and the *Guide to the Social Security Law* is reported to FaCS by Centrelink, the ANAO recommends that FaCS, in consultation with Centrelink, clearly defines standards to be used by Centrelink for assessing compliance.

FaCS response: Agreed and priority noted.

Recommendation No. 4
Para. 2.76 To improve the monitoring and control of new Age Pension claim assessment compliance with the *Social Security Law* and the *Guide to the Social Security Law*, the ANAO recommends that FaCS negotiates with Centrelink to establish:

- an approach to implementing a reliable compliance monitoring system;
- a strategy to attain the Business Partnership Agreement (BPA) accuracy standards, including setting challenging but attainable intermediate performance targets; and
- a process for investigating the merit of setting individual targets for different assessment activities within the Age Pension.

FaCS response: Agreed and assigned high priority.

Recommendation No. 5
Para. 2.78 In view of the very high rate of administrative error in Age Pension assessments, the ANAO recommends that FaCS, in consultation with Centrelink, reviews the necessity for certain administrative guidelines and their legislative underpinnings for Age Pension to ensure that all are warranted in terms of the risks that they address compared with the costs that they incur.

FaCS response: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter provides the background to the audit and sets out its objective, scope and approach.

Background

The Age Pension

1.1 The Age Pension is a social security income support payment available to Australian residents and eligible Australians residing overseas who have reached Age Pension age¹⁷ and whose income and assets are under certain limits.¹⁸ In 1999–2000, approximately \$14 billion was paid to 1.7 million Age Pension recipients.

1.2 Payment of Age Pension is made under the *Social Security Law*¹⁹ and in accordance with the *Guide to the Social Security Law* prepared by the Department of Family and Community Services (FaCS).

1.3 The Age Pension program is delivered via a purchaser/provider agreement whereby the FaCS, on behalf of the government, purchases program delivery and associated services from Centrelink. FaCS is responsible for advising the Government on policy issues related to the program and for ensuring that Centrelink delivers the program in accordance with government policy. Centrelink is responsible for the operational delivery of the program, including assessing new claims for Age Pension in accordance with the *Social Security Law* and the *Guide to the Social Security Law* and ensuring that payments under the program are made to eligible people accurately and in a timely manner.

Assessment of new claims for the Age Pension

1.4 In this audit, the ANAO examined those aspects of the FaCS–Centrelink business arrangements designed to assist FaCS in its oversight of the assessment of new claims for the Age Pension by Centrelink. The focus of the ANAO’s examination was on the Business Partnership Agreement (BPA) between FaCS and Centrelink.

¹⁷ Age Pension age is currently 61.5 for women and 65 for men. The Age Pension qualifying age for women has been progressively increased from 1 July 1995 and will increase by an additional six months every two years until it reaches 65 in July 2013.

¹⁸ A number of other factors can also affect entitlement to the Age Pension (eg. the number of years that the claimant has been an Australian resident and whether he/she is receiving other social security benefits).

¹⁹ The *Social Security Law* comprises the *Social Security Act (1991)*, the *Social Security (Administration) Act (1999)* and the *Social Security (International Agreements) Act (1999)*.

1.5 The assessment of new claims for the Age Pension involves consideration of many factors, including the claimant's income, assets and accommodation details. This diversity of factors produces considerable variation in the complexity of individual assessments. To date, the trend has been for more complex claims, due to the interaction of increased targeting of benefits and the deregulation of financial markets. This impacts directly on Centrelink's Customer Service Officers (CSOs) who must deal with such complexity on a daily basis.

Reasons for the audit

1.6 This audit was conducted in parallel with the audit *Assessment of New Claims for the Age Pension by Centrelink*²⁰ to determine the compliance of its assessments with the *Social Security Law* and the *Guide to the Social Security Law*.²¹ The ANAO considered that the two audits:

- would provide assurance to Parliament and the public about the implementation of government policy in relation to the Age Pension program; and
- could identify opportunities for improvement in the administration of the Age Pension program.

1.7 The audit *Assessment of New Claims for the Age Pension by Centrelink* was tabled on 17 May 2001.

Audit objective and scope

1.8 The objective of the audit was to assess whether the Department of Family and Community Services (FaCS) had established effective business arrangements with Centrelink to help ensure that new claims for Age Pension were assessed in accordance with the *Social Security Law* and the *Guide to the Social Security Law*.

1.9 The scope of the ANAO's assessment of the business arrangements between FaCS and Centrelink was limited to the issue of their effectiveness in relation to the objective of ensuring that new claims for Age Pension were assessed in accordance with the *Social Security Law* and the *Guide to the Social Security Law*.

1.10 The focus of the audit was on assessing FaCS' performance in 1999–2000. However, in its assessment of the FaCS–Centrelink business framework, the ANAO examined both the 1999–2001 and 2000–2001

²⁰ ANAO Audit Report No.34 (2000–01), *Assessment of New Claims for the Age Pension by Centrelink*.

²¹ An ANAO theme within audits undertaken in recent years has been to provide Parliament, client agencies and the public with a positive assurance about the level of compliance that underpins the delivery of key products and services. The delivery of the Age Pension is a significant government service.

Business Partnership Agreements between Centrelink and FaCS. The latter agreement came into effect on 1 July 2000.

Audit criteria

1.11 In the context of the audit objective, the primary issues examined were whether FaCS had:

- established an appropriate business framework;
- adopted an appropriate risk management approach;
- appropriately monitored and evaluated performance; and
- provided relevant business support.

1.12 The detailed criteria used in the audit are described in Chapters 2 and 3.

Audit methodology

1.13 To achieve the audit objective the ANAO:

- interviewed Centrelink and FaCS staff with responsibilities for the management of the Age Pension program;
- interviewed Centrelink and FaCS staff with internal audit and overall risk management responsibilities;
- interviewed Centrelink and FaCS staff responsible for the overall management of the business arrangement between the organisations;
- examined the 1999–2001 and 2000–2001 Business Partnership Agreements between Centrelink and FaCS; and
- examined relevant Centrelink and FaCS files and other documentation.

1.14 The fieldwork for the audit took place between June and September 2000.

1.15 The audit was conducted in accordance with ANAO Auditing Standards at a cost of \$82 000.

Consultants to the audit

1.16 The ANAO engaged ORIMA Research Pty Ltd to assist with the conduct of the audit. Orima Research was selected originally to undertake the parallel audit *Assessment of New Claims for the Age Pension by Centrelink*, on account of its expertise in undertaking audits and surveys involving large population data sets. Given the correspondence between these audits, the engagement of Orima Research for both facilitated the efficient and cost-effective management of the audits, and the effective delivery of audit outcomes to meet the ANAO's requirements.

Structure of the report

1.17 Chapter 2 discusses the appropriateness of the business framework and risk management approach that FaCS established. It also examines FaCS' monitoring and evaluation of Centrelink's performance. Chapter 3 assesses the extent to which FaCS provided Centrelink with relevant business support.

2. Business Framework, Risk Management and Performance Monitoring

This chapter discusses the appropriateness of the business framework and risk management approach that FaCS established in terms of the objective of ensuring that new claims for Age Pension were assessed by Centrelink in accordance with the Social Security Law and the Guide to the Social Security Law. It also examines FaCS' monitoring and evaluation of Centrelink's performance in relation to this objective.

