

The Auditor-General
Audit Report No.65 2001–02
Performance Audit

Management of Commonwealth Superannuation Benefits to Members

ComSuper

Australian National Audit Office

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of Australia 2002

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Canberra ACT
28 June 2002

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in ComSuper in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Management of Commonwealth Superannuation Benefits to Members*.

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

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

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Abbreviations/Glossary

ADIC	Additional death and invalidity cover (PSS only)
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulatory Authority
APS	Australian Public Service
BCS	Benefits Calculation Systems
CCD file	Continuous Contribution Deduction file
ComSAS	Commonwealth Superannuation Administration (ComSuper) Superannuation Administration System
ComSuper	Commonwealth Superannuation Administration
CPI	Consumer Price Index
CRF	Consolidated Revenue Fund
CS Board	Commonwealth Superannuation Board
CSS Act	<i>Superannuation Act 1976</i>
CSS	Commonwealth Superannuation Scheme
Defence	Department of Defence
DFAT	Department of Foreign Affairs and Trade
DFRB	Defence Forces Retirement Benefits Scheme
DFRDB	Defence Force Retirement and Death Benefits Authority
DOF	the former Department of Finance
EPSC	Employer Productivity Superannuation Contribution
Finance	Department of Finance and Administration
FMA Act	<i>Financial Management and Accountability Act 1997</i>
ITAA	<i>Income Tax Assessment Act 1936 (Cth)</i>
MSBS	Military Superannuation and Benefits Scheme
PNG	Papua New Guinea
PSS Act	<i>Superannuation Act 1990</i>
PSS	Public Sector Superannuation Scheme
SED file	Superannuation Exceptions Data file
SGCA Act	<i>Superannuation Guarantee Charge Act 1992</i>
SGCAA Act	<i>Superannuation Guarantee (Administration) Act 1992</i>

SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
SRA	Superannuation Remittance Advice

Summary and Recommendations

Summary

Background

1. The Commonwealth Superannuation Administration (ComSuper) administers the principal occupational superannuation schemes for Commonwealth civilian employees and defence force members. ComSuper administers these schemes under delegated authority from the various Boards of Trustees, and the Defence Force Retirement and Death Benefits (DFRDB) Authority. In 2000–01, ComSuper employed around 360 permanent and temporary staff and generated total revenue from ordinary activities of \$42 million.
2. The CSS and the PSS are the major civilian schemes for Commonwealth public servants covering, as at 30 June 2001, a total of some 364 000 members and holding just over \$10 billion in members' funds. Member contributions and employer productivity contributions are paid to ComSuper and transferred to the CSS or the PSS Funds, where they are invested.
3. Employer liability contributions are also paid to ComSuper, but these amounts are paid direct to the Consolidated Revenue Fund (CRF). The latter are not contributions in the normal sense because at no stage do they form part of the moneys of the Fund, nor are they invested elsewhere to fund future benefits. They are payments to the CRF that notionally identify the accruing employer liability for the Schemes (that is, the estimated amount that would be required for investment now, to fund estimated defined benefits in the future).
4. Commercial and non-Commonwealth entities with CSS or PSS members have made these payments for many years. More recently these arrangements were introduced in budget funded agencies so that the full costs of employment could be identified on an accrual basis, and to provide agencies with an incentive to manage these costs.
5. From 1994–95 to 2000–01, the total value of funded CSS and PSS contributions collected by ComSuper increased by 17%. The total value of CSS and PSS benefits processed and paid by ComSuper in 2000–01 was \$2909 million (falling from \$3106 million in the previous year). This includes both lump sums and pension payments for the year. From 1994–95 to 2000–01, the total value of CSS and PSS benefits paid annually by ComSuper increased overall by 14%. There were large variations between those years, ranging from an increase of 36% in 1996–97, to a fall of 11% in 1999–2000. These variations generally reflected the number of APS redundancies occurring within the relevant year, which have the potential to generate substantial lump sum benefit payments.

6. The most recent actuarial valuation of the liability for accrued benefits for the CSS and PSS schemes was \$55 billion as at 30 June 1999. The accrued benefits comprise a funded component of \$9.1 billion, which will be met from the Funds (that is, accumulated member contributions, and, where applicable, productivity contributions, plus interest) and an unfunded component of \$45.9 billion, to be financed by the Commonwealth from Consolidated Revenue at the time the superannuation benefits become payable.

7. The Commonwealth employment framework has changed substantially in recent years, which has had important implications for ComSuper operations. The service-wide remuneration structure, with uniform pay scales, has been abolished. Remuneration arrangements have been devolved to agencies, giving rise to different pay scales for the various classifications, increasing the need to clearly determine what constitutes salary for superannuation purposes, and affecting ComSuper's capacity to identify invalid agency data.

8. In some agencies the outsourcing of corporate services has presented additional challenges, because of the loss of personnel staff with specialist knowledge of Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS) requirements. ComSuper has developed a range of strategies to address these problems, including redeploying some of its resources to agency staff training. Further, the large number of APS redundancies in the late 1990s produced significant variability in the benefit processing workload.

9. The system for collecting superannuation contributions and data has also changed. In the past, most agencies used the Department of Finance and Administration (Finance) central payroll system to deduct contributions and provide members' data to ComSuper. In the late 1990s, this system was outsourced. Many agencies subsequently adopted off-the-shelf commercial payroll systems.

Audit approach

10. The objective of the performance audit was to review the administrative effectiveness of ComSuper in providing benefits to members of the CSS and PSS. In particular, the audit sought to assess the effectiveness of ComSuper's performance in regard to the establishment of new purchaser/provider arrangements; the integrity of the ComSuper databases for the payment of CSS and PSS benefits; and the accuracy and effectiveness of benefit processing and payment for resignation, retirement and retrenchment.

11. The scope of this audit covers the overall management of CSS and PSS superannuation benefits to members. The CSS has 19 different types of benefit,

corresponding to how the member separates from employment (for example, resignation, retirement, redundancy, invalidity or death), the timing of the benefit (for example, immediate, deferred, postponed or delayed updated), and who claims the benefit (for example, the member, the member's spouse, or the member's orphan). There are a total of 77 payment options, depending on how the benefit is taken (for example, maximum pension, part pension/part lump sum, and full lump sum). Similarly, the PSS has 14 different types of benefit, and a total of 54 payment options applying to the benefits.

Overall audit conclusions

12. ANAO found that the administrative arrangements implemented by ComSuper provide a sound basis for managing the delivery of superannuation benefits to civilian members in a complex and changing operating environment. However, late or inaccurate employer data impacts adversely on many ComSuper functions, and has significantly increased its workload. Changes to the Commonwealth employment framework in recent years have also had significant impact on ComSuper's operations.

13. ComSuper's total expenses were \$37.3 million in 2000–01, which is \$1.7 million, or 4%, less than those in 1994–95. Over the same period, CSS and PSS exits increased by 29%. Since the introduction of purchaser/provider arrangements, the ratio of expenses to revenues has improved, with the ComSuper budget producing a small surplus for the last two years. Generally, this outcome indicates that ComSuper's development of its activity based costing model has been effective in regard to budgeting for total revenues and expenses. ANAO considers that ComSuper's development and refinement of its costing model, together with prudent financial management, have been conducive to the successful transition to purchaser/provider arrangements for superannuation administration.

14. The sustained strategic effort of ComSuper has contributed to recent improvements in the timeliness of employer data. However, there remains further scope for improvement, particularly in regard to measures to ensure that employers are accountable for the quality of their data. ComSuper collects contributions and data from employers on behalf of the Boards. However, neither the Boards nor ComSuper have control over the quality and timeliness of employer data.

15. ComSuper requires employers to provide accurate, complete and timely data. However, the data it receives is often inaccurate or incomplete. Some agencies have not provided compliant data until over 12 months past the due date. ComSuper advised ANAO that most recent payroll transitions have been

much more controlled than in the past. The experience of such significant delays in the provision of compliant data have not occurred since early 2001.

16. ANAO made six recommendations aimed at strengthening the administration of Commonwealth superannuation benefits. Specific areas identified for improvement include:

- improving the coverage and specificity of service standards, and the reporting of performance against those standards;
- improving the quality and timeliness of superannuation data provided by employers;
- revising interest determinations for the calculation of benefits in line with advances made by ComSuper in benefit processing and payment; and
- tightening procedures and documentation related to the calculation and payment of benefits.

Key findings

Performance management and outcomes

17. In preparation for its establishment as a business unit, ComSuper developed capital structure measures and return on equity targets; determined the impact of competitive neutrality principles on costs and prices; developed pricing options, redeveloped asset valuation and depreciation policies; and developed a suitable internal training program. ComSuper sought appropriate expertise to review its activity based costing system in 1997 and 1998. An important outcome of this process was a comprehensive modelling of costs and various pricing options, and the development of a detailed billing and revenue collection process.

18. ComSuper reports its effectiveness as a provider of superannuation services against the standards specified in its service level agreement with the Boards of Trustees. At close of fieldwork performance was monitored monthly and reviewed annually. In May 2002, the Boards advised ANAO that performance is now reported and reviewed bi-monthly. ComSuper has developed a comprehensive set of standards in regard to the timeliness of providing a range of services. However, there remains scope to improve the coverage and specificity of standards relating to the accuracy or quality of ComSuper services. For example, standards of accuracy need to be established with regard to the recording of member information and the processing of benefits. Similarly, communications to members, preservers, and pensioners are subject to rigorous standards regarding timeliness, but lack standards that would

enable an assessment of their quality. ComSuper advised ANAO that it considered that there was scope for improving the specificity and coverage of service standards, and the Board of Trustees approved in February 2002 the inclusion of recommended additional service standards.

19. During 2000, all but nine of 40 specific service standards were met. Of the nine standards not met, four were narrowly outside the prescribed standard. ComSuper thoroughly investigated and reported the outcomes for eight of these nine unmet standards. A further 11 general standards were not specifically reported in the year 2000 annual review, although three were reported in the monthly Administrator's Reports to the Boards. ANAO considers that it is desirable to report performance against all service level standards in the context of the annual review.

20. ANAO considers that service standards and reporting could be improved with regard to the collection, banking and recording of remittances. Also the performance standard relating to the payment of the annual pension increase was met with respect to timeliness, but could be improved by having regard to accuracy. ComSuper incorrectly applied the annual Consumer Price Index (CPI) adjustment, which took effect from the first pension pay day in July 2000, to 850 pensions, involving a total overpayment of \$7600. The increase should have been made on a pro-rata basis for the amount of time in the previous year the pension was paid. However a subset of pensioners comprising members who had previously deferred their benefits, were given the full year's indexation. ComSuper subsequently discovered the error, but decided not to recover the amounts overpaid. Most of the pensions in question were adjusted to their correct levels after one pay. While the CPI increase was correctly applied to most pensions, exceptions such as this need to be reported to the Boards, and a standard for accuracy developed.

Contributions and data collection

21. Contributions collection, which amounted to \$1.55 billion in 2000–01, is generally effective, with ComSuper receiving an estimated 98% of contributions within two working days of the due date. Most employers remit contributions by direct credit. ComSuper applies penalty interest provisions when an agency is systematically late with remittances payable to the Funds, which promotes employer compliance.

22. Daily reconciliations are carried out between moneys received and banked. ComSuper uses the moneys received in any one day to offset benefit payments due to be paid out the next day, minimising the amounts needing to be drawn down from the Funds by the investment managers. Nevertheless, reconciliations

were not undertaken in respect of employer productivity contributions, and employer liability payments at close of audit fieldwork. Underpayment of member and productivity contributions results in a shortfall of the funds available for investment. In particular, underpayment of employer productivity contributions results in a shortfall in the CSS and PSS Funds when a member exits, which is not repaid to the Funds by the employer. ComSuper advised ANAO that productivity contributions are now being reconciled monthly, and that it had undertaken a number of reconciliations this financial year for employer productivity payments and considers that all money due has been received.

23. For each fortnightly pay cycle, employers are expected to submit to ComSuper details of contributions remitted for, or on behalf of, individual members, and any changes to their employment details. This data forms the basis of both the accumulation and the defined benefit entitlements of the CSS and PSS schemes. Unlike the penalty provisions applying to the late remittance of contributions, there are no effective incentives in place for employers to provide timely data. As a result, some 30% of employers fail to provide employment details data within 10 days of each payday. In the past ComSuper has experienced delays from some employers not providing compliant data for over 12 months. ComSuper advised ANAO that most recent payroll transitions have been much more controlled than in the past. The lack of timeliness and completeness in employer data provision has impacted adversely on benefits processing. On average, over 30% of benefit applications cannot be processed immediately, either because the member record is incomplete, or it requires manual processing.

24. Strategic measures to monitor and promote data quality have been directed at errors that can be detected by computer procedures, but the overall accuracy of employer data has not been formally assessed. The incidence of diagnostic reports is high. In 2000–01, ComSuper did not undertake further investigation of 76% of the diagnostic reports that were automatically generated by its computer system. An appropriate accountability mechanism would prevent data errors at their source, improve the administrative efficiency of the schemes, and enhance the integrity of the database used to process superannuation benefits.

25. Some agencies have payroll arrangements that do not always report critical changes in members' circumstances to ComSuper, such as the commencement of new members, and changes in member contribution rates. ComSuper assessed the incidence of the failure to report new commencements in selected agencies. They found that, for example, up to 45% of new commencements in the Department of Foreign Affairs and Trade (DFAT) were not reported from 1 July 2001 to 1 October 2001. ComSuper also assessed the incidence of the failure to report changes in members' contribution rates, and found that, for example, the

Department of Defence (Defence) did not report up to 81% of these changes in 2000–01. ComSuper advised ANAO that 3.4% of the 19 400 new members had commencement reporting problems (the data was either missing or invalid), and that the problems with respect to Defence and DFAT were not confined to new commencements.

Benefit processing and payment

26. Service standards have been set for the timeliness of benefits processing with regular reporting to the Boards on performance against these standards. Performance reporting over time reveals that ComSuper has consistently exceeded the service standards. As a result of continuous performance improvement, ComSuper proposed to the Boards that the service standards be tightened, which has occurred. ComSuper performance reporting to the Boards indicates that the revised, more rigorous service standards are also being met. However, benefit processing is suspended pending completion or correction of the application and the member's record, and this is not included in the measurement of benefit processing time.

27. In June 2001, some 43% of benefit applications were pending, due to either benefit application problems or problems with the member's record. From 1999–2000 to 2000–01, the average time that benefit applications spent as pending rose from 17.6 days to 30.7 days. ComSuper does not routinely report on how long benefit applications are suspended in the pending category. As over a third of benefit applications on average are suspended at any given time, it would add significantly to overall benefit processing time. ComSuper advised ANAO that, in regard to pending benefit applications, ComSuper's measurement of benefit processing time is consistent with wider industry practice; that there is scope for improving the specificity and coverage of service standards; and that, in its annual effectiveness review in February 2002, it recommended additional service standards to the CSS and PSS Boards.

28. The allowances for extra interest specified in the interest determinations of the Funds do not reflect advances that have been made in the due processing and payment of benefits. ANAO's audit sampling indicated that the average time from approval to payment for lump sum amounts was three to four days whereas the interest determinations allow for 14 days. ANAO analysis revealed that, based on the lowest exit rate applicable during the year (5.9%), reducing the allowance for extra interest to better approximate the actual date of payment (that is, seven days after the benefit is determined) would produce annual financial savings of \$1.6 million (comprising \$1 million to the CSS and PSS Funds, and \$0.6 million to the Consolidated Revenue Fund).

29. The statement of services and standards established between ComSuper and the CSS and PSS Boards require ComSuper to 'process all applications for benefits in a timely manner and in accordance with the CSS and PSS Acts'. However, there are no performance standards set for accuracy in ComSuper's payment of benefits, or reporting to the Boards on the accuracy of benefits processed under the CSS and PSS Acts. ANAO considers that there is merit in ComSuper advising the Boards on appropriate service standards and mechanisms by which ComSuper can measure processing accuracy to facilitate regular performance reporting to the Boards.