Introduction

2.1 The business framework underlying the relationship between the Department of Family and Community Services (FaCS) and Centrelink in relation to Age Pension administration is specified in the Business Partnership Agreement (BPA) between the two organisations. The ANAO examined both the 1999–2001 BPA (operative from 1 July 1999 to 30 June 2000) and the 2000–2001 BPA (operative from 1 July 2000 to 30 June 2001). The scope of the ANAO's assessment was limited to the issue of the appropriateness of the business framework in relation to the objective of ensuring that new claims for Age Pension were assessed in accordance with the *Social Security Law* and the *Guide to the Social Security Law*.

2.2 The BPA is a purchaser/provider agreement whereby FaCS (on behalf of the government) purchases program delivery and associated services from Centrelink. FaCS is responsible for advising the government on the policy underpinning the services delivered through Centrelink and for implementing that policy. The Secretary of FaCS is also explicitly responsible under the *Social Security Law* for ensuring that claims for benefit payments are made in accordance with the Law.

2.3 Funding for the services provided by Centrelink on behalf of FaCS (including Age Pension administration) is appropriated to FaCS. The Secretary of FaCS is therefore accountable under the *Financial Management and Accountability Act 1997* for this funding. The BPA specifies financial arrangements under which FaCS provides funding to Centrelink from its appropriation.

2.4 The BPA has evolved from the 1997–98 Strategic Partnership Agreement and the 1998–99 BPA between Centrelink and the former Department of Social Security. These earlier agreements were examined by the ANAO in previous performance audits.²²

2.5 The BPA does not operate as the sole accountability mechanism in relation to Centrelink’s activity on Age Pension administration. Centrelink, a statutory authority established by specific enabling legislation (the *Commonwealth Services Delivery Agency Act 1996*), is part of the Australian Public Service, operates under the *Financial Management and Accountability Act 1997*, and is accountable to the Minister for Family and Community Services (and through the Minister to Parliament) through its own executive board of management. Nevertheless, the BPA is a key element of the accountability regime for Age Pension administration.

Criteria for assessing the business framework

2.6 The ANAO assessed the appropriateness of the business framework that FaCS had established with Centrelink in terms of the objective of ensuring that new claims for Age Pension were assessed in accordance with the *Social Security Law* and the *Guide to the Social Security Law*. To guide this assessment, the ANAO developed criteria (detailed in Table 1) based on better practice principles for public sector purchaser/provider arrangements. These principles were drawn from a review of previous ANAO work in this area, international experience, and a range of public sector contracting guidelines.²³

²² ANAO Audit Report No.18 (1997–98), *Management of the Implementation of the Commonwealth Services Delivery Arrangements–Centrelink*; ANAO Audit Report No.1 (1999–2000), *Implementing Purchaser/Provider Arrangements between the Department of Health and Aged Care and Centrelink*.

²³ The source documents included: ANAO and Commonwealth Department of Finance and Administration (1996), ANAO Audit Report No.18 (1997–98), ANAO Audit Report No.30 (1998–99), ANAO Audit Report No.1 (1999–2000), Commonwealth Department of Finance and Administration (1998), Management Advisory Board/Management Improvement Advisory Committee (1997), National Audit Office, UK (2000a), National Audit Office, UK (2000b), National Audit Office, UK (2000c), OECD (1997), and United States General Accounting Office (1997).

Table 1**Criteria used to assess the FaCS–Centrelink business framework**

1. Did the framework clearly specify the objective of maximising (subject to the costs of controls not exceeding their benefits) the compliance of new Age Pension claim assessments with the *Social Security Law* and the *Guide to the Social Security Law*?
2. Was there an appropriate balance between purchaser oversight and operational flexibility for the provider?
3. How effectively did the framework align the interests of FaCS and Centrelink in relation to the above objective?
4. Was there an effective performance management framework?
 - Were there unambiguous, measurable and useful performance indicators linked to the compliance objective?
 - Did the framework specify appropriate performance standards?
 - Were there agreed data collection standards that ensured the validity, reliability and timeliness of performance information?
 - Did the framework specify mechanisms for reporting performance and for resolving disputes relating to performance?
5. Was there an effective risk management framework?
 - Did responsibility for risk management rest with the party best placed to manage the risk?
 - Did FaCS have in place a systematic approach to the tasks of identifying, analysing, assessing, treating and monitoring risk?
6. Was there a co-operative relationship between FaCS and Centrelink?

2.7 The ANAO's findings in relation to each of the criteria presented in Table 1 are detailed below.

Assessment of the business framework

1. Did the framework clearly specify the objective of maximising (subject to the costs of controls not exceeding their benefits) the compliance of new Age Pension claim assessments with the Social Security Law and the Guide to the Social Security Law?

2.8 Clear specification of service requirements is an important element of better practice in purchaser/provider arrangements.²⁴ For the provider to be able to work effectively towards achieving the purchaser's objectives, there needs to be a common understanding of those objectives. Clear specification is required to ensure that there is a common understanding.

²⁴ Management Advisory Board/Management Improvement Advisory Committee (1997), *MAB/MIAC Report No.23, Before You Sign the Dotted Line...Ensuring Contracts can be Managed*, Canberra.

2.9 In addition, ensuring that both parties have a clear understanding of each other's responsibilities, capabilities and expectations helps foster a co-operative working relationship supportive of good service delivery performance.²⁵

2.10 These principles were applied by the ANAO in its assessment of the FaCS–Centrelink business framework in relation to the objective of ensuring that new Age Pension assessments complied with the *Social Security Law* and the *Guide to the Social Security Law*. Specifically, the ANAO assessed whether the framework:

- specified the objective fully and in an unambiguous manner; and
- provided an appropriate degree of emphasis to the objective.

2.11 The ANAO's assessment was based on an examination of the 1999–2001 BPA and the 2000–2001 BPA.

1999–2001 BPA

2.12 The ANAO found that the compliance objective was specified in a number of sections of the BPA.

...Centrelink will, as soon as is feasible following the signing of this agreement and annually thereafter, provide an annual statement to FaCS that:... states that Centrelink believes its policies were suitably designed to achieve the specified control objectives, particularly correctness as specified by the relevant legislation (Core Agreement, clause 2.3).

Centrelink will assess claims for entitlement and in each case will determine legal entitlement and make payments in accordance with relevant legislative requirements... Centrelink will strive to ensure that customers in receipt of payments for income support are paid at the correct rate in accordance with relevant legislation and only those customers with a genuine entitlement are paid (Outcome Agreement No.3, clause 2.4).

2.13 An objective of maximising payment correctness (which entails compliance of new Age Pension claim assessments with key parts of the *Social Security Law*) was prominently set out in the Schedule for Seniors and Means Test (a schedule to Outcome Agreement No.3), as was accuracy in decision making (which entails full compliance of new Age Pension claim assessments with the *Social Security Law* and the *Guide to the Social Security Law*).

²⁵ Commonwealth Department of Finance and Administration (1998), *Competitive Tendering and Contracting: Guidance for Managers*, Canberra (p.30).

...the output aims: to ensure that payments are made only to those who are entitled to them...(clause 1).

In 1999–2000, the major priority areas for Seniors and Means Test and the Retirement Customer Segment Team will be payment correctness, and consistency and accuracy in decision making (clause 5).

2.14 In addition to specifying the objective of compliance with relevant legislation and guidelines, the 1999–2001 BPA specified a number of strategies linked to this objective.

2000–2001 BPA

2.15 The 2000–2001 BPA clearly specified the objective of ensuring the compliance of claim assessments with relevant legislation and guidelines. It also placed more emphasis on this objective than the 1999–2001 BPA. The greater emphasis on compliance with legislation and guidelines in the 2000–2001 BPA is highlighted by the inclusion of the second of the following statements in the Core Agreement (a statement along similar lines was not in the 1999–2001 Core Agreement).

This will form the basis for the provision of an annual assurance statement that: (inter alia)...states that Centrelink believes its policies and procedures were suitably designed to achieve the specified control objectives, particularly correctness as specified by the relevant legislation (clause 2.4).

Centrelink will:...deliver on behalf of FaCS the information, payments, and services detailed in this Agreement in accordance with all relevant legislation, the Guide to the Social Security Law and the Family Assistance Guide (clause 3.1).

2.16 The 2000–2001 BPA Outcomes, Strategies and Performance Protocol (OSPP), also emphasised compliance.

The integration of FaCS strategies with Centrelink's service delivery model requires both FaCS and Centrelink to have shared policy and delivery objectives. These are:...to ensure that people's income support entitlements are accurately administered; (clause 3).

The main outputs required of Centrelink to assist FaCS to achieve its outcomes are:...correctness of payment; (clause 4).

Centrelink will have in place a comprehensive framework for maximising correct payments and outlays... (clause 4.1).

Centrelink will have in place service delivery strategies that will ensure that: claims are assessed and payments processed in a timely and accurate manner. (clause 4.2).

2.17 The 2000–2001 Seniors and Means Test Specification (which replaced the 1999–2000 Schedule for Seniors and Means Test) was considerably shorter than the 1999–2000 Schedule, but nevertheless clearly specified the objective of maximising payment correctness.

... Centrelink will maximise the correctness of these payments through activities as specified in the correctness of payment and outputs framework in the OSPP (clause 2).

2.18 The 2000–2001 BPA also specified a range of strategies relevant to the objective of ensuring compliance of new claims assessment with the *Social Security Law* and the *Guide to the Social Security Law*.

Conclusion

2.19 Both the 1999–2001 BPA and the 2000–2001 BPA clearly specified the objective of ensuring that new Age Pension assessments complied with the *Social Security Law* and the *Guide to the Social Security Law*. Both agreements also placed an appropriate emphasis on this objective.

2. Was there an appropriate balance between purchaser oversight and operational flexibility for the provider?

2.20 A critical issue in all purchaser/provider arrangements is striking an appropriate balance between the degree of purchaser oversight over service delivery and the operational flexibility afforded to the provider.

2.21 Better practice guidelines for purchaser/provider arrangements consistently state the case for providing operational flexibility to the provider.

Service arrangements should be specified in terms of outcomes or outputs, not inputs. This means specifying what the activity is, not how the activity is to be performed. Operational flexibility is essential for the contractor to be innovative in performing the activity, and thereby securing efficiency gains. These outcomes or outputs should be specified as fully as possible, and include appropriate service quality measures.²⁶

Tender documents should specify activities in terms of outputs or outcomes, rather than processes or inputs. This enables tenderers to develop innovative approaches to the way they deliver outcomes.²⁷

²⁶ OECD (1997), PUMA Policy Brief No.2, *Best Practice Guidelines for Contracting Out Government Services*, OECD, Paris (p.2).

²⁷ Commonwealth Department of Finance and Administration (1998), op. cit., (p.23).

As a general rule controls over the provider should relate to assuring quality and monitoring outputs and outcomes, rather than to the details of day-to-day operations.²⁸

The contract should be focused on product and/or service quality, and outcomes or outputs rather than inputs and processes.²⁹

2.22 However, the guidelines also emphasise the ultimate responsibility of the purchaser for service delivery and the importance of performance monitoring.

Contracting out an activity does not diminish, in any way, the responsibility of the organisation for the performance of that service. This is especially relevant when that service is being provided to a third party.

The organisation should regularly and formally monitor the performance of the contractor to ensure that the performance standards stated in the contract are fulfilled.³⁰

2.23 In cases where performance information is produced by the provider, the better practice guidelines suggest that the purchaser should obtain external validation of this information.

When performance information originates from the contractor, it should be audited to ensure its accuracy.³¹

...information developed by the provider should be regularly audited to ensure its accuracy and reliability.³²

The involvement of external auditors in the validation process not only assists the agency concerned to improve the quality of reported data, but it also provides assurance to Parliament, the public and other stakeholders that the data are reliable and a suitable basis for reporting the agency's performance.³³

2.24 The ANAO applied the above principles in its assessment of the FaCS–Centrelink business framework. The assessment was based on interviews with key Centrelink and FaCS staff, and a review of relevant FaCS and Centrelink documents.

²⁸ Commonwealth Department of Finance and Administration (1998), op. cit., (p.18).

²⁹ Management Advisory Board/Management Improvement Advisory Committee (1997), op. cit, (p.6).

³⁰ OECD (1997), op. cit. (p.2).

³¹ ibid.

³² Management Advisory Board/Management Improvement Advisory Committee (1997), op. cit., (p.29).

³³ National Audit Office, United Kingdom (2000a), *Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies*, Stationery Office, London (p.24).

Purchaser oversight and provider flexibility

2.25 Finding an appropriate balance between purchaser oversight and provider flexibility had been a major issue for FaCS and Centrelink. A common view in Centrelink was that FaCS had tended to engage in excessive ‘micro-management’ of service delivery, constraining Centrelink’s flexibility to manage service delivery and creating duplication of effort and inefficiency. FaCS staff with direct responsibility for program management had a different perspective. They were acutely aware of their ultimate responsibility for service delivery and considered that they needed to have a close involvement in Centrelink’s operational management to ensure that service delivery was effective. This tendency to become involved was reinforced by the common history of the two organisations—many FaCS program managers had worked in service delivery roles in the former Department of Social Security before the separation of policy and service delivery functions with the creation of Centrelink in 1997.

2.26 Centrelink’s senior management accepted the need for effective assurance mechanisms to enable FaCS to step back from a focus on inputs and processes.

[partnership] arrangement requires Centrelink to put in place business assurance arrangements to allow the client to feel comfortable enough to tell us what outcomes they require and allow us to design and implement the delivery processes, rather than have the client micro-manage this process.³⁴

2.27 A recent FaCS internal audit³⁵ noted that the 1999–2001 BPA included a large number of performance measures that related to process and that FaCS program branches focused heavily on monitoring Centrelink processes. The audit recommended that FaCS consider revising performance measures and general monitoring undertaken under the BPA to concentrate on output measures that related to program outcomes.

2.28 The recommendation was based on the prospective availability under the BPA of a rigorous partnership assurance framework, underpinned by independent external assurance (discussed below). The audit considered this framework would provide a level of assurance regarding the controls Centrelink had in place for ensuring payment

³⁴ Bashford (2000), *The New Interface between Government and the Community on Social Welfare Delivery: Centrelink, Is it Working as Hoped?* Speech, 19/8/2000 (p.9).