30. ANAO's examination of a broadly indicative sample of 44 exits from CSS and PSS found that 42 cases of the sampled exit benefits calculated by ComSuper differed by less than 0.5% of the amount estimated by ANAO in accordance with the relevant legislation or trust deed. Those instances, where ANAO's benefit estimate differed by more than 0.5% from ComSuper's, demonstrated the need to comprehensively investigate diagnostic errors, and establish completeness in procedures for manual processing. ComSuper advised ANAO that it has prepared comprehensive written procedures on all aspects of benefit payments since the beginning of the audit, with an emphasis on the rationale for manual payment of benefits, and it is directing its energies towards correction of diagnostic errors which have a material impact on the accuracy of benefit calculations. ComSuper advised ANAO that it would be recommending new service standards relating to the accuracy of benefit processing, and that the Board of Trustees approved in February 2002 the inclusion of recommended additional service standards.

Agency responses

31. ANAO made six recommendations, all of which were agreed to by ComSuper. ComSuper advised ANAO that it has already implemented, or has in hand, action that addresses the recommendations. Finance advised ANAO that it supports the sentiment of the recommendations, and looks forward to assisting ComSuper, the CSS Board and the PSS Board. The CSS and PSS Boards advised ANAO that they noted the recommendations, and are aware of action being taken by ComSuper in relation to them.

Recommendations

Set out below are ANAO's recommendations arising from this report. Report paragraph references and abbreviated ComSuper responses are included here with more detailed responses shown in the body of the report together with the findings. The ANAO considers that ComSuper should give priority to Recommendations 2 and 4.

**Recommendation
No. 1
para 2.40**

ANAO recommends that ComSuper report performance against all service level standards, and in the context of the annual review of its services to the Boards, with particular reference to exceptions to the service standards.

ComSuper response: Agreed.

**Recommendation
No. 2
para 3.46**

ANAO recommends that ComSuper:

- a) advise the Boards on options to promote employer accountability for the quality and timeliness of data;
- b) introduce a sampling system to provide high level assurance of the integrity of the database;
- c) continue to develop its computer systems to provide agencies with analytical tools for the diagnostic testing of data quality, and advise agencies of the need to perform regular human resource audits to ensure the accuracy of superannuation data; and
- d) work with agencies to undertake a formalised system sign off in respect of superannuation data requirements when agencies implement material changes to their payroll systems.

ComSuper response: Agreed.

**Recommendation
No. 3
para 4.19**

ANAO recommends that ComSuper review its reporting in regard to duration of time that benefit applications are suspended in the pending category.

ComSuper response: Agreed.

**Recommendation
No. 4
para 4.34**

ANAO recommends that ComSuper advise the Boards of the potential savings from revising the determinations that govern the calculation of interest on expected payment delays.

ComSuper response: Agreed.

**Recommendation
No. 5
para 4.44**

ANAO recommends that ComSuper:

- a) continue to facilitate mechanisms by which it can measure processing accuracy and regular performance reporting to the Boards; and
- b) review its procedures for investigating diagnostic errors, having regard to the need to follow up diagnostic errors which may relate to benefits that have already been paid.

ComSuper response: Agreed.

**Recommendation
No. 6
para 4.60**

ANAO recommends that, to improve effectiveness and reduce the risk of manual processing error, ComSuper review its procedures for the formal documentation and maintenance of manual processing of benefits, with specific reference to the complexity and range of calculations involved.

ComSuper response: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter discusses the background to the administration of Commonwealth civilian superannuation benefits, and the audit approach.

Background

1.1 The Commonwealth Superannuation Administration (ComSuper) administers the principal occupational superannuation schemes for Commonwealth civilian employees and defence force members.¹ ComSuper administers these schemes under delegated authority from the various Boards of Trustees, and the Defence Force Retirement and Death Benefits (DFRDB) Authority. In 2000–01, ComSuper employed around 360 permanent and temporary staff and generated total revenue from ordinary activities of \$42 million.

1.2 ComSuper administers the following superannuation schemes:

- the closed Commonwealth Superannuation Scheme (CSS);
- the Public Sector Superannuation Scheme (PSS);
- the closed Defence Forces Retirement Benefits Scheme (DFRB);
- the closed Defence Force Retirement and Death Benefits Scheme (DFRDB);
- the Military Superannuation and Benefits Scheme (MSBS);
- the superseded *Superannuation Act 1922* scheme; and
- certain closed Papua New Guinea (PNG) superannuation schemes.

1.3 ComSuper is not a legal entity in its own right—it comprises the Commissioner for Superannuation and Chief Executive Officer ComSuper, who is a statutory office-holder appointed by the Minister for Finance and Administration under the *Superannuation Act 1976* (the CSS Act). The Commissioner has the responsibility and powers of a chief executive officer for

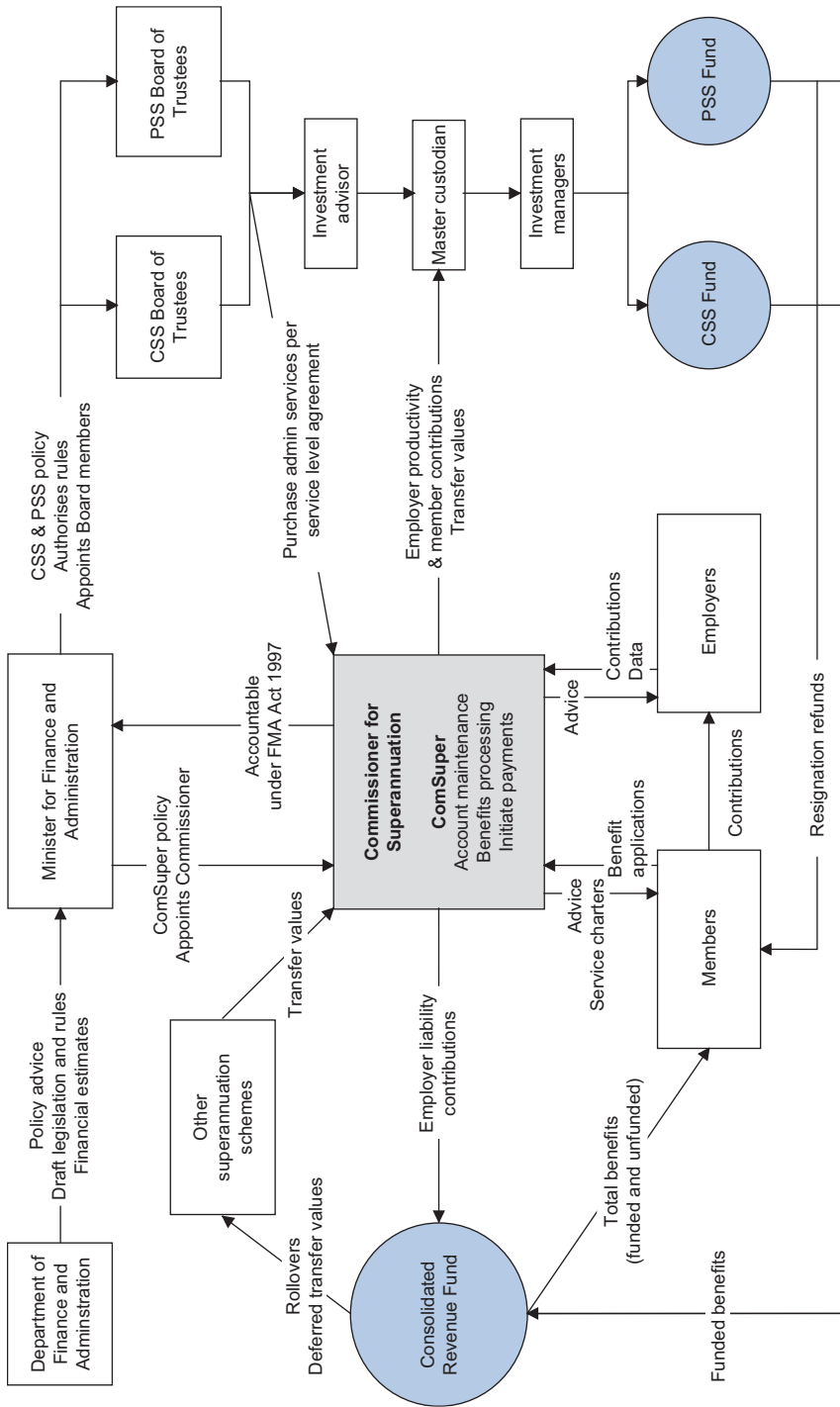
¹ ComSuper provides the following services for or in respect of the schemes that it administers: collection and recording of member and employer contributions; collection and recording of members' employment details; maintenance of member and employer accounts; assessment and payment of benefits; processing transfer payments in and out of the schemes; administration of entry and medical provisions; member communications and advice (including annual statements, benefit estimates, superannuation surcharge debt, and pensioner information); supplying actuarial data for the assessment of employer liability, agency contribution rates and whole of scheme unfunded liability; Secretariat services to the CSS and PSS Boards of Trustees, the DFRDB Authority and the MSBS Board; fund accounting services for the CSS, PSS and the MSBS; billing and revenue collection from employers on behalf of the CSS and PSS Boards; reconsideration of decisions by CSS, PSS and MSBS Boards of Trustees or the DFRDB Authority or its delegates; and responding to complaints under the SIS Act, and representations by members of Parliament and the Ombudsman.

the purposes of the staffing and administration of ComSuper. Collectively, ComSuper is a 'prescribed agency' under section 5 of the *Financial Management and Accountability Act 1997*.

1.4 The CSS and the PSS are the major civilian schemes for Commonwealth public servants covering, as at 30 June 2001, a total of some 364 000 members and holding just over \$10 billion in members' funds. The most recent actuarial valuation of the total liability for accrued benefits for the CSS and PSS schemes was \$55 billion as at 30 June 1999. The CSS is closed to new members. The Government had also intended to close the PSS to new members. The PSS is currently open to all new APS employees.

1.5 Member contributions and employer productivity contributions are paid to ComSuper and transferred to the CSS or the PSS Funds, where they are invested. Employer liability contributions are also paid to ComSuper, but these amounts are paid to the Consolidated Revenue Fund (CRF). The latter are not contributions in the normal sense because at no stage do they form part of the moneys of the Fund, nor are they invested elsewhere to fund future benefits. They are payments to the CRF that notionally identify the accruing employer liability for the Schemes (that is, the estimated amount that would be required for investment now, to fund estimated defined benefits in the future). Commercial and non-Commonwealth entities with CSS or PSS members have made these payments for many years. More recently, these arrangements were introduced in budget funded agencies so that the full costs of employment could be identified on an accrual basis, and to provide agencies with an incentive to manage these costs. Financial flows and the key stakeholder relationships are outlined in Figure 1.1.

Figure 1.1
Commonwealth Superannuation Stakeholder Relationships



Source: ANAO analysis of agency information

1.6 The CSS and PSS Boards of Trustees, appointed by the Minister for Finance and Administration, are accountable for the administration of the CSS and PSS schemes respectively, under the prudential requirements of the *Superannuation Industry (Supervision) Act 1993* (the SIS Act) and associated legislation. The Commissioner for Superannuation is responsible for the provision of administrative services to the Boards under the CSS and PSS Acts. The Boards have purchased services from ComSuper since July 1998, when a new commercial framework for ComSuper's operations was introduced.

1.7 The national superannuation framework is governed by the SIS Act (which sets national prudential standards);² the *Superannuation Guarantee Charge Act 1992* (SGCA Act) and the *Superannuation Guarantee (Administration) Act 1992* (SGCAA Act) (which set minimum standards for superannuation cover); the *Income Tax Assessment Act 1936 (Cwlth)* (ITAA) and the *Superannuation Contributions Tax Imposition Act 1997* (which govern the various aspects of superannuation taxation).

1.8 In recent years changes to the national superannuation and taxation framework have had significant impact on ComSuper's operations. These changes include the introduction of compulsory preservation requirements,³

² The Commonwealth has no direct constitutional power over superannuation funds, and the framework applies only to those funds that elect to become regulated under the SIS regime. Two major incentives for electing to be a regulated fund are to obtain concessional tax status, and to qualify for Superannuation Guarantee contributions. The Australian Prudential Regulatory Authority (APRA) is the Commonwealth agency responsible for supervising regulated superannuation funds. A key principle of the SIS regime is that trustees have primary responsibility for managing their superannuation funds. While trustees may appoint administrators or fund managers, they are ultimately accountable for fund management. The SIS regime aims to ensure that funds are managed prudently and used for retirement purposes, through mandatory requirements across a broad range of superannuation matters. Prior to 1990, public sector superannuation schemes were not required to comply with the regulatory framework for the superannuation industry. From 1 July 1990 the *Occupational Superannuation Standards Act 1989* and Regulations were amended to apply to all public sector schemes, including those administered by the Retirement Benefits Office (ComSuper's predecessor). On 29 June 1995, the CSS and PSS Boards of Trustees elected for the CSS and PSS to become regulated funds under the SIS Act. The CSS and PSS legislation was amended to enable the schemes to comply with the SIS regime. Consequently the administration of the schemes was revised to bring it into line with SIS rules and regulations.

³ From 1 July 1999, all future superannuation contributions (including member contributions) and earnings were required to be preserved until preservation age. Transitional arrangements provide that the greater of the member's undeducted contributions and their resignation/retrenchment benefits as at 1 July 1999, are not required to be preserved. The preservation age for persons born: after 30 June 1960 was increased to 56; between 30 June 1960 and 30 June 1964 increases incrementally to 60; and before 1 July 1960 remains at 55.

changes to the administration of the early release of benefits,⁴ the application of superannuation guarantee minimum standards to the schemes,⁵ changes to the taxation of contributions, fund earnings and eligible termination payments, and the introduction of the superannuation surcharge. The implementation of these changes in partly unfunded defined benefit schemes, as the CSS and PSS are, is more technically complex than in accumulation schemes.

1.9 The Commonwealth employment framework has changed substantially in recent years. The service-wide remuneration structure, with uniform pay scales, has been abolished. Remuneration arrangements have been devolved to agencies, giving rise to different pay scales for the various classifications increasing the need to clearly determine what constitutes salary for superannuation purposes⁶ and affecting ComSuper's capacity to identify invalid agency data.

1.10 In some agencies the outsourcing of corporate services has presented additional challenges, because of the loss of personnel staff with specialist knowledge of CSS and PSS requirements. ComSuper has developed a range of strategies to address these problems, including redeploying some of its resources to agency staff training. Further, the large number of APS redundancies in the late 1990s has also produced significant variability in the benefit processing workload.

⁴ The Treasurer's Statement in the 1997 Budget on 13 May 1997 announced changes in the rules regulating early access to preserved benefits on the ground of severe financial hardship and compassionate grounds. The approval power for early release on hardship was transferred from the Insurance and Superannuation Commission to scheme Trustees. It was also announced that early access could no longer be obtained on the grounds of permanent relocation overseas. These changes were given effect by changes to the Superannuation Industry (Supervision) Regulations by Statutory Rule 1997, No 152 dated 26 June 1997. The new provisions applied to all applications received after 1 July 1997. Essentially to claim hardship, the member must have been in receipt of a specified Commonwealth income support for a period of either 12 months continuously if under age 55 or nine months cumulatively if age 55 years or more. On 17 November 1997, the Government announced that the rules governing early access to preserved superannuation benefits would be modified. Changes to the early release provisions on the grounds of financial hardship were amended to: reduce the eligibility threshold from 12 to six months for receipt of Commonwealth income support payments; require applicants to satisfy Trustees that they are unable to meet reasonable and immediate family living expenses; and reduce the maximum annual amount released for those under 55 years, 39 weeks to \$10 000. Amendments to SIS Regulations to give rise to these changes were effected from 9 December 1997 (Statutory rule 1997/343).

⁵ The Superannuation Guarantee Scheme, introduced on 1 July 1992, is a system for providing a compulsory minimum level of superannuation cover for Australian workers. The relevant legislation is the SGCA Act and the SGCAA Act. Two main features of the system are that employers must contribute a minimum percentage of each employee's salary up to an indexed maximum salary level; and that employer contributions must be fully vested in the employee immediately and fully preserved from 1 July 1994. In the past, certain CSS benefit options involved taking member contributions and interest only, and foregoing the employer component of the benefit (as in the case of resignation). Following the introduction of the Superannuation Guarantee Scheme, the CSS benefit structure was modified to ensure the CSS complied with SG minimum requirements, by compulsory preservation or roll over of a Superannuation Guarantee 'top-up' benefit, equal to the minimum employer benefit required under the Superannuation Guarantee scheme.