³⁵ Commonwealth Department of Family and Community Services (1999), *Audit of the management of the purchaser-provider relationship with Centrelink: program Branches’ perspective*, Unpublished Departmental Internal Audit Report.

accuracy that would be superior to that provided by process monitoring on the part of FaCS branches.

2.29 FaCS senior management adopted a clear strategy on this issue. It encouraged FaCS program managers to move away from focusing on Centrelink inputs and processes to specifying and monitoring outputs, outcomes and related performance measures. An integral part of this strategy was an effort to put in place a rigorous partnership assurance framework for services delivered by Centrelink on behalf of FaCS, backed by independent external assurance.

2.30 The FaCS senior management strategy was reflected in changes in the level of detail and the number of process-related requirements in the BPA. The 2000–2001 BPA contained significantly less detail and a much lower number of process requirements than the 1999–2001 BPA. In terms of the audit objective, this is exemplified by the significantly lower number of strategies related to assessment compliance in the 2000–2001 BPA than in the 1999–2001 BPA.

Conclusion

2.31 While it entails a lower degree of oversight by FaCS over Centrelink's processes (including those impacting on the compliance of new Age Pension claim assessments with relevant legislation and guidelines) than in the past, the ANAO considers that the strategy adopted by FaCS senior management is appropriate in view of its potential efficiency benefits.

2.32 Given this strategy, however, FaCS' effectiveness in ensuring new Age Pension claim assessment compliance depends critically on the validity, accuracy and timeliness of relevant performance information provided by Centrelink. In particular, FaCS must be in a position where it can rely on and respond in a timely way to information on the proportion of new claims that are correctly assessed. Given that Centrelink produces this information, in keeping with purchaser/provider better practice, FaCS should ensure that the information is subject to periodic, independent (of Centrelink) validation. Validation could be done by FaCS or by an independent contractor.

2.33 It is also appropriate (and not inconsistent with a general move away from focusing on Centrelink inputs and processes to specifying and monitoring outputs, outcomes and related performance measures) for FaCS to use targeted process monitoring as a control strategy. For example, where FaCS becomes aware of a process deficiency in relation to new claims assessment by Centrelink, FaCS should monitor Centrelink's response to that deficiency to satisfy itself that Centrelink is taking appropriate rectification measures.

Recommendation No. 1

2.34 To assure itself that performance information produced by Centrelink in relation to new Age Pension claim assessment compliance with the *Social Security Law* and the *Guide to the Social Security Law* is accurate, the ANAO recommends that FaCS undertakes periodic, independent (of Centrelink) validation of this information.

FaCS response

2.35 Agreed. FaCS will investigate the most effective method of conducting periodic independent validation of Centrelink performance information in the next six months with a view to establishing an independent assessment process.

Recommendation No. 2

2.36 To assure itself that Centrelink is taking appropriate measures to achieve new Age Pension claim assessment compliance with the *Social Security Law* and the *Guide to the Social Security Law*, the ANAO recommends that FaCS uses targeted process monitoring as a control strategy.

FaCS response

2.37 Agreed.

3. How effectively did the framework align the interests of FaCS and Centrelink in relation to the above objective?

2.38 A key characteristic of successful purchaser/provider arrangements between public and private sector organisations is a close alignment of the interests of the two parties through linking the measured performance of the provider and financial rewards under the arrangement.^{36 37} Such a link can involve incentive payments for performance above a certain target level, financial sanctions (reduced payment) for performance below target, or milestone payments (where payment is withheld until agreed services have been delivered to the agreed quality standard). Moreover, most private sector providers face a credible threat of losing the contract—a heavy sanction that serves to focus the provider on meeting the requirements of the purchaser.

³⁶ ANAO Audit Report No.18 (1997–98), *Management of the Implementation of the Commonwealth Services Delivery Arrangements—Centrelink*, Canberra (p.32).

³⁷ National Audit Office, United Kingdom (2000b), *National Savings, Public-Private Partnership with Siemens Business Services*, Stationery Office, London.

2.39 Another important success factor in public/private purchaser/provider arrangements is whether individual or team performance by the provider's staff in pursuit of the objectives specified in the purchaser/provider arrangement is linked to tangible and valued rewards for these staff.³⁸ Linking (appropriately directed) staff performance to tangible rewards serves to align their interests with those of the provider organisation and ultimately with the interests of the purchaser.

2.40 The ANAO assessed the FaCS–Centrelink business framework to determine whether effective use was made of the above factors (in so far as is appropriate in a public/public purchaser/provider arrangement) in aligning the interests of FaCS and Centrelink in relation to FaCS' objective of ensuring compliance of new claims assessments with the *Social Security Law* and the *Guide to the Social Security Law*. The assessment was based on interviews with key Centrelink and FaCS staff, and a review of relevant FaCS and Centrelink documents.

Rewards and sanctions

2.41 The BPA did not link Centrelink's performance to payment by FaCS. There were no explicit sanctions for poor performance and no explicit rewards for good performance. Moreover, the BPA was not legally enforceable because the Commonwealth cannot contract itself. In addition, the government has recently decided³⁹ that Centrelink's core services would not be contestable in the foreseeable future—removing a scenario that Centrelink had taken seriously.

2.42 However, failure to meet agreed performance standards would limit Centrelink's ability to attract further business and could lead to Ministerial sanctions. This could be the source of some embarrassment to Centrelink. Conversely, good performance would enhance Centrelink's attractiveness as a service provider and could earn public and Ministerial praise. FaCS managers interviewed as part of this audit advised that Centrelink senior management took the BPA seriously and strived to achieve agreed targets.

2.43 FaCS was examining the possibility of introducing explicit financial sanctions in the next BPA during the audit fieldwork period. The particular model being examined was the introduction of milestone payments for non-core work by Centrelink.

³⁸ ANAO Audit Report No.18 (1997–98), op. cit., (p.32).

³⁹ Bashford (2000), op. cit., (p.5).

Conclusion

2.44 The possibility of adding financial rewards or sanctions to the FaCS–Centrelink business framework is worth careful examination. At the very least, the inclusion of rewards/sanctions would increase the focus of the parties on specifying good performance indicators and targets.

4. Was there an effective performance management framework?

2.45 The overall effectiveness of a purchaser/provider arrangement depends critically on its performance management framework.⁴⁰ As noted above, for FaCS to be able to ‘step back and let Centrelink manage’, it needs to be able to monitor Centrelink’s performance effectively. An effective performance management framework is also necessary for aligning the interests of FaCS and Centrelink.

2.46 In assessing the performance management component of the FaCS–Centrelink business framework, the ANAO used three criteria drawn from previous ANAO work on performance management.⁴¹

- Were there unambiguous, measurable and useful performance indicators and appropriate performance standards linked to the compliance objective?
- Were there agreed data collection standards that ensured the validity, reliability and timeliness of performance information?
- Did the framework specify mechanisms for reporting performance and for resolving disputes relating to performance?

2.47 The ANAO also assessed whether FaCS had appropriately monitored and evaluated Centrelink’s performance in relation to the accuracy of new Age Pension claim assessments. To help ensure new claim assessment accuracy, FaCS should have:

- monitored Centrelink’s accuracy performance; and
- identified any problems with performance and taken remedial action.

⁴⁰ Management Advisory Board/Management Improvement Advisory Committee (1997), op. cit., (p.29).