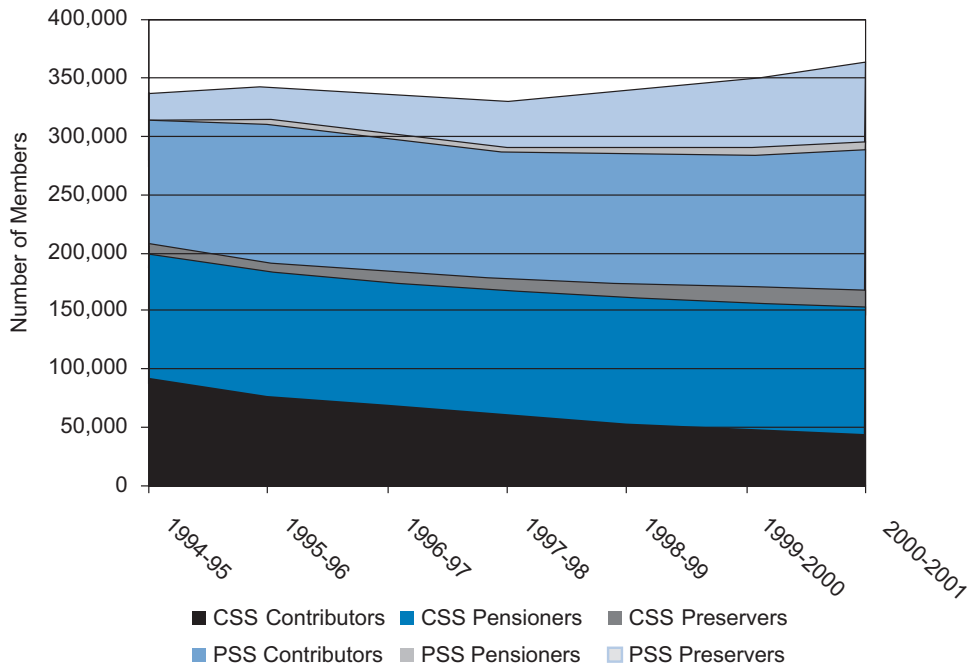
⁶ The CSS and PSS pensions are usually calculated from the final salary or average salary. The correct salary information is crucial to accurate benefits processing.

1.11 The system for contributions and data collection has also changed. In the past most agencies and departments used the Department of Finance and Administration (Finance) central payroll system to deduct contributions and provide members' data to ComSuper. In the late 1990s, the partially re-developed system was outsourced; a new user charging regime was introduced; and agencies were untied from using the central system. They were given the options of continuing with the new provider, adopting an off-the-shelf system, or developing their own in-house system. The fragmentation of the payroll system greatly impacted on the quality and timeliness of data agencies provided to ComSuper.

1.12 Membership of the CSS is provided for by the *Superannuation Act 1976*. All contributing members under the superseded Act (*Superannuation Act 1922*) retained membership of the CSS. The CSS was closed to new members from 1 July 1990 with the establishment of the PSS under the *Superannuation Act 1990*. Existing contributing CSS members were offered the choice to transfer to the PSS from 1 July 1990 to 30 June 1991, and again from 1 March 1996 to 31 August 1996. The PSS currently remains open to new members.

Civilian scheme trends

1.13 Some indication of CSS and PSS operational requirements may be obtained by reviewing trends in membership, the annual number of exits from the schemes, the value of contributions collected, and the value of benefits paid. The total membership for both schemes as at 30 June 2001 was 363 581 people, including contributors, pensioners, and those who preserve their benefits (preservers). From 1994–95 to 2000–01, the total membership was fairly stable, increasing by 8% overall during the period (see Figure 1.2). In this period the composition of the membership changed, with contributors falling by 18%, pensioners increasing by 11%, and preservers increasing by 166%.

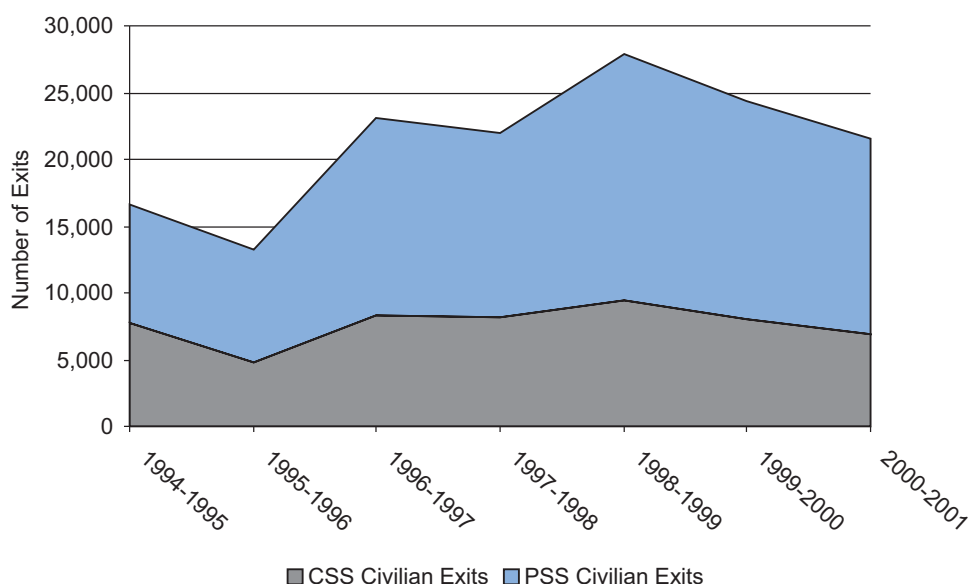
Figure 1.2**CSS and PSS Membership: Contributors, Pensioners & Preservers
1994–95 to 2000–01**

Source: ComSuper data

1.14 The total number of exits in 2000–01 for both schemes was 21 514 people, as outlined in Figure 1.3. In general, a scheme exit occurs when a member ceases APS employment, and either takes or preserves a benefit. Depending on his or her personal circumstances, a member may opt for an immediate benefit, or preserve the whole benefit, or take part of the benefit and preserve the remainder. When a member preserves his or her entire benefit, there is initially less work required by ComSuper than when a benefit is paid. Notwithstanding the varying complexity of different exit options, all scheme exits generate a ComSuper processing transaction, which is a broad indication of workload.

Figure 1.3

CSS and PSS Annual Exits 1994–95 to 2000–01



Source: ComSuper data

1.15 Between 1994–95 and 2000–01 the annual number of exits from both schemes increased by 29% overall, with large variations between years. For example, from 1994–95 to 1995–96 the number of exits fell by 20%, but in the following year, rose by 73%. Such variability in processing volumes presents a significant challenge to the effective management of service delivery by ComSuper.

1.16 The total value of all contributions collected by ComSuper in 2000–01 was \$1549 million (rising from \$1475 million in the previous year). This comprises a ‘funded’ component of \$667 million, which is invested; and an ‘unfunded’ employer component of \$882 million, which is paid to the CRF. The funded component comprises member contributions, and employer productivity contributions, which are invested in the CSS and PSS Funds.

1.17 From 1994–95 to 2000–01, the total value of funded CSS and PSS contributions collected by ComSuper increased by 17%. During this period, the fall in CSS contributions was more than offset by the rise in PSS contributions. Each pay period agencies are required to make bulk contribution payments to ComSuper. These amounts must be accurately allocated to individual member accounts to enable the correct calculation of benefits.

1.18 The total value of CSS and PSS benefits processed and paid by ComSuper in 2000–01 was \$2909 million (falling from \$3106 million in the previous year). This includes both lump sums and pension payments for the year. From

1994–95 to 2000–01, the total value of CSS and PSS benefits paid annually by ComSuper increased overall by 14%. There were large variations between those years, ranging from an increase of 36% in 1996–97, to a fall of 11% in 1999–2000. These variations generally reflect the number of APS redundancies occurring within the relevant year, which have the potential to generate substantial lump sum benefit payments.

Audit approach

1.19 The objective of the performance audit was to review the administrative effectiveness of ComSuper in providing benefits to members of CSS and PSS. In particular the audit sought to assess the effectiveness of ComSuper’s performance in regard to the establishment of new purchaser/provider arrangements; the integrity of the ComSuper databases for the payment of CSS and PSS benefits; and the accuracy and effectiveness of benefit processing and payment for resignation, retirement and retrenchment. The scope of this audit covers the overall management of CSS and PSS superannuation benefits to members.

1.20 Audit fieldwork was conducted in ComSuper from August 2000 to March 2001, and in the Department of Finance and Administration from June 2001 to November 2001. The fieldwork included the review of ComSuper records and discussion with staff, the review of Finance records, discussion with stakeholders, and sampling of individual beneficiaries’ data to assess the accuracy of benefits processing. ANAO engaged the Australian Government Actuary to provide advice on technical issues. ANAO provided three issues papers to ComSuper between August 2001 and November 2001, and a discussion paper in December 2001. A further revised issues paper was provided in March 2002. The draft Section 19 Report, or relevant extracts, were issued in April 2002 to relevant entities.

1.21 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of \$290 000.

2. Purchaser-Provider Arrangements

This chapter discusses the introduction of purchaser-provider arrangements to the administration of Commonwealth superannuation schemes.

Background

2.1 Under the current prudential regime for superannuation established by the SIS Act, the CSS and PSS Boards of Trustees are responsible for the administration of the CSS and PSS respectively. The Boards have certain powers of policy formation (including investment), invalidity assessment and reconsideration of decisions made by ComSuper. However, the Minister for Finance and Administration and his department are responsible for superannuation policy for Commonwealth employees, and for administering the superannuation legislation.⁷ Any changes to the CSS or PSS must be made by legislation or by delegated legislation such as regulations or determinations. Amendments to the PSS can be made by changes to the Trust Deed or Rules under the PSS Act and generally would require the agreement of the PSS Board. PSS Rule changes are subject to Parliamentary disallowance.

2.2 In September 1997, the then Minister for Finance and Administration announced proposed new superannuation arrangements for Commonwealth civilian employees. It was planned to close the PSS to new members, and give existing CSS and PSS members the choice of continuing with their existing arrangements, or moving to another fund or retirement savings account. Subsequently, the Minister announced that the CSS Board and PSS Board would be amalgamated into a single Board, the new Commonwealth Superannuation (CS) Board.⁸ The statutory office of the Commissioner for Superannuation would be abolished, and residual functions transferred to the new CS Board. The new Board would charge employers for superannuation services, on a full cost recovery basis.⁹ For the first three years the Board would be tied to purchasing administration services from ComSuper, and after that, provision of superannuation administration services would become fully contestable. ComSuper would be set up as a business unit operating under the *Financial Management and Accountability Act* (FMA Act) to facilitate its commercialisation.

2.3 The Bills giving effect to these changes were not passed by the Senate in 2001. However, administrative arrangements were put in place between the Boards of Trustees and ComSuper to implement the proposed changes as far as

⁷ Under the current Administrative Arrangement Order 26 November 2001.

⁸ Ministerial press release 20 November 1997.

⁹ Excluding the costs of managing investments, which are recovered directly from the Funds.

possible, while satisfying existing legal requirements. Consequently, a purchaser/provider framework for the provision of Commonwealth superannuation administration services was implemented as part of the 1998–99 Budget process.

Financial management

2.4 Prior to 1998–99, ComSuper operated largely as a budget funded agency, receiving around \$33 million for running costs in the 1997–98 budget. From 1 July 1998 ComSuper was established as a self-funded business unit under FMA arrangements. Its annual operating budget was devolved to Budget funded agencies, including Finance and Defence. Budget funded agencies assumed financial responsibility for current CSS and PSS contributors, and any members becoming pensioners or preserved benefit members from that date. Finance assumed financial responsibility for existing pensioner and preserved benefit members in the CSS and PSS; and Defence assumed financial responsibility for all members of the military schemes. Since then, ComSuper’s activities have been funded entirely through direct charges for services.¹⁰

2.5 ComSuper had been progressively moving to more commercialised operations. Since 1989, the Retirement Benefits Office (ComSuper’s predecessor) was required to charge off-Budget agencies and non-Commonwealth entities for superannuation services.¹¹ In 1993, it undertook a mapping of its functions, and a resource allocation survey for the purpose of developing an activity based costing system.¹² ComSuper thereafter conducted annual staff resource allocation surveys to determine its cost structure.

2.6 With the increase in APS redundancies in 1997–98, demand for ComSuper services, including the provision of benefit estimates and benefit processing, exceeded its budgeted resources. Finance agreed to ComSuper charging employers for additional costs generated by agency downsizing programs. The Government also decided that the costs incurred by ComSuper in implementing the superannuation surcharge arrangements would be met by charging employers.

2.7 ComSuper commissioned two independent reviews of its activity based costing system in 1997 and 1998. The purpose of the second review, inter alia,

¹⁰ In the absence of the new legislation, the current provisions of the CSS and PSS Acts continue to apply. Those Acts do not allow the Boards to hold moneys (other those related to the management and investment of the Funds) in their own right, and the Commissioner for Superannuation is required to bring to account all transactions related to the receipt of revenue from user charging.

¹¹ The charging under that arrangement reflected only the individual employer’s proportional share of ComSuper’s annual budget. Employer charges were not retained by ComSuper to fund its operations, but paid directly into Consolidated Revenue on receipt.

¹² Until 1997 ComSuper’s activity based costing system was used for benchmarking purposes.

was to ensure that the system was capable of identifying the costs and services that apply specifically to each of the schemes administered, and to each client type within each scheme. Following the adoption of changes recommended by the second review, the accounting consultants provided a written assurance that the activity based costing system provided a realistic representation of ComSuper's cost structure, and accordingly, was an appropriate basis for ComSuper's pricing decisions.¹³

2.8 In preparation for its establishment as a business unit, ComSuper developed capital structure measures and return on equity targets; determined the impact of competitive neutrality principles on costs and prices; developed pricing options, redeveloped asset valuation and depreciation policies; and developed a suitable internal training program.

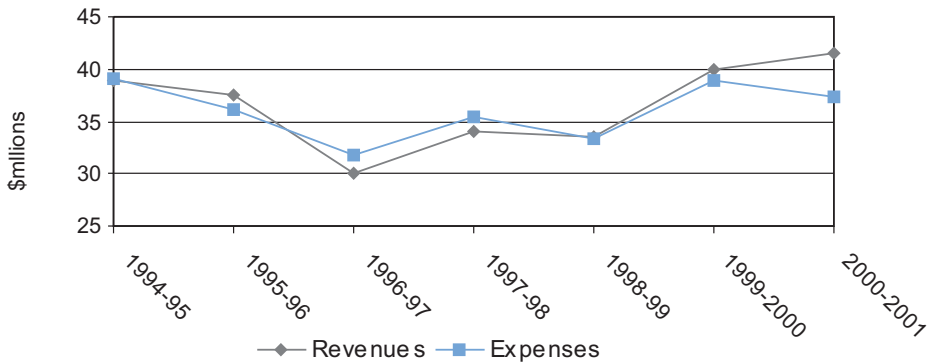
2.9 An important outcome of this process was a comprehensive modelling of costs and various pricing options, and the development of a detailed billing and revenue collection process. In May 1998, ComSuper submitted to the Boards of Trustees a proposal for the pricing of service delivery for 1998–99, including a revised service level agreement.¹⁴ The proposal was for differentiated annual fees to be levied on contributors, preservers, and pensioners respectively, and also a separate fee for processing benefit applications. From 1 July 1998, ComSuper implemented this system, acting as billing and collecting agent for the Boards in respect of charges to employers, including Finance and the Department of Defence. From the following year, the Government's competitive neutrality principles were applied to ComSuper's cost base in actual rather than notional form.

2.10 ComSuper's actual revenues and expenses for 1994–95 to 2000–01 are outlined in Figure 2.1. Total expenses fell from \$39.0 million in 1994–95, to \$37.3 million in 2000–01, a reduction of some \$1.7 million, or 4%, over six years. Over the same period, CSS and PSS exits¹⁵ rose from 16 632 exits in 1994–95, to 21 514 in 2000–01, an increase of 29%. Since the introduction of purchaser/provider arrangements, the ratio of expenses to revenues has improved, with the ComSuper budget producing a small surplus for the last two years. Generally, this outcome indicates that ComSuper's development of its activity based costing model has been effective in regard to budgeting for total revenues and expenses. ANAO considers that ComSuper's development and refinement of its costing model, together with prudent financial management, have been advantageous to the successful transition to purchaser/provider arrangements for superannuation administration.

¹³ To enable the CSS, PSS and MSBS Boards to meet their SIS reporting requirements, ComSuper had to clearly identify the number of scheme members.

¹⁴ The first service level agreement was established in May 1995.

¹⁵ Scheme exits are a broad indicator of agency activity levels.

Figure 2.1**ComSuper Revenues and Expenses 1994–95 to 2000–01**

Source: ANAO analysis of ComSuper data

2.11 In the first year of business operations, ComSuper billed 169 employers (see Figure 2.2). Financial incentives were offered to employers who paid either for the full year in advance, or the first quarter in advance, which resulted in prompt payment. This strategy aided the management of cash flow in the early transition from budget funding to full cost recovery.

2.12 From 30 June 1999 to 30 June 2001, amounts receivable at the end of the financial year increased by three-quarters. ComSuper advised that the reason for the increase was twofold. At 30 June 2001, ComSuper had accrued \$0.63 million in GST input tax credits and a further \$0.72 million in exit fees that had not been billed to any agency. In 2000, the frequency of billing for exit charges was brought into line with the billing for general administration and moved from monthly to quarterly. The above two items represented 80% of total accrued revenue/receivables as at 30 June 2001.

Figure 2.2**Employer Charging: 1998–99 to 2000–01**

	1998–1999	1999–2000	2000–2001
Number of entities	169	160	158
Total billings	\$32.8 million	\$37.2 million	\$38.9 million
Receivables at year end	\$0.9 million	\$1.1 million	\$1.6 million
CSS/PSS contributor fee*	\$70	\$86	\$85
CSS/PSS preserver fee*	\$50	\$57	\$56
CSS/PSS pensioner fee*	\$45	\$57	\$56.50
CSS/PSS exit fee*	\$150	\$180	\$179

Note: * Fees relate to ComSuper component only, and do not include Board component. A different scale of fees applies to the military schemes. Fees listed above include discount for early payment.

Source: ComSuper data

2.13 In the second year of the employer charging arrangements, the exit fee, which had previously been levied at the time the benefit application was processed, was instead levied when the member ceased agency employment. From an agency point of view, it is easier to account for billing when members cease employment, rather than when they apply to have their benefit paid which, in the case of preservers, may be several years later.

2.14 From a ComSuper budgeting perspective, the variable cost of processing benefit applications is incurred when the benefit application is made, which, for preservers, may be long after ceasing employment. Consequently, part of the revenue in respect of preserver exits is a payment in advance, rather than cost recovery. This revenue will need to be managed carefully to ensure that future processing of preserved benefits is adequately resourced.

2.15 ComSuper advised that the main reason for the increase in fees in the second year of business operations was the impact of the introduction of competitive neutrality principles. This required payroll and income and sales tax, as well as a return on assets to the owner to be factored into ComSuper's cost structure. ComSuper was also required to revalue its assets using the deprival valuation methodology. In the third year of business operations ComSuper's fees remained stable.

2.16 Finding: ComSuper commissioned two independent reviews of its activity based costing system in 1997 and 1998. In preparation for its establishment as a business unit, ComSuper developed capital structure measures and return on equity targets; determined the impact of competitive neutrality principles on costs and prices; developed pricing options, redeveloped asset valuation and depreciation policies; and developed an

internal training program. The outcome of this process was a comprehensive modelling of costs and various pricing options, and the development of a detailed billing and revenue collection process.

2.17 ComSuper's total expenses were \$37.3 million in 2000–01, which is \$1.7 million, or 4%, less than in 1994–95. From 1994–95 to 2000–01, CSS and PSS exits increased by 29%. Since the introduction of purchaser/provider arrangements, the ratio of expenses to revenues has improved, with the ComSuper budget producing a small surplus for the last two years. Generally, this outcome indicates that ComSuper's development of its activity based costing model has been effective in regard to budgeting for total revenues and expenses. ANAO considers that ComSuper's development and refinement of its costing model, together with prudent financial management, have been advantageous to the successful transition to purchaser/provider arrangements for superannuation administration.

2.18 From 30 June 1999 to 30 June 2001, amounts receivable at the end of the financial year increased by three-quarters. ComSuper advised that 80% of receivables comprised an accrued \$0.63 million in GST input tax credits, and a further \$0.72 million in exit fees that have not been billed to any agency.

Performance management

2.19 ComSuper's performance outcome is defined as: 'to provide public sector superannuation arrangements which meet the expectations of Trustees, employers and members'.¹⁶ In the purchaser/provider context, ComSuper's effectiveness is measured by annual reports to the Trustees that assess the extent to which agreed service level standards have been met; and client satisfaction surveys conducted by an independent body three times each year. ComSuper also undertakes regular benchmarking exchanges with large defined benefit schemes.

2.20 The first service level agreement for ComSuper to undertake the administration of the schemes on behalf of the Boards of Trustees was established in 1995, and ComSuper has annually reviewed its performance against the specified service standards since 1997. The agreement specifies the services the administrator will provide in respect of contributors, preservers, pensioners, dispute resolution, and provides for formal reporting of performance against the service standards. ComSuper has also reported its performance against the standards to every meeting of the Boards since January 1998.

¹⁶ Portfolio Budget Statements 2000-2001 Finance and Administration Portfolio p. 157.

2.21 ComSuper is required to submit a three-year business plan on the management and operation of ComSuper annually to the Minister for Finance and Administration. ComSuper has produced a business plan each year since 1999. The business plan forecasts the Schemes' membership, outlines ComSuper's business strategies, and projected financial performance, including operating revenues and expenses. ComSuper's commercial operations are regulated by the superannuation legislation, and the exercise of delegated authority from the Boards. The achievement of business plan forecasts, including the return on equity targets, is reported annually.

2.22 Aspects of ComSuper's performance are also monitored and reviewed through an internal audit and risk management program; the Commissioner for Superannuation Annual Report; the CSS Boards Annual Report, the PSS Board Annual Report and the Portfolio Budget Statement.

Performance standards

2.23 The current service level standards are outlined in Figure 2.3. ComSuper regularly undertakes formal review of its standards, as part of the annual review of its services to the Boards. Reflecting improved performance outcomes, ComSuper recommended raising seven standards in the 1998 Review; raising 15 standards and establishing three new standards in the 1999 Review; and raising six standards and establishing six new standards in the 2000 Review.¹⁷

Figure 2.3

ComSuper Service Level Standards for 2001

SERVICE	STANDARD
1. Contributors	
1.1 Account maintenance	
a) Collection and recording of member information.	An unqualified audit report in respect of the contributions system.
b) Collection, banking, recording, and monitoring of contribution remittances.	Contribution remittances to be deposited into the Boards' bank accounts on the same day as received. Minimise the average daily balance of moneys held in the Boards' bank accounts. Posting of member contributions to ComSAS database to be completed within 10 working days. Monitor timeliness of contribution receipts from major employers to ensure contribution remittances are received by due date. Daily reconciliations will be undertaken to ensure that all moneys received are banked.

¹⁷ Annual Reviews of the Services Provided by ComSuper to the CSS & PSS Boards of Trustees.

	<p>Unallocated money accounts: Entries: All accounts not to exceed 3000; Balance: not to exceed \$3 million.</p>
c) Maintenance of proper accounts and records.	Unqualified audit reports.
d) Employer support.	Effectiveness of relationship with employers will be measured against annual employer surveys and internal surveys of accuracy of data submitted to ComSuper.
1.2 Member communications	<p>Increased knowledge and understanding of the Scheme by members as gauged by surveys.</p> <p>Also, where applicable. ComSuper will provide relevant information within the time frames imposed by SIS and generally speaking will significantly better those times.</p> <p>Where no statutory time frame exists, ComSuper will provide the required information or service as soon as possible but in any event, no later than 20 working days after the request is received.</p> <p>In particular ComSuper will process or respond as:</p> <p>Written enquiries for benefit estimates: 80% in 10 working days; 100% in 20 working days</p> <p>E-mail enquiries/ requests for benefit estimates: 100% in 24 hours</p> <p>Member statements available from website by 8 September</p> <p>Member statements by 15 September</p> <p>Manually generated statements by 31 October</p> <p>Replacement member statements within 10 days of request.</p> <p>Telephone abandoned rate: Overall < 5%; Daily < 3% for 85% of days</p> <p>Telephone average speed of answer</p> <p>Overall < 30 seconds; Daily < 30 seconds for 85% of days.</p> <p>Website changes: Critical updates—1 working day</p> <p>Routine updates—95% in 5 working days</p> <p>>5 working days—reported by Administrator.</p>
1.3 Benefit Payments	
a) Benefit payments	<p>ComSuper will process:</p> <p>Benefit applications: 75% in 10 working days; 95% in 20 working days</p> <p>> 20 working days, reported by the Administrator</p> <p>Average—7.5 working days</p> <p>Consistency—achieve average in at least 9 months.</p>
b) Processing of invalidity claims	<p>Very urgent invalidity claims: 100% in 3 working days</p> <p>All other invalidity claims: 70% in 3 months; 85% in 6 months</p> <p>> 6 months reported by the Administrator.</p>
c) Accounts and records and funding of benefit payments	Immediate availability of funds from Boards' bank accounts to meet benefit payments and unqualified audit reports.

2. Preserved Benefit Members	
2.1 Account maintenance	An unqualified audit report in respect of the system used to maintain preserved benefit member records.
2.2 Member communications	As under Section 1.2.
2.3 Benefit payments	
(a)Benefit payments	ComSuper will process: Preserved benefit applications: 75% in 10 working days; 95% in 20 working days > 20 working days, reported by the Administrator Average–7.5 working days Consistency–achieve average in at least 9 months Early release on hardship grounds: 100% in 10 working days
(b)Processing of invalidity claims	Preserved benefit invalidity claims: 70% in 6 months >6 months, reported by the Administrator
3. Pensioners	
3.1 Account maintenance	An unqualified audit report in respect of the system used to maintain pensioner records.
3.2 Pensioner communication	ComSuper will process or respond to: Annual pension advices and Group Certificates–send out before 1 st pension payday in July each year Written enquiries: 100% in 5 working days Telephone abandoned rate: Overall < 5%; Daily < 3% for 85% of days Telephone average answer speed: Overall < 30 seconds; Daily < 30 seconds for 85% of days.
3.3 Benefit payments	
a) Benefit payments	Reversionary pension commencement: Next available payday. (Subject to eligibility criteria being met and there being no counter claims)
b) Pension Advice/Increase	Annual pension advice or increase: First payday on or after 1 July each year.
c) Accounts and records and funding of benefit payments	Immediate availability of funds from Boards' bank accounts to meet benefit payments and unqualified audit reports.

4. Dispute Resolution	
4.1 Internal review	ComSuper will process: Reconsideration requests: 35% in 6 months; 55% in 9 months; 75% in 12 months > 12 months reported by the Administrator; Average - 10 months. ComSuper will process all negligence claims both objectively and expeditiously.
4.2 External appeals	ComSuper will process all external review cases both objectively and expeditiously.
4.3 Complaints and enquiries	ComSuper will respond: SIS complaints: 90% in 15 working days >15 working days, reported by the Administrator Parliamentarian and Ombudsman representations: Within 30 calendar days Freedom of Information: Within 10 calendar days.
5. Effectiveness Review	
5.1 Annual effectiveness review	An annual effectiveness review will be undertaken jointly with the Board to review the achievement against service standards and the Board's goals and objectives for administration.

Source: ComSuper Statement of Services and Standards to the CSS and PSS Boards February 2001

2.24 ComSuper has developed a comprehensive set of standards in regard to the timeliness of providing a range of services. However, there remains scope to improve the coverage and specificity of standards relating to the accuracy or quality of ComSuper services. For example, standards of accuracy need to be established with regard to the recording of member information and the processing of benefits. Similarly, communications to members, preservers, pensioners are subject to rigorous standards regarding timeliness, but lack standards that would enable an assessment of their quality. Clients are regularly surveyed. However there is no indication of how the information collected can be used to assess their increased knowledge and understanding of the Schemes.¹⁸

2.25 The service standard for account maintenance for contributors, preservers, and pensioners is obtaining an unqualified audit report in respect of the relevant account maintenance system. Specific audits of the account maintenance systems for these groups are not conducted regularly.¹⁹ Moreover, for an audit to assess the effectiveness of account maintenance there needs to be criteria established

¹⁸ See service standard 1.2 in Figure 2.3.

¹⁹ The annual financial statement audit has introduced reconciliations at an aggregate level between amounts credited to contributor accounts and payments into Boards bank accounts; and reconciling member entitlements to net assets of the Funds. No service level standards exist in respect of unexplained differences in these reconciliations.

regarding the accuracy and timeliness of data recorded in member accounts. This level of detail is required for service standards to be used effectively to track changes in performance.

2.26 ANAO has identified some opportunities for improving the specificity and coverage of service standards. The current service level agreement could be strengthened by specifying standards for:

- accuracy and timeliness for the collection and recording of member information;
- quantitative targets for minimising the daily average balance of moneys held in the Boards' bank accounts;
- quantitative limits for non-reconciling amounts between recorded and banked contributions;
- the adequacy of systems, procedures and controls for the maintenance of proper accounts and records, and the frequency of independent audits;
- the assessment of the effectiveness of the relationship with employers;
- the assessment of members' increased knowledge and understanding of the Schemes;
- accuracy and quality of member communications;
- accuracy of processing benefit payments and invalidity claims;
- variations to pensioner accounts;²⁰
- the quality of internal and external review processes in dispute resolution, and handling complaints and enquiries; and
- debt recovery performance.

2.27 Finding: ComSuper reports its effectiveness as a provider of superannuation services against the standards specified in its service level agreement with the Boards of Trustees. At close of field work, performance was monitored monthly and reviewed annually. In May 2002, the Boards advised ANAO that performance is now reported and reviewed bi-monthly. Other forms of performance reporting and assessment undertaken by ComSuper include: client satisfaction surveys conducted by an independent body three times each year; benchmarking exchanges with large defined benefit schemes in Australia and overseas; business plans submitted annually

²⁰ In the year 2000 review, ComSuper reported that the service standard for the maintenance of pensioner accounts and records requires a variation to take effect on the next available payday was met. However, this service standard is not specified in the service level agreement for 2000 or 2001.

to the Minister for Finance and Administration; and the Commissioner for Superannuation's Annual Report.

2.28 ComSuper has developed a comprehensive set of standards in regard to the timeliness of providing a range of services. However, there remains scope to improve the coverage and specificity of standards relating to the accuracy or quality of ComSuper services. For example, standards of accuracy need to be established with regard to the recording of member information and the processing of benefits. Similarly, communications to members, preservers, pensioners are subject to rigorous standards regarding timeliness, but lack standards that would enable an assessment of their quality.

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- accuracy and timeliness for the collection and recording of member information;
- quantitative targets for minimising the daily average balance of moneys held in the Boards' bank accounts;
- quantitative limits for non-reconciling amounts between recorded and banked contributions;
- the adequacy of systems, procedures and controls for the maintenance of proper accounts and records, and the frequency of independent audits;
- the assessment of the effectiveness of the relationship with employers;
- the assessment of members' increased knowledge and understanding of the Schemes;
- accuracy and quality of member communications;
- accuracy of processing benefit payments and invalidity claims;
- variations to pensioner accounts;
- the quality of internal and external review processes in dispute resolution, and handling complaints and enquiries; and
- debt recovery performance.

2.30 ComSuper advised ANAO that it considered that there was scope for improving the specificity and coverage of service standards, and that the Board of Trustees approved in February 2002 the inclusion of recommended additional service standards.

Performance outcomes

2.31 ComSuper's Statement of Services and Standards for the year 2000 contained 39 specific standards and 11 general standards. There was also a further specific standard applying to the allocation of money to member accounts, which was not included in the service level agreement, but which had been scheduled for review pending the rationalisation of accounts. During 2000 all apart from nine of these 40 specific standards were met, as outlined in Figure 2.4.

2.32 Of the nine standards not met, four were narrowly outside the prescribed standard (one on invalidity claims, and three on reconsideration requests); three related to the late issue of members statements (arising from a complete redesign of the statements and annual reports which delayed the entire process); one related to the high daily telephone average speed of answer (due to calls in one particular month being nearly three times the expected volume); and one related to the amount of unallocated money exceeding the standard by over six times (the standard being scheduled for review pending the rationalisation of accounts). The latter standard was significantly lowered for the following year. As part of the review process, ANAO notes that good practice would entail the provision of an explanation as to why the standard was not met, and if, in fact, the standard proves to be inappropriate, a case is made for its modification.