⁴¹ For more information on better practice in performance management, see ANAO and Commonwealth Department of Finance and Administration (1996), *Better Practice Guide on Performance Information Principles*, Canberra.

Were there unambiguous, measurable and useful performance indicators and appropriate performance standards linked to the compliance objective?

2.48 In terms of the objective of ensuring compliance of new Age Pension claim assessments with relevant legislation and guidelines, relevant performance indicators and performance standards specified in the 1999–2001 BPA and the 2000–2001 BPA are presented in Tables 2 and 3.

2.49 The most direct performance indicator in relation to this objective in both BPAs was the number and proportion of claims correctly assessed (as measured by the Procedure and Accuracy Check (PAC) and Quality On-Line (QOL) tools). In both BPAs, there was also a range of indirect indicators and indicators related to strategies for achieving the objective.

Table 2 1999–2001 BPA

Performance indicators and standards linked to objective of ensuring new Age Pension claim assessment compliance

<p>Performance Protocol specified the most direct indicator linked to the objective:</p> <ul style="list-style-type: none"> • <i>number and proportion of cases correctly assessed (standard: 95% accuracy of decisions for all Age Pension decisions—new claims and reassessments).</i> <p>Customer Service Agreement contained performance standards based on the timeliness performance indicator:</p> <ul style="list-style-type: none"> • <i>Development and implementation of the capability of PAC to report POI errors in new claim procedures by June 2000; and</i> • <i>Agreement by the parties, by June 2000, on a strategy for the PIR of PAC2 implementation.</i> <p>Schedule for Seniors and Means Test contained performance indicators for a range of strategies related to the compliance objective. Most indicators related to timeliness, with the performance standards being deadlines for the delivery of specified outputs. Ad hoc feedback and assessment was also specified as the indicator for a number of strategies.</p>

Table 3 2000–2001 BPA

Performance indicators and standards linked to objective of ensuring new Age Pension claim assessment compliance

<p>Outcomes, Strategies and Performance Protocol contained the following performance indicators:</p> <ul style="list-style-type: none"> • <i>number and proportion of correctly assessed claims (standard: 95% of all claims are completely accurate in terms of correctness of payment);</i> • <i>number of Authorised Review Officer appeals and proportion of original decisions set aside or varied (standard: maximum 20% of original decisions set aside or varied); and</i> • <i>number of Social Security Appeals Tribunal appeals and proportion of Authorised Review Officer decisions set aside or varied (standard: maximum of 30% of decisions set aside or varied).</i> <p>The Seniors and Means Test Specification contained performance indicators for a number of strategies related to the compliance objective. These indicators related to timeliness, with the performance standards being deadlines for the delivery of specified outputs. One strategy did not specify a performance standard.</p>
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2.50 There was ambiguity in relation to the direct indicator of assessment accuracy. In the 1999–2001 BPA, the agreed methodology for measuring the direct indicator was ‘Centrelink internal quality assurance’ (or PAC). Under this methodology, a decision was reported as being inaccurate if the assessor was deemed to have made an error that would affect the correctness of payment to the customer. Both FaCS and Centrelink understood that the PAC system operated according to this working definition of accuracy. However, FaCS and Centrelink did not agree on a precise list of these errors and the decision as to whether a claim assessment contained a relevant error was left to the subjective judgement of Centrelink PAC assessors. This created ambiguity in the definition of accuracy and inconsistency in error measurement.

2.51 In the 2000–2001 BPA, the agreed methodology for measuring the direct indicator was Centrelink’s QOL system. The working definition of accuracy was the same as under the PAC system.⁴² As part of the implementation of QOL, FaCS recognised the need to agree with Centrelink on what constitutes an error for the purposes of determining assessment accuracy.

2.52 The ANAO audit *Assessment of New Claims for the Age Pension by Centrelink*, conducted concurrently with this audit⁴³ demonstrated that the proportion of cases correctly assessed is both a very useful performance indicator (see paragraph 2.51) and one that can be measured.⁴⁴

Were there agreed data collection standards that ensured the validity, reliability and timeliness of performance information?

2.53 The ANAO audit *Assessment of New Claims for the Age Pension by Centrelink*⁴⁵ found that there was a significant degree of non-compliance with the *Social Security Law*, the *Guide to the Social Security Law* and other relevant guidelines developed by Centrelink.⁴⁶ In particular, it was estimated by the ANAO that 52.1% (+/- 6.8 percentage points)⁴⁷ of Age

⁴² The working definition of QOL accuracy was described by Centrelink as ‘has the assessor paid the right person the right rate from the right date using the right product’.

⁴³ ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*.

⁴⁴ Error rates are defined as customer claims assessed incorrectly as a proportion of total customer claims assessed. This outcome, or customer-based approach, is consistent with Centrelink’s reporting of assessment accuracy under the BPA.

⁴⁵ ANAO Audit Report No.34 (2000–01), *Assessment of New Claims for the Age Pension by Centrelink*.

⁴⁶ ‘RETIDOC’ is the on-line source of information to Centrelink Customer Service Officers (CSOs) to assist in assessing new Age Pension claims.

⁴⁷ Error rates are ABS estimates for the relevant population of assessments during the audit sample period. These are subject to sampling error. The 95% confidence interval is presented in brackets.

Pension new claim assessments conducted over the audit sample period (1 September 1999 to 31 March 2000) contained ‘actionable’ errors⁴⁸ that should have resulted in the assessments being recorded as inaccurate by the PAC system—an error rate significantly higher than the 5% BPA performance standard.^{49 50}

2.54 In contrast, the average PAC error rate reported by Centrelink to FaCS over the same period was only 3.2%, well within the BPA performance standard. From May 2000, Centrelink made significant changes to its compliance monitoring software, with the gradual implementation of QOL. Nevertheless, over the three months to November 2000, the average QOL assessment error rate was reported by Centrelink as 4.1%.⁵¹

2.55 The divergence between the PAC/QOL error rate figures and the ANAO estimates demonstrates that the PAC/QOL systems did not reliably measure the accuracy of new Age Pension claim assessments.

2.56 The ANAO audit of the *Assessment of New Claims for the Age Pension in Centrelink*⁵² also found a very high error rate in relation to administrative procedures (such as failing to date stamp claim forms or failing to ensure that forms are fully completed by claimants). Almost all claim assessments (95.6% +/-3.5 percentage points) contained at least one administrative error. Such errors do not generally have any direct impact on Age Pension customers and therefore should not be a matter of general concern to pensioners. Their occurrence nevertheless represented a departure by Centrelink Customer Service Officers from expected practice when assessing new claims.

Did the framework specify mechanisms for reporting performance and for resolving disputes relating to performance?

2.57 Both the 1999–2001 BPA and the 2000–2001 BPA specified clear performance reporting and dispute resolution mechanisms.

⁴⁸ The ANAO has reported such errors as ‘actionable’ errors rather than using Centrelink’s internal terminology, ‘critical’ error. This approach was taken to (i) convey the consequences of such an error, namely the necessity for follow-up action within Centrelink, including the return of the claim to the Original Decision Maker for review; (ii) avoid the possible misinterpretation that such errors always involved an incorrect payment. Actionable errors include instances of incorrect payment, but also include instances where there was the potential for incorrect payment when important information was not provided by the customer.