Figure 2.4

Unmet Service Level Standards in 2000

SERVICE	STANDARD	OUTCOME
Member communications.	Daily: less than 30 seconds for 85% of days.	Daily: not met (actual performance not reported).
	Member statements: By 15 September. Manually generated statements: By 31 October. Replacement member statements: Within 10 days of request.	20 September to 9 October. 15 December. Average: 14 days.
Invalidity assessment.	Not very urgent cases: 70% of applications processed in 3 months.	Not very urgent cases: 69% processed within 3 months.
Dispute resolution.	Reconsideration requests: 55% in 9 months; 75% in 12 months. Average processing time: 10 months.	52% in 9 months; 63% in 12 months. 11.5 months.
Unallocated money accounts.	(Existing standard subject to review:) Balance: not to exceed \$200 000.	Balance: \$3.136 million.

Source: ANAO analysis of ComSuper Statement of Services and Standards 2000 and ComSuper Annual Reviews

2.33 Performance against 11 general service standards was not specifically reported in the year 2000 review. These standards are shown in Figure 2.5. Three of these unreported items were reported in the monthly Administrator's Reports to the Boards (minimise the average daily balance of moneys held in the Boards' bank accounts; and immediate availability of funds from Boards' bank accounts to meet benefit payments and unqualified audit reports). For purposes of completeness, it would be desirable to report against all service level standards in the context of the annual review.

Figure 2.5

Unreported Service Level Standards in 2000

SERVICE	STANDARD
1. Contributors	
1.1 Account maintenance	
a) Collection and recording of member information.	An unqualified audit report in respect of the contributions system.
b) Collection, banking, recording, and monitoring of contribution remittances.	Minimise the average daily balance of moneys held in the Boards' bank accounts.
c) Maintenance of proper accounts and records.	Unqualified audit reports.
d) Employer support	Effectiveness of relationship with employers will be measured against annual employer surveys and internal surveys of accuracy of data submitted to ComSuper.
1.2 Member communications	Increased knowledge and understanding of the Scheme by members as gauged by surveys.
1.3 Benefit Payments	
c) Accounts and records and funding of benefit payments	Immediate availability of funds from Boards' bank accounts to meet benefit payments and unqualified audit reports.
2. Preserved Benefit Members	
2.1 Account maintenance	An unqualified audit report in respect of the system used to maintain preserved benefit member records.
2.2 Member communications	Increased knowledge and understanding of the Scheme by members as gauged by surveys.
3. Pensioners	
3.1 Account maintenance	An unqualified audit report in respect of the system used to maintain pensioner records.

continued next page

3.3 Benefit payments	
a) Benefit payments	Reversionary pension commencement: Next available payday. (Subject to eligibility criteria being met and there being no counter claims)
c) Accounts and records and funding of benefit payments	Immediate availability of funds from Boards' bank accounts to meet benefit payments and unqualified audit reports.

Source: ANAO analysis of ComSuper Statement of Services and Standards 2000 and ComSuper Annual Review.

2.34 Performance of some services is difficult to assess because of the lack of specificity in some standards, and the need for more comprehensive reporting. For example, one of the service standards for dispute resolution is: 'in relation to claims against the Board, ComSuper undertakes to handle all such matters both objectively and expeditiously'.²¹ The service level agreement does not identify how objectivity will be assessed. Attempting to overcome this deficiency, in the annual review ComSuper identified that the delivery of delegated decision-making: 'can be judged by: a low percentage of contested matters, and a low percentage of decisions overturned on appeal'.²² ComSuper then reported the percentage of contested adverse decisions,²³ but did not report the percentage of adverse decisions overturned at either the internal or external review stage of appeal. A comparison with the percentage outcomes achieved in previous years would also assist in performance assessment.

2.35 A further example, where both the service standard and its reporting could be improved, is in regard to the collection, banking and recording of remittances. The service standard for the banking of remittances is: 'minimise the average daily balance of moneys held in the Boards' bank accounts'.²⁴ The monthly average cash balance of the CSS bank account increased from under \$5 million in December 2000 to over \$25 million in February 2001.²⁵ However, the relevant monthly management report to the CSS and PSS Boards reported that the standard was met. The monthly average cash balance of the PSS bank account rose from under \$8 million in December 2000 to over \$18 million in June 2001.²⁶

²¹ ComSuper Statement of Services and Standards 2000 p. 10.

²² 2000 Review of ComSuper Services to the CSS and PSS Boards p. 25.

²³ The percentage of adverse decisions requesting reconsideration in 2000 was 14% (compared to 8% in 1999).

²⁴ ComSuper Statement of Services and Standards 2000 p. 2.

²⁵ CSS benefit payments from the account were \$37 million in December 2000 and \$39 million in February 2001.

²⁶ PSS benefit payments from the account were \$12 million for December 2000 and \$10 million in June 2001.

That month it was also reported that the standard was met. ANAO considers that a five fold increase in the monthly average balance of the CSS account, and a more than doubling of the monthly average balance of the PSS account, merits further investigation and explanation, and the development of quantitative targets in this regard would facilitate this process.

2.36 ComSuper advised ANAO that:

In 2001, ComSuper, the Boards' Executive and TRM (the Boards' Portfolio Manager) agreed to ComSuper moving to monthly transactions with the Custodian for placements and redemptions. This arrangement was to facilitate liquidity management and reduce transaction fees such as FID. The interest paid by the Reserve Bank on bank account balances by the PSS and CSS Funds is the same as the on-call interest rate paid when monies are held by the Custodian. The CSS and PSS Funds are therefore not disadvantaged by money being held in their bank accounts. This change to the banking arrangements was not reflected in wording of the service standards. This is now being addressed The Board of Trustees approved in February 2002 the inclusion of recommended additional service standards for ComSuper.

2.37 The performance standard relating to the payment of the annual pension increase was met with respect to timeliness, but could be enhanced by having regard to accuracy. ComSuper applied the annual CPI adjustment, which took effect from the first pension pay day in July 2000, to 850 pensions, involving a total overpayment of \$7600. The increase should be made on a pro-rata basis for the amount of time in the previous year the pension was paid (that is, if the pension had been paid for three quarters of the year then the increase should be three quarters of the annual CPI). However, a subset of pensioners comprising members who had previously deferred their benefits, were given the full year's indexation. ComSuper discovered the error, but decided not to recover the amounts overpaid. Most of the pensions in question were adjusted to their correct levels after one pay. ANAO considers that, while the CPI increase was correctly applied to most pensions, exceptions such as this should be reported to the Boards, and a standard for accuracy should be developed. ComSuper advised that the Board of Trustees approved in February 2002 the inclusion of recommended additional service standards for ComSuper.

2.38 Finding: All but nine of 40 specific service standards were met during 2000. Of the nine standards not met, four were narrowly outside the prescribed standard. ComSuper thoroughly investigated and reported the outcomes for eight of these nine unmet standards. A further 11 general standards were not specifically reported in the year 2000 annual review, although three were reported in the monthly Administrator's Reports to the Boards. ANAO considers that it is desirable to report performance against all service level standards in the context of the annual review.

2.39 Performance of some services is difficult to fully assess because of the lack of specificity in some standards, and the need for more comprehensive reporting. ANAO considers that service standards and reporting could be improved with regard to the collection, banking and recording of remittances. Also the performance standard relating to the payment of the annual pension increase was met with respect to timeliness, but could be improved by having regard to accuracy. ComSuper applied the annual CPI adjustment, which took effect from the first pension pay day in July 2000, to 850 pensions, involving a total overpayment of \$7600. The increase should have been made on a pro-rata basis for the amount of time in the previous year the pension was paid. However a subset of pensioners comprising members who had previously deferred their benefits, were given the full year's indexation. ComSuper subsequently discovered the error, but decided not to recover the amounts overpaid. Most of the pensions in question were adjusted to their correct levels after one pay. While the CPI increase was correctly applied to most pensions, exceptions such as this need to be reported to the Boards, and a standard for accuracy developed. ComSuper advised ANAO that the Board of Trustees approved in February 2002 the inclusion of recommended additional service standards for ComSuper.

Recommendation No. 1

2.40 ANAO recommends that ComSuper report performance against all service level standards, and in the context of the annual review of its services to the Boards, with particular reference to exceptions to the service standards.

2.41 *ComSuper response:* Agreed.

2.42 Specific comment by the Boards of Trustees was that: 'the Boards have noted the recommendation. We would mention that the Boards review reports from ComSuper on the performance against service standards on a bi-monthly basis'.

3. Contributions and Data Collection

This chapter discusses CSS and PSS contributions and data collection, and the quality of the data used to assess CSS and PSS benefits.

Background

3.1 The effective collection of both superannuation contributions and data is critical to the operation of the Commonwealth superannuation schemes. The accurate and timely remittance of contributions, and allocation to member accounts, is the basis of the schemes' accumulation benefits. The accurate and timely recording of member data, such as date of birth, commencement and exit dates, salary, hours of work, leave without pay, and periods of broken service, is the basis of the schemes' defined benefits.

3.2 The collection of contributions and data is essential not only to the payment of benefits, but to most ComSuper services, including benefit estimates, annual member statements, superannuation surcharge processing, member and employer advice, Trustees' management information, and billing for services. From a whole-of-government perspective, it is used to assess employers' liabilities and the long-term cost of the unfunded component of the schemes, to prepare the annual financial statements and scheme statistics, and to provide policy advice to government.

3.3 Employers normally calculate and remit superannuation contributions for, and on behalf of, members.²⁷ Employers also authorise the terms and conditions of members' employment (including salary for superannuation purposes, work hours, leave without pay, and commencement and cessation of employment) which determine future entitlements. Were employers not responsible for the quality of data needed to calculate superannuation benefits, the Trustees would, in effect, need to duplicate employer personnel record-keeping functions, substantially increasing the costs of scheme administration.

Contributions collection

3.4 The funded component of the schemes comprises member contributions, employer productivity contributions, additional death and invalidity cover (ADIC) payments,²⁸ interest penalty charges, and transfer values from other

²⁷ Section 50A of the CSS Act and Section 14 of the PSS Act provide for the remittance of member contributions by employers. Section 110H of the CSS Act and Section 15 of the PSS Act require employers to remit productivity contributions for relevant employees.

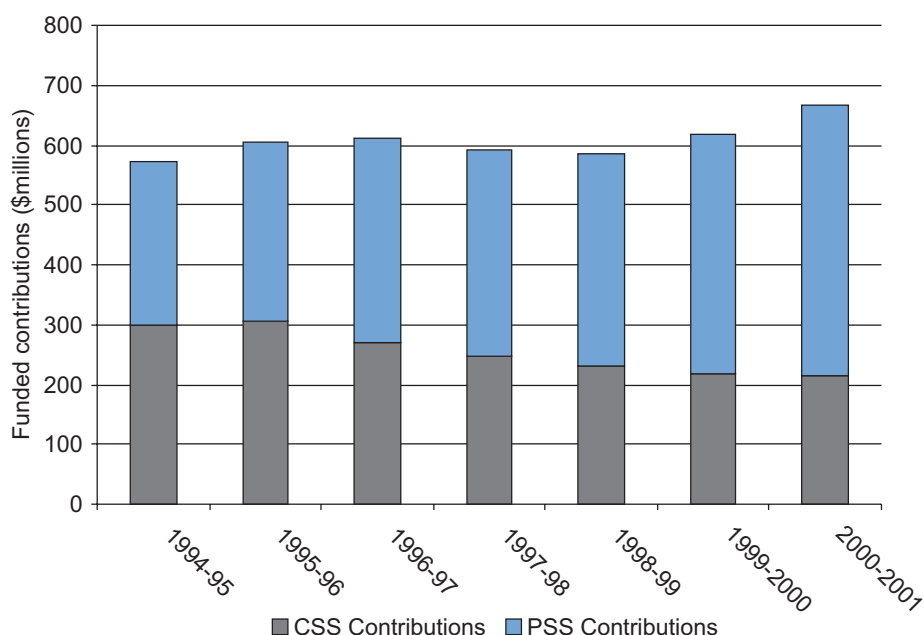
²⁸ ComSuper advised ANAO that ADIC monies (not relevant for the CSS) are paid into the PSS Fund and then paid in aggregate monthly to AXA Group Insurance as the insurer.

schemes, which are paid into either the CSS or PSS Fund Bank Account. These amounts are invested in the CSS and PSS Funds, or they are used to offset benefit payments.²⁹ The unfunded component of the schemes comprises the employer liability contributions, which are paid into the ComSuper Official Administered Receipts Account. These amounts are not invested in the Funds. For budget funded agencies, this payment is in fact an internal transfer within CRF from the agency's departmental account to the ComSuper Administered Receipts Account.

3.5 From 1999–2000 to 2000–01, the total value of all contributions collected by ComSuper rose from \$1432 million to \$1549 million. In 2000–01, total contributions comprised \$667 million paid to the Funds, and employer liability contributions of \$882 million. The funded contributions collected by ComSuper from 1994–95 to 2000–01 are outlined in Figure 3.1.

Figure 3.1

CSS and PSS Funded Contributions 1994–95 to 2000–01



Source: ComSuper data

3.6 ComSuper receives contributions in the form of either cheque payments or electronic funds transfers. In 2001, some 77% of employers, accounting for 97% of fortnightly contributions, paid by direct credit. Employers normally remit member contributions, employer productivity contributions, ADIC payments,

²⁹ In the CSS, benefit payments normally exceed remittances, so funded contributions are no longer invested but used to offset benefit payments.

and employer liability contributions to ComSuper once each fortnightly pay cycle. In rare circumstances, such as leave without pay for approved purposes, members may remit their contributions directly to ComSuper.

3.7 Member contributions for both schemes are usually 5% of salary (the default amount). Members of the CSS may nominate to contribute at any level from 5 to 10% of salary; and PSS members may nominate to contribute at any integral level from 2 to 10% of salary. PSS members also have the option of taking out ADIC cover, a form of insurance available to contributory members. Employer productivity contributions are determined according to an Australian Public Service (APS) wide formula,³⁰ and generally range from 2 to 3% of salary. The determination of employer liability contributions is more complex. An actuarial estimate is made of the accruing superannuation costs for each agency, and the average percentage of agency salaries that would be required for investment to cover these future costs. Based on this estimate, Finance advises each agency of its employer contribution percentage rate, for the CSS and PSS respectively.

3.8 ComSuper also receives two other superannuation-related payments: superannuation transfer values, and member surcharge payments. In certain circumstances, contributory members may elect to transfer amounts accumulated in other superannuation schemes to the CSS or PSS.³¹ Members may also pay surcharge debts direct to ComSuper, instead of having the debt deducted from their final benefit.³² These payments are not classified as contributions, but form part of the moneys collected by ComSuper.

3.9 When ComSuper receives a lump sum cheque payment that includes the employer liability contribution, it is paid into the ComSuper Official Administered Receipts Account where it can be split between the moneys due to the Funds and the moneys due to the Commonwealth. The moneys received in any one day are used to offset benefit payments due to be paid out the next day, thereby minimising the amounts needing to be drawn down from the Funds by the investment managers. ComSuper requests employers to submit the

³⁰ Productivity contributions are based on the member's superannuation salary and are adjusted annually (the formula for 2000–01 is set out below). Some agencies administer their own productivity arrangements and hence do not pay these amounts to ComSuper.

Fortnightly rate of Salary	Fortnightly productivity contribution
Less than \$1203.33	\$36.10
\$1203.33 to less than \$1939.33	3% of superannuation salary
\$1939.33 to less than \$2909.00	\$58.18
\$2909.00 or more	2% of superannuation salary

³¹ Most transfer values are paid in respect of the PSS, as the CSS is closed to new members.

³² ComSuper remits surcharge debt receipts to the ATO on a monthly basis.

Superannuation Remittance Advice (SRA) file on or before the day contributions are paid. The information in the SRA file allows the employer's lump sum payments to ComSuper accounts to be disaggregated. It identifies the agency, the payment date, the scheme, member contributions, employer productivity contributions, ADIC contributions (where applicable), penalty interest charges, and employer liability contributions.