⁴⁹ The 1999–2001 BPA specified that 95% of new assessments must be accurate—implying a 5% assessment error rate.

⁵⁰ Error rates are defined as customer claims assessed incorrectly as a proportion of total customer claims assessed. This outcome, or customer-based approach, is consistent with Centrelink’s reporting of assessment accuracy under the BPA.

⁵¹ Data provided to the ANAO by Centrelink’s Service Integration Shop.

⁵² ANAO Audit Report No.34 (2000–01), *Assessment of New Claims for the Age Pension by Centrelink*.

1999–2001 BPA

2.58 The BPA specified that Centrelink was to provide a bi-monthly performance report to FaCS providing statements on Centrelink's performance in relation to the indicators and standards contained in the Performance Protocol. This report was to be submitted and considered by the Business Partnership Committee (all FaCS and Centrelink SES officers with direct responsibilities under BPA). One of the objectives of the committee was to regularly review Centrelink's performance against the BPA. However, the bi-monthly performance report was the only ongoing performance reporting mechanism. It was possible to raise other issues on an ad hoc basis.

2.59 No performance reporting mechanism was specified in the Customer Service Agreement or in the Schedule for Seniors and Means Test. However, the Schedule specified that fortnightly meetings would be held to discuss 'partnership matters' and, in practice, this meeting was used for performance reporting/monitoring.

2.60 Clause 14 of the Core Agreement specified a detailed dispute resolution mechanism:

- initial negotiation between program managers;
- if no resolution in two weeks (or sooner if matter is urgent), matter referred to Centrelink Business Development Manager and responsible FaCS Executive Director;
- if not resolved, matter referred to Deputy Secretary level, after which it may be referred to the Relationship Committee;
- if no resolution, matter referred to Secretary/Chief Executive Officer and then Secretary/Chairman Centrelink; and
- if no resolution, matter is referred to Ministers.

2.61 It was also possible to raise issues in the Business Partnership Committee. If the Committee was unable to resolve an issue, the BPA specified that the matter would be referred to the FaCS–Centrelink Relationship Committee (Deputy Secretary level).

2000–2001 BPA

2.62 A detailed bi-monthly report was to be presented by Centrelink to the Secretary of FaCS, reporting on all performance indicators in the Outcomes, Strategies and Performance Protocol. An effort was made to make the content of these reports more useful than in 1999–2000.

2.63 Performance reports were also to be provided by Centrelink to FaCS for the services detailed in each of the output specifications. These

reports were to examine performance against the measures and indicators contained in this protocol and the output specific measures and indicators contained in the relevant output specification.

2.64 The dispute resolution mechanisms in the 2000–2001 BPA were very similar to those in the 1999–2001 BPA.

Did FaCS effectively monitor and evaluate Centrelink's performance?

2.65 Given the findings on the compliance of new Age Pension claims assessments outlined above, FaCS' performance monitoring was clearly not effective—FaCS was not aware of the significant level of non-compliance in relation to new Age Pension claim assessments. However, this was not due to a lack of monitoring effort on the part of FaCS. Seniors and Means Test Branch (SMT—the responsible area within FaCS) took appropriate and reasonable steps to monitor performance in the context of the agreed performance monitoring framework. The failure of this effort to identify the performance problems found by the ANAO resulted from deficiencies in the compliance monitoring system (PAC/QOL) that was used by Centrelink as a basis for reporting to FaCS. Ultimately, this reflected a structural weakness in the FaCS–Centrelink business framework—namely, the lack of a FaCS system to conduct independent, external validation of the performance information provided by Centrelink.

2.66 During the audit period of examination, FaCS systematically monitored Centrelink's accuracy performance in relation to new Age Pension claim assessments by reviewing bi-monthly Centrelink performance reports. These reports provided information on the only direct performance indicator for the accuracy of new claim assessments: the proportion of new claim assessments passed by the PAC/QOL system.

2.67 FaCS also monitored Centrelink's accuracy performance indirectly via:

- discussions with Centrelink at fortnightly meetings;
- reviewing Ministerials;
- reviewing helpdesk enquiries; and
- analysis of the Age Pension program (examining customer numbers, profiles and trends).

2.68 Neither the direct nor indirect performance monitoring alerted FaCS to any problems with Centrelink's accuracy performance. Indeed, the PAC-based information during the audit period of examination indicated that accuracy of new claim assessments did not fall below the agreed performance standard of 95% accuracy.

2.69 Following the ANAO performance audit of the Special Benefit program,⁵³ FaCS was aware that the PAC system had significant deficiencies in relation to measuring the compliance of new Special Benefit claim assessments. FaCS was also aware of the potential for these deficiencies to have an impact on the reliability of measured accuracy rates in relation to other payments. As a result, FaCS monitored Centrelink's implementation of the QOL system with a view to ensuring that improvements were made in relation to measurement reliability. The ANAO considers that FaCS took reasonable steps in this regard, given the information available to it.

Conclusion

2.70 FaCS' performance management framework did not enable FaCS to effectively monitor Centrelink's performance in relation to the compliance of new Age Pension claims with the *Social Security Law* and the *Guide to the Social Security Law*. FaCS relied upon a Centrelink performance monitoring system (PAC/QOL). This system did not produce accurate data on new claim assessment compliance with relevant legislation and guidelines. As a result, FaCS did not detect the significant level of non-compliance in Centrelink's new Age Pension claim assessments identified by the ANAO. This represented a level of performance considerably below the performance standard set by FaCS even after allowing for cases where further information from the Age Pensioner customer and/or other sources could indicate no actual payment error. FaCS was therefore not in a position to take appropriate remedial action.

2.71 Ultimately, FaCS' failure to detect the non-compliance problem stemmed from a structural weakness with the FaCS–Centrelink business framework—the lack of a FaCS system to conduct independent validation of Centrelink's performance information. If FaCS had an appropriate validation system in place, it would have both identified the lack of reliability of Centrelink's performance information and obtained accurate information on the actual level of performance.

2.72 While FaCS had set useful and measurable performance indicators related to the new claim assessment compliance objective, the principal indicator (the number and proportion of cases correctly assessed) had not been clearly defined. A precise definition is necessary to enable the collection of valid and reliable performance information.

2.73 Both the 1999–2001 BPA and the 2000–2001 BPA specified adequate performance monitoring and dispute resolution mechanisms.

⁵³ ANAO Audit Report No. 20 (1999–2000), *Special Benefit, Centrelink and Department of Family and Community Services*, Canberra.

Recommendation No. 3

2.74 To help ensure that reliable and valid information on new Age Pension claim assessment compliance with the *Social Security Law* and the *Guide to the Social Security Law* is reported to FaCS by Centrelink, the ANAO recommends that FaCS, in consultation with Centrelink, clearly defines standards to be used by Centrelink for assessing compliance.

FaCS response

2.75 Agreed. Work has already commenced in the context of the new BPA and key elements will be in place by 1 July 2001.

Recommendation No. 4

2.76 To improve the monitoring and control of new Age Pension claim assessment compliance with the *Social Security Law* and the *Guide to the Social Security Law*, the ANAO recommends that FaCS negotiates with Centrelink to establish an agreed:

- approach to implementing a reliable compliance monitoring system within Centrelink;
- strategy to attain the BPA compliance standards, including setting challenging but attainable intermediate performance targets; and
- process for investigating the merit in setting individual targets for the compliance of different assessment activities within the Age Pension.