3.10 ComSuper reported to the Trustees that, in 2001, some 98% of contributions were received within two working days of the due date.³³ When an agency is systematically late with remittances to the Funds, penalty interest provisions are applied under the relevant legislation.³⁴ ComSuper advised ANAO that, for 12 weeks in 1999–2000, one agency failed to forward on time to ComSuper the payments for member contributions, productivity contributions, additional cover, and employer liability. ComSuper charged the agency \$75 736 penalty interest accordingly. The total penalty interest receipted for the period from 1 September 1999 to 31 May 2002 was \$122 974 (\$77 844 for PSS and \$45 130 for CSS). During 2000 and 2001, ComSuper banked all moneys on the day of receipt. Receipting occurred on the day of receipt apart from rare cases where the agency did not provide sufficient details to allow receipting to occur, and further investigation by ComSuper was required. Daily reconciliations were carried out between moneys received and banked.

3.11 The accuracy of contributions remitted by employers to ComSuper can be assessed by comparing amounts received with amounts due. The amounts due may be calculated from employer data³⁵ provided to ComSuper. When member contributions are apparently underpaid by more than \$200, members are notified on their annual member statements (see Figure 3.2).³⁶ However, apparent overpayments are not reported to members. They are assumed to be supplementary contributions, irrespective of the member's nominated contribution rate reported by the employer.

3.12 Records with under, or over, paid employer productivity contributions are not systematically identified. At the close of fieldwork, there were no reconciliation procedures in place for them. Any underpayment of employer

³³ At close of fieldwork ComSuper reported on the timeliness of the receipt of contributions to the CSS and PSS Boards of Trustees in the monthly administrators reports. The Boards have since indicated that reporting is now bimonthly.

³⁴ Sections 50A and 110H of the CSS Act for member and productivity contributions respectively; and Sections 14 and 15 of the PSS Act for member and productivity contributions respectively.

³⁵ Member contributions due may be calculated from salary for superannuation purposes, and nominated contribution rate; employer productivity contributions due may be calculated from salary for superannuation purposes, and the relevant productivity formula; employer liability payments due may be calculated from total agency salaries and the nominated employer contribution rate.

³⁶ Shortpayments are also notified to employers on an ongoing basis if identified through data validation and diagnostic correction exercises.

productivity contributions identified during ad hoc correction and data validation of member records is reported to employers for correction. Where the amount is under, or over, paid by less than \$250, no further action is taken if the employer has been paying the correct amount for the previous year. For amounts greater than \$250, if the amount owing is not paid within 28 days a second request is sent. If the payment remains unpaid after another 28 days, ComSuper pursues the matter with the employer, with penalty interest applied. Prior to the introduction of ComSAS (the main ComSuper database and processing system), no information was held at the member level on the amounts of productivity contributions paid. At the commencement of ComSAS, the amount of productivity paid for each member was set to be equal to that due.

3.13 The impact of not collecting all contributions due for payment is that there is a resultant shortfall in the moneys available for investment in the CSS and PSS Funds. Depending on circumstances, members may receive lower benefits than they would otherwise be entitled to, or the Funds make up the shortfall.³⁷

Figure 3.2

Advice to Members of Under/Overpaid Contributions: 1997 to 2000

Contribution type	1997	1998	1999	2000 ³⁸
Underpaid member contributions ³⁹	8 380	5 659	4 912	7 570
Overpaid member contributions ⁴⁰	*	*	*	*
Underpaid employer productivity contributions	*	*	*	*
Overpaid employer productivity contributions	*	*	*	*

*Not reported to members

Source: ANAO analysis of ComSuper data

3.14 ComSuper also does not undertake formal reconciliations for the employer liability payments because Finance is responsible for the management of these payments.⁴¹ The impact of not collecting all employer liability payments is that agencies would not meet their full employment costs. Any shortfall is met from

³⁷ In general, final benefits are based on member contributions paid, and productivity contributions due. Hence a shortfall in member contributions results in a lower benefit, whereas a shortfall in productivity contributions does not reduce the benefit, but the shortfall is paid from Funds. An exception to this is the case of CSS preservation and redundancy benefits, which are based on basic member contributions due, plus interest on contributions paid, and any shortfall is paid by the Funds.

³⁸ ComSuper advised that the jump in identified underpaid member contributions in year 2000 was due to some large agencies dumping a backlog of data in this year.

³⁹ Member contributions underpaid by more than \$200.

⁴⁰ Member contributions in excess of the level of basic contributions are reported as supplementary contributions.

⁴¹ ComSuper has recently introduced a monthly reasonableness check, and provides the reports to Finance.

Consolidated Revenue. ComSuper advised ANAO in May 2002 that employer liability payments are monitored for accuracy by Finance.

3.15 ComSuper advised ANAO in December 2001 that:

ComSuper is currently implementing processes to check on the correctness of EPSC (Employer Productivity Superannuation Contribution) remittances from agencies. These checks will be carried out on a quarterly basis to ensure that agencies are remitting the correct amount of EPSC at agency level. Any remittances outside of tolerances will result in ComSuper undertaking further drill down checks to member level to ascertain the reason for problems, arrange for employers to rectify any problems and remit the required EPSC amounts and apply penalty interest if applicable. ComSuper has already carried out checks in the first payday of 2001–2002 financial year across all employers required to remit EPSC amounts. This process has shown there are no significant problems with any employers in the remittance of EPSC amounts and that the total remittances received by ComSuper for all employers are within 0.15% of EPSC due (out of \$7.5 million due for the payday we received \$11 000 over what was required). In respect of employer liability payments, ComSuper does provide reconciliation reports to the Department of Finance and Administration on a monthly basis and the Department does follow up agencies, which are behind in their payments.

3.16 Finding: In 1999–2000, the total value of all contributions collected by ComSuper was \$1475 million, which rose to \$1549 million in 2000–01. Contributions collection is generally effective, with ComSuper receiving an estimated 98% of contributions within two working days of the due date. Most employers remit contributions by direct credit. ComSuper applies penalty interest provisions when an agency is systematically late with remittances payable to the Funds, which promotes employer compliance.

3.17 Daily reconciliations are carried out between moneys received and banked. ComSuper uses the moneys received in any one day to offset benefit payments due to be paid out the next day, minimising the amounts needing to be drawn down from the Funds by the investment managers. At close of audit fieldwork, reconciliations were not undertaken in respect of employer productivity contributions, and employer liability payments. Underpayment of member and productivity contributions results in a shortfall of the funds available for investment. In particular, underpayment of employer productivity contributions results in a shortfall in the CSS and PSS Funds when a member exits, which is not repaid to the Funds by the employer. ComSuper has since advised ANAO of the implementation of processes to check on the correctness of employer productivity contributions. Checks of the first payday of 2001–02 financial year have shown that the total remittances received by ComSuper for all employers are within 0.15% of employer productivity due and, that out of \$7.5 million due for the payday, ComSuper

received \$11 000 above what was required. ComSuper also advised that it provides reconciliation reports to the Department of Finance and Administration on a monthly basis, and that the Department follows up with agencies which are late in their payments.

Data collection

3.18 Three types of data are needed to calculate a CSS or PSS benefit: the member's contributory service details, the benefit application details, and generic data relating to the schemes or the membership overall. Most of this data is recorded and processed in the ComSAS system, which was implemented in stages between March 1996 and September 1999.

3.19 Details of each member's contributions (i.e. personal contributions, and employer productivity contributions) are recorded in ComSAS. ComSuper requests employers to submit this data each pay cycle, which is usually fortnightly. Member details not relating to contributions (such as salary, hours worked, commencement date, and periods of leave without pay) are reported on an exception basis (i.e. only when the data changes).

3.20 The benefit application details (including the type of benefit elected, and the employment cessation date) are recorded by the member on an application form, which is either manually or electronically submitted to ComSuper through the member's last employer, so that exit details can be verified. ComSuper enters this data into the ComSAS database when the benefit application is processed.

3.21 Data applying to the schemes or the membership overall (such as fund crediting rates, tax rates and surcharge factors) are obtained by ComSuper from the relevant source, for example, the CSS and PSS Boards, the Australian Taxation Office and the Australian Government Actuary. ComSuper enters this data into ComSAS and updates or archives it, as required.

3.22 Most data collected is in respect of the details of members' contributory service. The ComSAS system incorporates continuous reporting for contributions, and exception based reporting for all other member details. The Continuous Contribution Deduction (CCD) file⁴² is used to allocate contributions to individual member accounts, and the Superannuation Exceptions Data (SED)

⁴² The CCD file is a continuous reporting file of superannuation contributions made by, or on behalf of, each member. It records the value of the member contribution, the employer productivity contribution, the ADIC payment, and identifiers such as the employer ID, scheme ID, payday, AGS number, member name, member account number, and pay centre.

file⁴³ is used to report changes in member employment. This data should be accurately recorded and maintained from the commencement of employment until retirement, for members' superannuation benefits to be accurately estimated and assessed.

3.23 Employers with automated payroll systems usually provide superannuation data to ComSuper in electronic form, as extract files. These employers use either the outsourced payroll system (which is derived from the former Department of Finance central payroll system) or other commercial systems. Employers without automated payroll systems provide their data to ComSuper through the Exchange system, a manual interface supported by ComSuper, and accessible through the Internet. This system was designed for use by employers, typically with fewer than 30 employees. These agencies can either manually enter their data into Exchange, or contract ComSuper to enter data on their behalf.

Employer data

3.24 Late or inaccurate employer data impacts adversely on many ComSuper functions, and significantly increases its workload. This is most apparent with regard to the following functions:

- account maintenance—increased diagnostic errors, which must be investigated and rectified, are generated when incomplete, invalid, or inconsistent data is loaded onto the system;
- contributions recording—increased amounts of money that cannot be automatically allocated to member accounts;
- benefit estimates—increased number that must be manually processed because critical data is missing, with greater risk of operator error;
- benefit processing—increased number that must be manually processed and then re-processed (paying an interim benefit which is subject to reconciliation and adjustment when final data becomes available);
- information statements—increased number of replacement statements due to incorrect or incomplete data;
- quality assurance—the high incidence of invalid data requiring investigation has precluded a formal assessment of the overall accuracy of employer data;

⁴³ The SED file is an exception based reporting file that records changes in a member's personal details, employment and contributory status. It includes details such as the member's contribution rate, employment type (full-time, part-time or casual), full-time hours, actual hours, contribution due days, salary for superannuation purposes, various action indicators (e.g. variation to personal details, commencement of contributions, cessation of contributions) and date of effect.

- employer billing—under or over billing due to administration charges being based on inaccurate or outdated membership data; and
- ComSuper’s cost structure—the correction of poor quality data diverts resources from other services and puts a brake on the achievement of competitive service levels.

3.25 The CSS and PSS Acts (Section 154AA and 33AA respectively) provide that the Boards of Trustees may presume that any information provided to the Board by a member’s employer is correct. The explanatory memorandum to the amending provision to the CSS Act states:

...However, it is not intended that the Board should accept information which it knows to be wrong or to abrogate its responsibility for the administration of the CSS. The administrators of the scheme on behalf of the Board will be implementing checks on data supplied by employers and following up discrepancies with employers.

3.26 ComSuper advised ANAO in May 2002 that:

Legal opinion received indicates that ComSuper (and the CSS and PSS Boards) have a sound basis for accepting the accuracy and correctness of data provided to it by employers, relying upon the presumptions afforded by sections 33AA and 154AA of the 1990 and 1976 Acts respectively. Such reliance extends to data input beyond that simply of contribution collection and continues to apply until such time as ComSuper is put on notice that the information received is wrong, for example through specific member enquiry or as a result of periodic sampling. This view is supported by a reading of the Explanatory Memorandum to the Bills inserting these provisions.

Timeliness

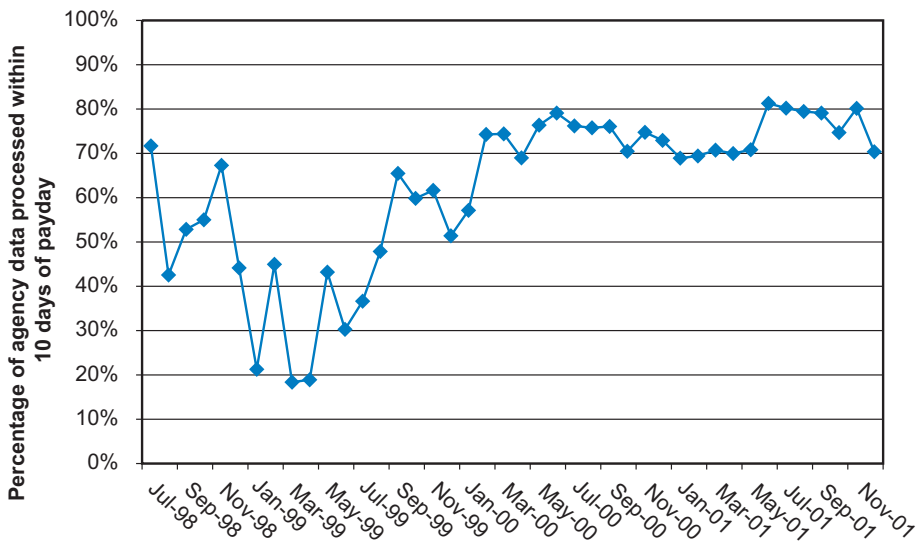
3.27 The former Department of Finance (DOF) previously provided payroll services to most employers with CSS and PSS members. The DOF PAY system calculated and deducted the various contribution payments; extracted superannuation data; and provided it to ComSuper. It also ran validation routines to identify and, in some instances, rectify incorrect superannuation data. The ComSAS database was developed to interface with this system.

3.28 On 1 September 1997, DOF introduced user-charging arrangements for payroll services to all budget funded agencies. From that date, agencies were effectively untied from using the central payroll system. In June 1998, the old payroll system was replaced by a system called NewPAY. In late 1998, the operation of NewPAY was outsourced. From 30 June 1999, Finance ceased provision of payroll services altogether. Employers were required to make their own arrangements, by contracting with the outsourced provider, or by using a

commercial payroll system provider, or by developing their own systems. Consequently, the number of employers who provided compliant data within 10 days of payday fell significantly, from over 70% in July 1998, to below 20% in April to May 1999 as shown in Figure 3.3.

Figure 3.3

Timeliness of Employer Data: July 1998–December 2001



Source: ComSuper data

3.29 In response to the serious delays that emerged in data collection, ComSuper established an agency relations section in January 1999 to work with employers and payroll providers to improve their superannuation reporting arrangements. Significant improvement occurred from mid 1999 but, as at December 2001, some 30% of employers failed to provide compliant data within 10 days of each payday. This is in contrast to the 98% of contributions that were received within two days of payday. Unlike the legal provisions governing the collection of contributions, there is currently no effective incentive structure in place for employers to provide timely data to ComSuper (see Figure 3.4).

Figure 3.4

Incentives for Employer Compliance with Contributions and Data

Category	Legal references	Incentives and/or penalties	Timeliness
Superannuation contributions	Sections 50A & 110H, CSS Act Sections 14 and 15, PSS Act.	Interest charged on late payments.	98% of contributions within 2 working days.
Superannuation data	Section 154AA CSS Act Section 33AA PSS Act.	None	30% of employers more than 10 working days late. Some data has been over 12 months late.

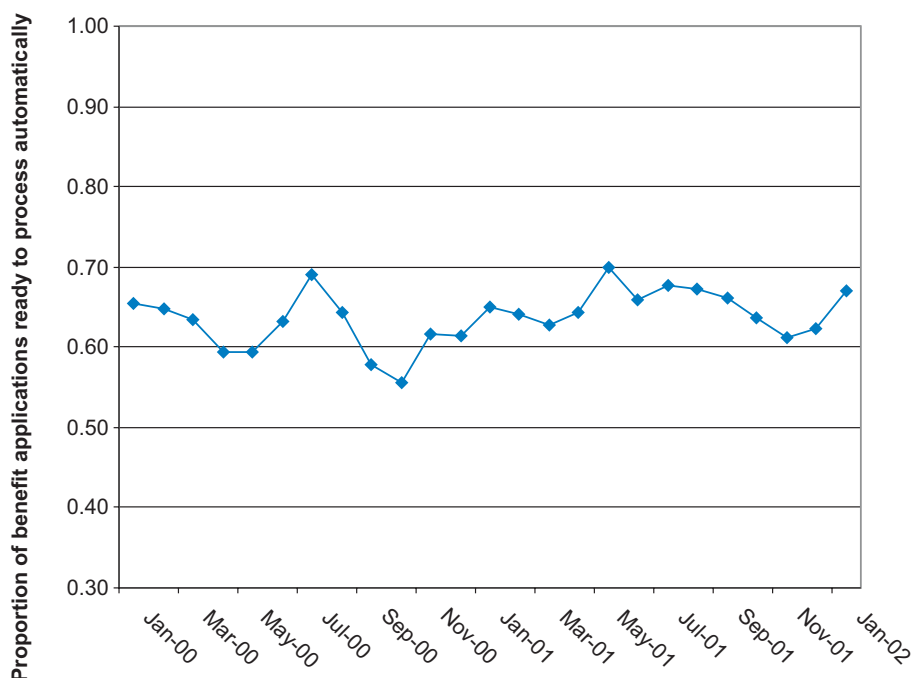
Source: ANAO analysis

3.30 Some of the larger employers that report via Exchange have also experienced problems because there is no automated link between data which is manually entered into the Exchange system, and the calculation of superannuation remittances due to ComSuper. ComSuper has actively encouraged large employers using Exchange to move to electronic data collection.

3.31 The lack of timeliness and completeness in employer data provision has adversely impacted on benefits processing. ComSuper constructed a Benefits Data Quality Index that is used to monitor the ready to process status of benefit applications, as shown in Figure 3.5. It reflects the proportion of cases that can be processed automatically in ComSAS, and the proportion of cases where the membership record is not up to date when the benefit application is received. On average, over 30% of benefit applications cannot be processed immediately, either because the member record is incomplete, or it requires manual processing.

Figure 3.5

ComSuper Benefits Data Quality Index January 2000 to January 2002



Source: ComSuper

3.32 Finding: Late or inaccurate employer data impacts adversely on many ComSuper functions, and significantly increases its workload. For each fortnightly pay cycle, employers are expected to submit to ComSuper details of contributions remitted for, or on behalf of, individual members, and any changes to their employment details. This data forms the basis of both the accumulation and the defined benefit entitlements of the CSS and PSS schemes. Unlike the penalty provisions applying to the late remittance of contributions, there are no incentives in place for employers to provide timely data. As a result, some 30% of employers fail to provide compliant data within 10 days of each payday. In the past, some agencies have not provided compliant data until over 12 months past the due date. The lack of timeliness and completeness in employer data provision has adversely impacted on benefits processing. On average, over 30% of benefit applications cannot be processed immediately, either because the member record is incomplete, or it requires manual processing.

3.33 The Boards of Trustees advised ANAO that:

Primary responsibility for the accuracy and timeliness of employer data should be with employers. While the Boards and ComSuper can facilitate, encourage and assist in the relevant processes, there is no effective legal mechanism to ensure compliance.

Accuracy

3.34 In 1998, ComSuper strategically assessed the implications of poor quality employer data for their services.⁴⁴ Strategic measures to monitor and promote data quality have been directed at errors that can be detected by computer procedures. However, the overall accuracy of employer data has not been formally assessed. Once ComSuper receives employer data, it is loaded onto ComSAS, and automatically checked for completeness, validity, and internal consistency. When data is found to be incomplete, or invalid, or inconsistent a diagnostic report ('diagnostic') is automatically generated. A diagnostic is an automatic report generated by ComSAS where employer information either fails a system edit, or falls outside the acceptable parameters of the Rules of the Scheme as incorporated into ComSAS.⁴⁵ There are currently six types of diagnostics for continuously reported (CCD) records, and 126 types of diagnostics for exception reported (SED) records.

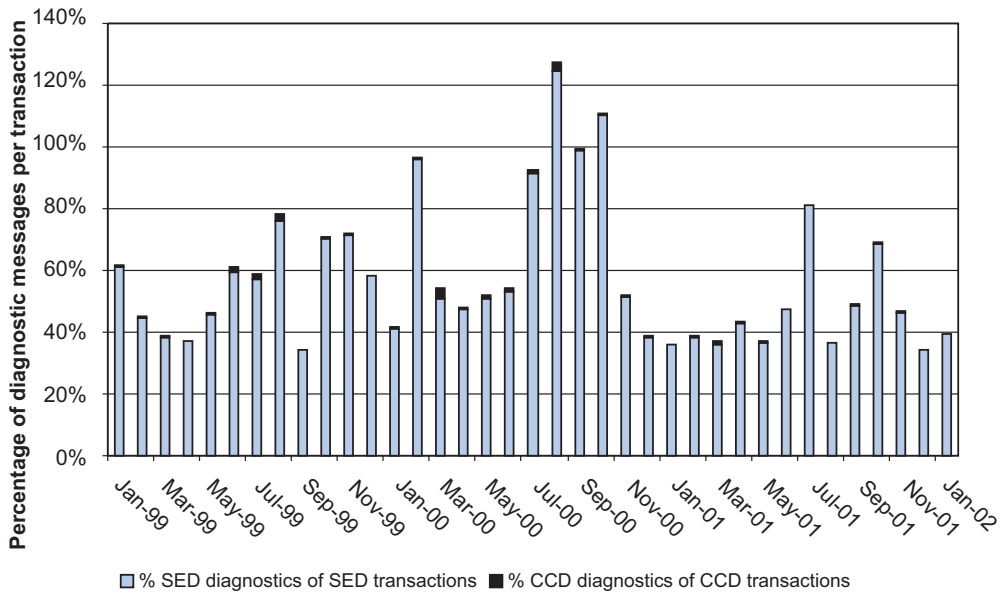
3.35 In 2000–01, the volume of continuously reported (CCD) records ranged from around 208 000 to 609 000 transactions per month, and the volume of exception reported (SED) records ranged from around 19 000 to 99 000 transactions per month. The high variability in transaction volumes is usually due to backlogs caused by late employer data, with some agencies generating high transaction volumes when they implement a system change. The number of diagnostics generated from CCD records ranged from around 1000 to 17 000 per month and, for SED records, from around 2000 to 91 000 per month. The diagnostic report rates expressed as a percentage of continuous reported data transactions, and as a percentage of exception reported data transactions, respectively, are outlined in Figure 3.6.

⁴⁴ It was observed that: 'The membership records are an asset needed to carry on ComSuper's business, albeit one that is not recognised in our accounting systems. The records need to be maintained because the quality of ComSuper's services depends on the accuracy and completeness of the records. Because the asset is not reflected in the accounting system, its maintenance is not sufficiently valued. A reduction in maintenance effort will appear (erroneously) as a cost saving in the accounting system. However, failure to maintain the asset will eventually be reflected in higher operating costs and data quality. Failings in data quality are the main reason why so much time and effort is invested in the management of member accounts. Data errors can occur because of specific input errors by personnel officers, because of systemic faults in payroll systems, and because of faults in operational processes. Few faults arise because of errors at ComSuper...' (Report of the Enquiry into the Collection and Management of Contributions Data for the Commonwealth Schemes, ComSuper 1998).

⁴⁵ ComSAS Superannuation Error Advice Processing Manual ComSuper April 1996.

Figure 3.6

Diagnostic Report Rates for Employer Data Jan 1999 to Jan 2002



Source: ComSuper data

3.36 The greatest incidence of diagnostics per transaction occurs in the exception reported data (see Figure 3.6). The diagnostic percentage rate may exceed 100% because a single transaction may generate several diagnostics. ComSuper's strategic response to this problem included the implementation of an e-mail system in April 2000 to redirect certain classes of errors, accompanied by a meaningful diagnostic message, to employers for corrective action.

Currently, some of the potentially less serious diagnostics⁴⁶ (such as possible re-reporting of previously reported changes) are 'autoextinguished' (that is, not referred back to the employer or ComSuper for further investigation). Consequently, of the 415 000 diagnostics detected in 2000–01 data, some 75.6% were not investigated further (see Figure 3.7). The remainder were either investigated by ComSuper staff (17.8%) or referred to the employer for investigation (6.7%).⁴⁷ ComSuper rechecked approximately 10% of external diagnostics to determine whether the agency had taken corrective action, or whether further follow-up was required.

⁴⁶ Diagnostic reports which are autoextinguished comprise:

SED_AgencyChangeNot1—when a member changes agencies, the new agency should report an SED transaction with an Action Indicator 01 (representing a commencement/recommencement). Instead, many use Action Indicator 00 (miscellaneous change). ComSuper now accepts the SED with Action Indicator 00, and have 'switched off' this diagnostic.

SED_ConveReceived: from ComSuper-MTA by comsuper.grtEffectDate—If an agency reports for a member an SED with a date of effect close to the birthday, the data capture program converts the date of effect to the birthday and updates the employment record with the birthday salary etc. This diagnostic is essentially an audit log.

SED_NothingChanged—If ComSuper receives an SED which matches completely what is on the member's record, the SED is logged with the NothingChanged diagnostic. Agencies often generate this SED if they update a non-SED related part of the employee's record.

ComSuper also uses 'Payroll Tailoring', where specific diagnostics are set to auto-extinguish for a particular agency. Currently, only two agencies have tailoring:

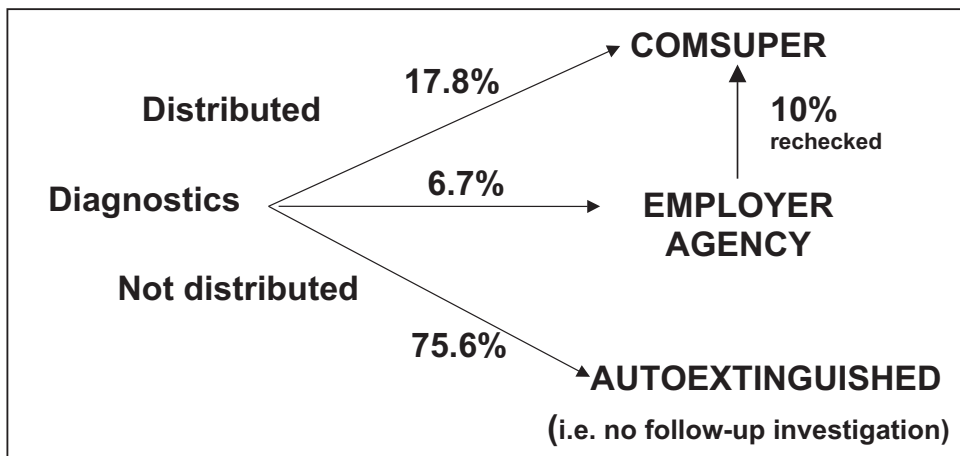
DEWR—SED_EffectEligible—DEWR's pay system reports two commencement SEDs, one that meets ComSuper requirements and a second (with an earlier date of effect) that does not. The second SED causes a diagnostic and has been set to auto-extinguish for this agency. For other agencies, any SED with a date of effect earlier than the commencement date may indicate a revised commencement date.

Centrelink—SED_PreviousLWOPNotCeased—Centrelink reports a LWOP commencement SED whenever a member's leave is extended. As this SED means nothing to ComSuper (as it still has the member on leave), the diagnostic is auto-extinguished for Centrelink. If other agencies report such an SED, it can often indicate that the member ceased LWOP and has later recommenced a second period of LWOP.

⁴⁷ This process commenced in April 2000.

Figure 3.7

Investigation of Diagnostics Generated by Employer Data 2000–01

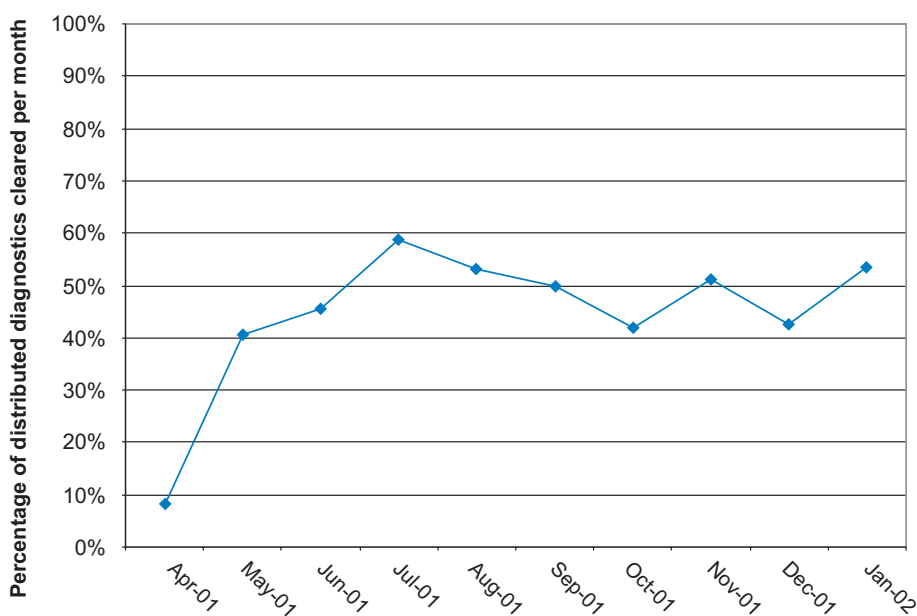


Source: ANAO analysis of ComSuper data

3.37 In April 2001, the employer diagnostic e-mail facility was expanded, which allowed employers to correct and extinguish certain types of diagnostic reports. After the first month, the clearance rates for diagnostics distributed to ComSuper and employers have ranged from 40% to 60% for each month, as outlined in Figure 3.8.

Figure 3.8

Clearance Rates for Distributed Diagnostics April 2001–January 2002



Source: ANAO analysis of ComSuper data.

3.38 ComSuper identified that a risk of direct e-mailing of diagnostics to employers was that data quality might drop. In the course of investigating diagnostic reports, ComSuper staff often identify other inaccuracies that cannot be detected by the diagnostic system. A computerised system can identify incomplete, inconsistent, and invalid data, but it may not identify other forms of inaccuracy (which may arise, for example, from transcription and keying errors, computational errors, and the failure of agency personnel staff to identify reportable events). Accordingly, ComSuper commenced a program of data verification exercises at regular intervals to target commonly occurring problems that are not identified by the diagnostic system. ComSuper is also running several projects aimed at improving the quality of historical data (see Figure 3.9).

Figure 3.9

ComSuper Database Improvement Projects

Record improvement project

A record improvement, correction and enhancement project was approved in December 2000 with objectives to:

- catalogue ComSAS data that is missing, incomplete or incorrect and determine a remedial strategy for each category; and
- identify any ComSAS changes that are needed to improve data quality and to then establish a task force to link records of members with multiple service, load manually paid benefits onto ComSAS, migrate records of members with late elections for preservation of their benefits, and undertake other necessary action.

Lost members and unclaimed benefits review

Regular exercises are conducted to identify members whose contributions have ceased but who have failed to submit a benefit application form. The member's last employer is requested to provide the Departmental report⁴⁸ for the member and evidence of any contact attempts made. ComSuper then undertake search action before initiating unclaimed benefits procedures.

Missing anniversaries

A diagnostic message is generated when a member's birthday anniversary occurs and the employer does not report an updated salary. The message is referred to the employer for provision of an updated salary. Separate missing anniversary exercises are conducted several times per year to pick up cases where the employer fails to provide the updated salary. At June 2000 there were some 1780 members with missing anniversary salaries. A warning message is included on those member information statements where a salary is missing.

CSS part-time employees

Benefits and contributions for CSS part-time members (approximately 1800 at May 2000) depend on the calculation of a part-time ratio. Employers are required to report through their payroll systems the average hours worked on each anniversary. Employers also report any changes to members' part-time hours during the year. A diagnostic is generated where the employer fails to report the average hours worked on an anniversary. This

continued next page

⁴⁸ Specifies salaries at date of exit and 1 July 1999, the last three variations to contributions, a checklist of additional information that is required and certification that no variations will be made subsequent to the ceasing entry.

diagnostic is sent direct to the employer for correction. Regular exercises were proposed to review records of CSS part-time members who have had recent birthdays. ANAO understands that no such regular exercise has yet been conducted.

Contributor status rectification (part 1)

During the phased implementation of ComSAS, the lack of functionality in the early system impacted on the integrity of the database. Many benefits were paid manually outside the system, and some records were incorrectly migrated. In the early stages of the development of user charging statistics it was ascertained that at 1 July 1998 there were approximately 8000 members who retained a contributor status on ComSAS but had a cease date. These members were not included in employer billing statistics. In September 1999 a project was commenced to identify and rectify those members with an incorrect status recorded on ComSAS.