FaCS response

2.77 Agreed. Negotiations with Centrelink have commenced and this work has been assigned high priority.

Recommendation No. 5

2.78 In view of the very high rate of administrative error amongst new Age Pension claim assessments, the ANAO recommends that FaCS, in consultation with Centrelink, reconsiders the legislative requirements and guidelines applying to Age Pension assessments to ensure that all administrative rules are warranted in terms of the risks that they address compared with the costs that they incur.

FaCS response

2.78 Agreed. FaCS will review the necessity for the guidelines it has responsibility for and the associated risks of non-compliance with a view to simplifying the existing requirements and arrangements. It will examine the legislative underpinnings of the provisions (for example *Social*

Security Law, Commonwealth Services Delivery Agency Act (1996), Privacy Act (1988), Freedom of Information Act (1982), Auditor-General Act (1997), Financial Management and Accountability Act (1997), Crimes Act (1914), Evidence Act (1995), Acts Interpretation Act (1901), Income Tax Assessment Act (1997), as well as Administrative Appeals Tribunal, Federal Court and Ombudsmen rulings). Where an administrative guideline imposes compliance costs that exceed expenditure at risk, FaCS would support abolition of such a provision. However, FaCS notes that the capacity to do a cost-benefit analysis will rely on Centrelink being able to provide accurate costs and expenditure protection implications for compliance with each guideline in question.

5. Was there an effective risk management framework?

2.80 In assessing FaCS risk management framework, the ANAO limited its scope to the issue of whether it provided a sound basis for the ongoing management of the risk that Centrelink's assessments of new Age Pension claims do not comply with relevant legislation and guidelines. The ANAO's assessment was guided by the following better practice principles:

- responsibility for risk management within a purchaser/provider arrangement should be allocated to the party best placed to manage the risk;^{54 55} and
- the purchaser should have in place a systematic approach to the tasks of identifying, analysing, assessing, treating and monitoring risk.⁵⁶

2.81 Centrelink had operational responsibility for service delivery on behalf of FaCS, including undertaking new Age Pension claim assessments in accordance with legislation and guidelines. Centrelink was therefore in the best position to manage the operational risks related to non-compliance. However, FaCS had ultimate responsibility, as the purchaser of the services, for assuring itself of the adequacy of Centrelink's risk management approach. The ANAO therefore assessed whether FaCS had monitored and evaluated Centrelink's risk assessment activities and controls, and ensured that known risks were addressed by Centrelink (or Centrelink in co-operation with FaCS).

⁵⁴ Commonwealth Department of Finance and Administration (1998), op. cit., (p.14).

⁵⁵ National Audit Office, United Kingdom (2000b), op. cit. (p.32).

⁵⁶ Management Advisory Board/Management Improvement Advisory Committee (1997), op. cit., (p.8).

Specification of responsibility for risk management

2.82 Both the 1999–2001 BPA and the 2000–2001 BPA clearly specified responsibility for risk management in the partnership assurance sections (clause 2.3 and 2.4 respectively) of their core agreements. These sections specified that Centrelink was required to provide FaCS with a formal partnership assurance statement, in which Centrelink documented the risks to the services it delivered on FaCS' behalf (including assessment inaccuracy) and the controls it had in place. These sections also specified that FaCS assured Centrelink that it would fully comply with all of the requirements of the BPA, including those relating to:

- *early and full consultation on policy issues and the development of new initiatives;*
- *funding of new initiatives and new work;*
- *support for Centrelink in the development of its service-delivery strategy;*
- *provision of policy advice particularly through helpdesks and through timely updating of the Guide to the Social Security Law and the Family Assistance Guide; and*
- *compliance with the specified methodologies and procedures in relation to management and performance information and business development.*

(2000–2001 BPA, Core Agreement, clause 2.4)

Age Pension program risk management

2.83 A risk assessment of the Age Pension program was completed by Centrelink Internal Audit (Program Risk Assessment Section) in October 1999. The focus of the assessment was the risk of incorrect payment. Fifteen significant risks were identified, of which 14 related to customer fraud/non-compliance with legislative requirements (eg. not reporting changed circumstances) and one related to a claim assessment error on the part of Centrelink (applying an incorrect investment category). For two of the customer non-compliance risks (fictitious identity/dual payment and residential qualification), deficiencies were identified in claim assessment procedures and practices that reduced their effectiveness as controls on the risk (eg. staff not complying with Proof of Identity requirements). Given the ANAO's findings on the compliance of new Age Pensions claims assessments outlined above, this risk assessment was not fully effective in that it failed to identify the importance of new claims assessment error.

2.84 An Action Plan in response to this risk assessment was prepared by Centrelink. FaCS commented on draft versions of this plan and monitored Centrelink's progress, with regular discussions taking place at the periodic (fortnightly in 1999–2000 and monthly in 2000–2001) meetings between the Seniors and Means Test Branch (SMT) and the Retirement Community Segment (RCS). Clear progress was made in relation to all the risks identified in the risk assessment.

2.85 The ANAO also found that FaCS was planning to conduct (in collaboration with Centrelink) regular program risk assessments of Centrelink delivered programs (including Age Pension).

2.86 SMT Branch carried out regular in-house risk analysis via:

- reviewing Ministerials;
- reviewing helpdesk enquiries;
- analysis of the Age Pension program (examining customer numbers, profiles and trends); and
- reviewing internal Centrelink audits.

Other FaCS risk management initiatives

2.87 The ANAO 2000 *Report of Control Structures as Part of the Audit of Financial Statements* provides an assessment of the risk management framework in Centrelink and FaCS:⁵⁷

The ANAO concluded that Centrelink's risk management framework should be strengthened to include an overarching assessment of the adequacy of existing mechanisms to maintain the risk of incorrect benefit payments at an acceptable level. The ANAO recognised that the outcomes arising from any such assessment should be considered in the context of Centrelink's overall business activities and the impact on the achievement of strategic goals and objectives. The ANAO considered that certain aspects of Centrelink's information technology control structure and compliance activities could be improved to increase the level of assurance over the accuracy and validity of benefit payments. Detailed commentary arising from the audit of Centrelink is provided in this report under that agency's heading.

A similar position applies to FaCS, in that no overall mapping and evaluation of the risks which FaCS face both as an individual agency, and as a purchaser of services from other government agencies, exist

⁵⁷ ANAO Audit Report No. 52 (1999–2000), *Control Structures as Part of the Audits of Financial Statements of Major Commonwealth Agencies for the Period Ended 30 June 2000*, (p.53–54).

from a financial perspective. A high level risk assessment against existing controls, including those provided by other service entities, needs to be undertaken to determine the adequacy and effectiveness of existing assurance mechanisms, as well as to provide a model upon which FaCS can rely, monitor and review.

2.88 In response to the draft Financial Statement Management Letter for the 1999–2000 financial statement audit, which the above report summarises, the FaCS Executive Board meeting of 5 June 2000 endorsed a conceptual framework for financial assurance. The framework involved a high level risk assessment against existing controls for both internal FaCS activities and in relation to services provided by external providers (such as Centrelink).

2.89 Papers for the Centrelink Risk Registration Regime Working Group of the Guiding Coalition meeting of 8 December 2000 state:

As a first step towards agreeing the latter [Centrelink] is developing a paper for discussion that outlines the elements of the partnership assurance framework and the relationship between them. This will assist in identifying any gaps and indicating how the elements might be brought together in a coherent annual assurance statement. The aim is to have the form of the framework and its underpinnings endorsed by the Audit Committee of the Board and the FaCS Risk Assessment and Audit Committee in February.

2.90 On 4 August 2000, Centrelink provided FaCS with a partnership assurance statement (as required under clause 2.3 of the 1999–2001 BPA). FaCS' view was that this statement was a satisfactory first step and that satisfactory progress was being made towards providing a more comprehensive statement in 2001.

Conclusion

2.91 The division of responsibility for risk management specified in the BPA conformed with the better practice principle that responsibility for risk management under a purchaser/provider arrangement should be allocated to the party best placed to manage the risk.

2.92 The risk management framework employed by FaCS to assure itself on the accuracy of Centrelink's new Age Pension claims assessment includes:

- the annual partnership assurance statement specified in the BPA (supported by independent external assurance); and
- FaCS' high-level risk management framework and regular program specific risk assessments.

2.93 If implemented effectively, these should provide a sound basis for the ongoing management of the risk that assessments of new Age Pension claims do not comply with relevant legislation and guidelines.

2.94 However, given the ANAO's findings on the level of non-compliance of new Age Pension claims and the findings identified in the ANAO 2000 Report of Control Structures (outlined above), FaCS should strengthen this framework. To ensure that it has a sound basis for risk management, FaCS should supplement these mechanisms with the introduction of a FaCS system to conduct independent validation of the performance information provided by Centrelink in relation to new Age Pension claim assessment compliance.

2.95 Though beyond the scope of this audit, the weakness identified in the present risk management framework may have implications for other benefits. FaCS may wish to consider adopting independent validation of the performance information provided by Centrelink across all benefits.

2.96 FaCS systematically monitored Centrelink's risk management activities and controls related to Age Pension administration. FaCS took appropriate steps to ensure that known risks were addressed. However, FaCS did not evaluate or test Centrelink's controls in relation to new Age Pension claim assessment compliance.

6. Was there a co-operative relationship between FaCS and Centrelink?

2.97 Better practice purchaser/provider guidelines emphasise the importance of a co-operative relationship between the parties.⁵⁸ The importance of this form of relationship rises with the term and complexity of the arrangement:

...both parties need to recognise their mutual dependence and thus their mutual interest in developing a co-operative relationship rather than an adversarial relationship.⁵⁹

2.98 The concept of 'partnership' has underpinned the evolution of the FaCS–Centrelink relationship. Both the 1999–2001 BPA and the 2000–2001 BPA contained a Partnership Statement that emphasised the importance each party placed on a co-operative relationship.

⁵⁸ Management Advisory Board/Management Improvement Advisory Committee (1997), (p.13).

⁵⁹ OECD (1997), op. cit. (p.2).

2.99 The ANAO examined the relationship between FaCS and Centrelink in interviews with key FaCS and Centrelink officers. The ANAO found that, overall, a co-operative relationship existed between the program areas responsible for Age Pension administration in FaCS and Centrelink (the Seniors and Means Test Branch and the Retirement Community Segment respectively) as well as between the central areas responsible for overall BPA management (Partnerships and Service Delivery Branch in FaCS and the Business Development Unit in Centrelink).

3. Business Support

This chapter assesses the extent to which FaCS provided Centrelink with relevant business support in relation to helping ensure that assessments of new Age Pension claims comply with the Social Security Law and the Guide to the Social Security Law.

Introduction

3.1 The ANAO examined business support provided by FaCS to Centrelink via:

- the *Guide to the Social Security Law*;
- helpdesk facilities; and
- general guidance, advice and co-operation on policy issues.

3.2 The principal criterion applied by the ANAO in assessing FaCS' business support was the extent of satisfaction with this support reported by Centrelink (in terms of assisting Centrelink perform effectively in relation to the accuracy of new Age Pension claims). The assessment focused on the relationship between Seniors and Means Test Branch (SMT) and the Retirement Community Segment (RCS) and was based on interviews with key staff in both areas, as well as an examination of relevant documents (including minutes of the regular SMT/RCS meetings).

Business support provided by Seniors and Means Test Branch (SMT)

3.3 Overall, RCS indicated a high level of satisfaction with the business support provided by SMT. RCS officers felt that the business relationship was generally co-operative and that SMT was a supportive and understanding business partner.

Guide to the Social Security Law

3.4 Under both the 1999–2001 and 2000–2001 BPA, FaCS was explicitly required to ensure that the *Guide to the Social Security Law* is updated promptly following any changes in policy or legislation.

3.5 The ANAO found that RCS was satisfied with the timeliness and accuracy of updates to the Guide during the audit period of examination.

3.6 RCS officers considered the Guide to be a useful aid to decision making. However, they felt that the presentation of the Guide on the Centrelink intranet could be improved to enhance the ability of claim assessors to locate information. Consistent with this finding, the ANAO audit of the *Assessment of New Claims for the Age Pension in Centrelink*⁶⁰ found that many new Age Pension claim assessors had difficulty finding information on the electronic system and that this reduced the extent to which the Guide was used among assessors.

Helpdesk facilities

3.7 FaCS had three helpdesks that were widely used by Centrelink in relation to requesting policy advice on new Age Pension claim assessments: the Age Pension, Means Test and Financial Markets Helpdesks. The Age Pension Helpdesk provided advice on eligibility for the Age Pension, the Means Test Helpdesk provided advice on income and assets tests, and the Financial Markets Helpdesk provided advice on a broad range of issues related to financial investment and superannuation.

3.8 The 2000–2001 BPA set out guidelines for the support provided to Centrelink by FaCS helpdesks. In particular, the BPA stated that FaCS was responsible for responding to complex policy queries (where the answer cannot be ascertained from legislation, the FaCS *Guide to Social Security Law*, or other material available or previously supplied by FaCS to Centrelink). Centrelink was responsible for responding to all other queries from its assessors.

3.9 RCS officers interviewed as part of the audit indicated that Centrelink staff were generally satisfied with the timeliness and accuracy of the support provided by the three FaCS helpdesks. Consistent with this finding, the Centrelink helpdesk staff interviewed as part of the audit of the *Assessment of New Claims for the Age Pension in Centrelink*⁶¹ were satisfied with the support provided by the FaCS helpdesks.

General guidance, advice and co-operation on policy issues

3.10 Interviews with RCS officers suggested that RCS was satisfied with the general guidance, advice and co-operation it received from SMT on policy issues. In particular, SMT had informed RCS about Ministerial directions and new policy at fortnightly meetings in a timely manner. In addition, SMT and RCS cooperated in the development of new policy to both parties' satisfaction.

⁶⁰ ANAO Audit Report No.34 (2000–01), *Assessment of New Claims for the Age Pension by Centrelink*.

⁶¹ ANAO Audit Report No.34 (2000–01), *Assessment of New Claims for the Age Pension by Centrelink*.

Conclusion

3.11 FaCS provided Centrelink with effective business support to assist Centrelink's performance in relation to new Age Pension claim assessment accuracy.



Canberra ACT
17 May 2001

P. J. Barrett
Auditor-General

Appendices

Appendix 1

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