An analysis of the members with incorrect status indicated there were about 2300 members with unclaimed benefits and 5700 members that were paid benefits outside of ComSAS (ie manually). A further 1200 cases were identified that had been paid on the Benefits Calculation Systems (BCS), an earlier processing ComSuper system, but were incorrectly migrated to ComSAS with contributor status.

For unclaimed benefits cases, departmental reports were requested and letters were sent to members. From April 2000, cases were sent to be processed as a preserved benefit before attempting to contact the member (where there was a cease date and no application had been received after 90 days). For manual benefits cases amended prior to May 2000, the status was changed and payment data loaded where the member had continuing equity. From May onwards the loading of payment data was postponed in favour of vigorous efforts to complete the status changes.

At the completion of the project in June 2000, there remained some 180 unclaimed benefits requiring investigation. These were passed to the account maintenance teams. There was also some 1020 outstanding contributor status changes to be completed by the manual benefit payments team. Approximately 4200 members were also identified with pensioner, preserved beneficiary and no equity status where no payment data was recorded on ComSAS. A separate project to load the payment data was identified as being necessary following improvements to the functionality of ComSAS to process multiple preservation claims and multiple periods of membership.

Contributor status rectification (part 2)

A similar exercise was carried out as part of the record improvement project in April-June 2001 resulting in a further 1500 cases being sent for processing. From August 2001 a facility was incorporated in ComSAS to allow manually calculated benefits to be paid through ComSAS and payment date recorded. As well, an automated process is currently being implemented into ComSAS to send out advices to employers and members where there is a permanent cessation reported for a PSS member under 55 years and no benefit application received. If there is no response from the employer or the member within the statutory period the benefit accrual is recorded as a 'preserve all' case.

Source: ANAO analysis of ComSuper information

3.39 ComSuper is investigating two further major initiatives to improve employer data quality. The first is an extension of the recently introduced on-line access to certain member information. Members have a personal incentive to ensure that the data recorded in their ComSuper account is accurate. Some of this information is reported on the annual member statement, but in aggregate form, which can be difficult to verify. If members had 'read' access to their

disaggregated account data, they could identify inaccuracies in employer data. This should ultimately serve to improve the quality of employer reporting, but in the short run, would be likely to generate substantial additional pressure on ComSuper's investigative resources.

3.40 The second initiative being pursued by ComSuper is the implementation of online services for employers (via the Internet) in the form of an 'Employers' Workbench'. It is envisaged that the employer workbench will provide employers with a facility to report money transactions and member data on-line where edits will be applied to the data to ensure consistency and correctness, and allow employers to correct any erroneous data before it is submitted and accepted by ComSuper. This should provide much greater visibility for employers of the data held by ComSuper. It is also planned to provide other tools in the on-line workbench to assist employers, including templates and help information on CSS and PSS scheme rules and reporting requirements.

3.41 Some agencies have payroll arrangements that do not always report critical changes in members' circumstances to ComSuper, such as the commencement of new members, and changes in member contribution rates. When a new member commences employment at an agency, the agency is required to notify ComSuper so that a new member account can be created. When this fails to occur, ComSuper is clearly unable to allocate the member's contributions to an account. ComSuper assessed the incidence of this problem in selected agencies from 1 July 2001 to 1 October 2001. They found, for example, that up to 45% of new commencements in the Department of Foreign Affairs and Trade were not reported during this period (see Figure 3.10).

3.42 In both the CSS and PSS, members may nominate to increase or reduce their level of personal contributions in accordance with the rules of the relevant scheme. Sometimes agencies do not notify ComSuper of a change in the member's nominated contribution rate. ComSuper investigated the extent of this problem in selected agencies. They found, for example, that the Department of Defence did not report up to 81% of the changes in members' contribution rates in the year 2000–2001 (see Figure 3.10). Agency responses to ANAO are outlined in Figure 3.11.

Figure 3.10**Unreported Member Changes in Selected Agencies**

Agency	Unreported new members ^(a)	Unreported changes in member contribution rates
	%	%
Australian Customs Service	13	32 ^(b)
Department of Defence	35	81 ^(c)
Department of Foreign Affairs and Trade	45	65 ^(d)
Department of Veterans' Affairs	1	38 ^(e)

Notes: (a) Sample period from 1 July 2001 to 1 October 2001

(b) Sample period from April 2001 to September 2001

(c) Sample period from July 2000 to June 2001

(d) Sample period from June 1999 to August 2001

(e) Sample period from January 2001 to August 2001

Source: ANAO analysis of ComSuper data

Figure 3.11**Agency responses to ANAO on unreported member changes****Australian Customs Service:**

We were aware of these problems and have been working closely with ComSuper and other Commonwealth agencies using the [payroll software] system, to address these issues with [the software vendor]. Consequently, [the software vendor] have provided patches to meet basic ComSuper reporting requirements but these changes are not considered to be a long-term solution. They have created duplication and additional manual processes in Customs which we would hope to avoid as they create inefficiencies and increase the potential for errors. The reporting problems in the period of the audit were due in the main to:

- before [the software vendor] provided a patch in May 2001 the extract provided to ComSuper did not pick up any retrospective superannuation action. For example, a change of contribution rate may have been actioned with a date of effect before the current pay—the system would not pass this information to ComSuper;
- [the payroll software] did not report to ComSuper when employees went on Leave Without Pay; and
- [the payroll software] requires double entry by payroll staff of contribution changes. This was not immediately apparent and it took some time for processing staff to adjust to this requirement.

As a result of the above problems we have put in place manual processes to reduce reporting problems to a minimum, which include:

- providing regular manual exception reports to ComSuper identifying potential problems in the automated [payroll software] ComSuper report;
- secondary checks to identify known problems; and
- new procedures in our processing teams.

All affected employee records for the problem period and since, have been corrected, to ensure no disadvantage to staff, as ComSuper brought them to our attention. The number of queries raised by ComSuper is now very low (3–4 per pay) and are addressed immediately by payroll staff.

Department of Defence:

The [software vendor] standard ComSuper interface was originally specified by ComSuper and forms part of the [payroll software] core products. The ComSuper 'variations reporting element' of the interface was found to contain errors when PMKeyS was put into production. However, Defence is not the only agency to experience difficulties with the ComSuper [payroll software] interface. From July 2000 to January 2001, no data was sent from Defence to ComSuper while Defence attempted to rectify the database 'mapping' problems. The data for this period was sent to ComSuper in February 2001. The current practice is that Defence spreadsheets, providing the requisite information, are checked by ComSuper every month and manual correction of errors is effected by Defence. The error rate with the interface is currently 33%. Discussions are now underway to send the spreadsheets to ComSuper once a fortnight, in an attempt to lower the error rate. The mapping problems still exist. Defence is currently investigating the problems to see whether they originate from Defence input or the [payroll software] product. The ComSuper payment file is correctly applying individuals' super contributions on a fortnightly basis - that is, Defence is paying the correct amount of money to ComSuper.

Department of Foreign Affairs and Trade:

The Department notes the ANAO findings and recommendations with the qualification that the Department is aware of the Human Resource Management Information System (HRMIS) software reporting issue and implemented agreed interim reconciliation arrangements with ComSuper in October 2001 to ensure that member information was recorded correctly. ComSuper identified that the reporting inaccuracies resulted from the standard HRMIS software interface, and not from flawed Departmental data entry procedures. ComSuper wrote to the software vendor in October 2001 requesting a resolution to this software reporting issue.

Department of Veterans Affairs:

Your audit of ComSuper indicates that during the sample period January to August 2001, there were 38% unreported changes in member contribution rates and 1% unreported new members. The situation was that during the period February to March 2001 in particular, full reporting did not occur due to a system error. The relevant data was subsequently identified and records manually corrected by ComSuper. The system error was also corrected and tested, and relevant data has been captured and sent to ComSuper since that time. In any case, as a result of this report, we have arranged with ComSuper to conduct another assurance test.

Source: Agency responses to Section 19 draft report.

3.43 Finding: The sustained strategic effort of ComSuper has contributed to recent improvements observed in the timeliness of employer data. However, there remains further scope for improvement, particularly in regard to measures to ensure that employers are accountable for the quality of their data. ComSuper collects contributions and data from employers on behalf of the Boards, but neither the Boards nor ComSuper have control over the quality and timeliness of employer data. ComSuper requires employers to provide accurate, complete and timely data. However, the data it receives is often inaccurate or incomplete. In the past, some agencies have taken over 12 months to provide compliant data.

3.44 Strategic measures to monitor and promote data quality have been directed at errors that can be detected by computer procedures, but the overall accuracy of employer data has not been formally assessed. The incidence of diagnostic reports is high. In 2000–01, ComSuper did not undertake further investigation of 76% of the diagnostic reports that were automatically generated by its computer system. An appropriate accountability mechanism would prevent data errors at their source; improve the administrative efficiency of the schemes; and enhance the integrity of the database used to process superannuation benefits.

3.45 Some agencies have payroll arrangements that do not always report critical changes in members' circumstances to ComSuper, such as the commencement of new members, and changes in member contribution rates. ComSuper assessed the incidence of the failure to report new commencements in selected agencies. They found, for example, that up to 45% of new commencements in the Department of Foreign Affairs and Trade were not reported from 1 July 2001 to 1 October 2001. ComSuper also assessed the incidence of the failure to report changes in members' contribution rates, and found, for example that the Department of Defence did not report up to 81% of these changes in 2000–2001. ANAO notes the various agency responses and the action undertaken by agencies in this regard. ComSuper advised ANAO that 3.4% of the 19 400 new members had commencement reporting problems (the data was either missing or invalid), and that the problems with respect to Defence and DFAT were not confined to new commencements.

Recommendation No. 2

3.46 ANAO recommends that ComSuper:

- a) advise the Boards on options to promote employer accountability for the quality and timeliness of data;
- b) introduce a sampling system to provide high level assurance of the integrity of the database;
- c) continue to develop its computer systems to provide agencies with analytical tools for the diagnostic testing of data quality, and advise agencies of the need to perform regular human resource audits to ensure the accuracy of superannuation data; and
- d) work with agencies to undertake a formalised system sign off in respect of superannuation data requirements when agencies implement material changes to their payroll systems.

3.47 *ComSuper response:* Agreed.

3.48 Specific comments by entities, in relation to the Section 19 draft audit report, are set out below:

- **ComSuper:** This recommendation supports the general strategy that ComSuper has adopted to improve data. As such, it represents the first stage of a process to improve data quality and timeliness. Nevertheless, primary responsibility for data quality rests with employers, as recognised under Sections 33AA of the *PSS Act* and 154A of the *CSS Act*, which allow the Boards to presume that any information provided by employers is correct unless data checks, or other measures, indicate otherwise. ComSuper continuously seeks to assist agencies improve the provision of accurate, comprehensive and timely data through its diagnostic analysis of agency data, member record improvement projects, and its development of computer based employer tools.
- **Boards of Trustees:** Primary responsibility for the accuracy and timeliness of employer data should be with employers. While the Boards and ComSuper can facilitate, encourage and assist in the relevant processes, there is no effective legal mechanism to ensure compliance. ...The draft report also notes the measures being undertaken by ComSuper to improve employer data quality. We suggest the focus be on the obligations of employers to provide accurate and timely data to the Boards and ComSuper, and that this issue be taken up with all relevant agencies by the ANAO in the context of the preparation of agencies' annual financial statements. We understand that ComSuper will continue to provide all assistance to employers in the processes of ensuring accurate and timely data.

4. Benefit Processing and Payment

This chapter discusses the processing and payment of CSS and PSS superannuation benefits to members.

Background

4.1 ComSuper is responsible for calculating entitlements for the payment of benefits to members who exit the CSS or PSS. A total of 21 514 members⁴⁹ left the CSS and PSS schemes in 2000–2001, giving rise to an average of 1793 benefit applications processed per month. During the same period ComSuper was responsible for the payment of fortnightly pensions, with some 117 758 pensions in force as at 30 June 2001.⁵⁰

4.2 The most recent actuarial valuation of the liability for accrued benefits for the CSS and PSS schemes was \$55 billion as at 30 June 1999.⁵¹ The accrued benefits comprise a funded component of \$9.1 billion, which will be met from the Funds (that is, accumulated member contributions, and, where applicable, productivity contributions, plus interest) and an unfunded component of \$45.9 billion, to be financed by the Commonwealth from Consolidated Revenue at the time the superannuation benefits become payable.

4.3 In general, a scheme exit occurs when a member ceases APS employment, and either takes, or preserves, a benefit. Depending on their personal circumstances, a member may either opt for an immediate benefit,⁵² preserve his/her whole benefit, or take a portion of his/her benefit and preserve the remainder. When a member preserves his/her entire benefit, there is initially less work required by ComSuper than when a benefit is paid. Notwithstanding the varying complexity of different exit options, all scheme exits generate a ComSuper processing transaction, which is a broad indication of workload.

4.4 The total value of CSS and PSS benefits processed and paid by ComSuper in 2000–2001 was \$2909 million. This included lump sums and pension payments for the year. From 1995–96 to 2000–01, the total value of CSS and PSS benefits paid annually by ComSuper increased overall by 17%. However, there were

⁴⁹ The PSS Board 2000-2001 Annual Report (p. 52) reports that 14 582 members left this scheme. The CSS Board 2000-2001 Annual Report (p. 48) reports that 6932 members left this scheme.

⁵⁰ The PSS Board 2000-2001 Annual Report (p. 51) reports that as at 30 June there were a total of 6852 pensions in force for this scheme. The CSS Board 2000-2001 Annual Report (p. 48) reports that, as at 30 June, there was a total of 110 906 pensions in force for this scheme.

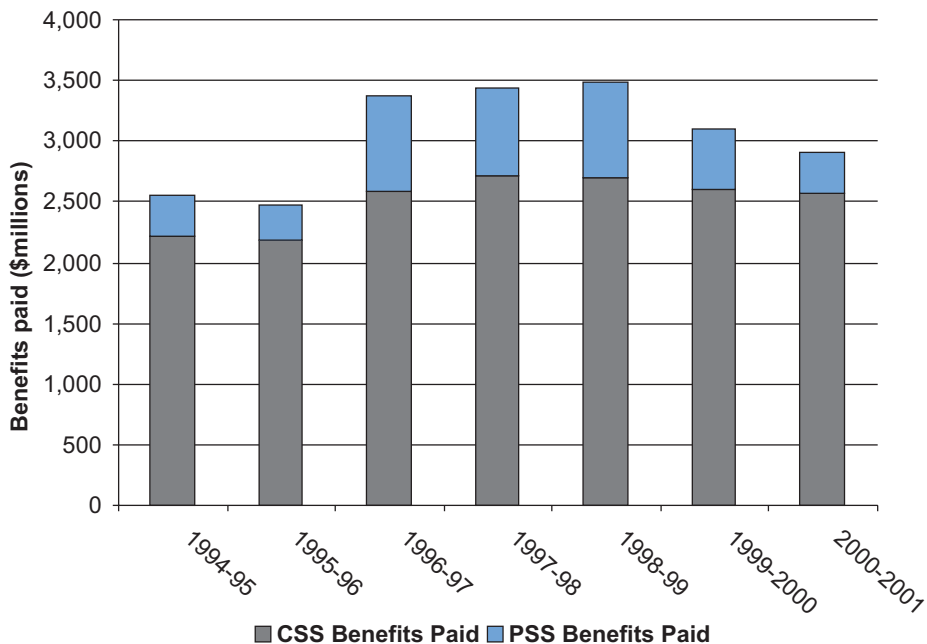
⁵¹ As reported in the audited Financial Statements of the PSS and the CSS Boards for 2000-2001. The amount of accrued benefits is the present value of the expected future payments that arise from membership of the schemes up to the measurement date.

⁵² Including a rollover benefit.

large variations from year to year within this period, ranging from an increase of 36% in the 1996–97 year, to a fall of 11% in the 1999–2000 year. These variations generally reflect the number of APS redundancies occurring within the relevant year, which have the potential to generate significant lump sum benefit payments. Figure 4.1 summarises the total benefit payments made on behalf of exiting CSS and PSS members over the past seven years. The average annual payment over this period was \$3.1 billion.

Figure 4.1

Total Benefits Paid by CSS and PSS: 1995–96 to 2000–01



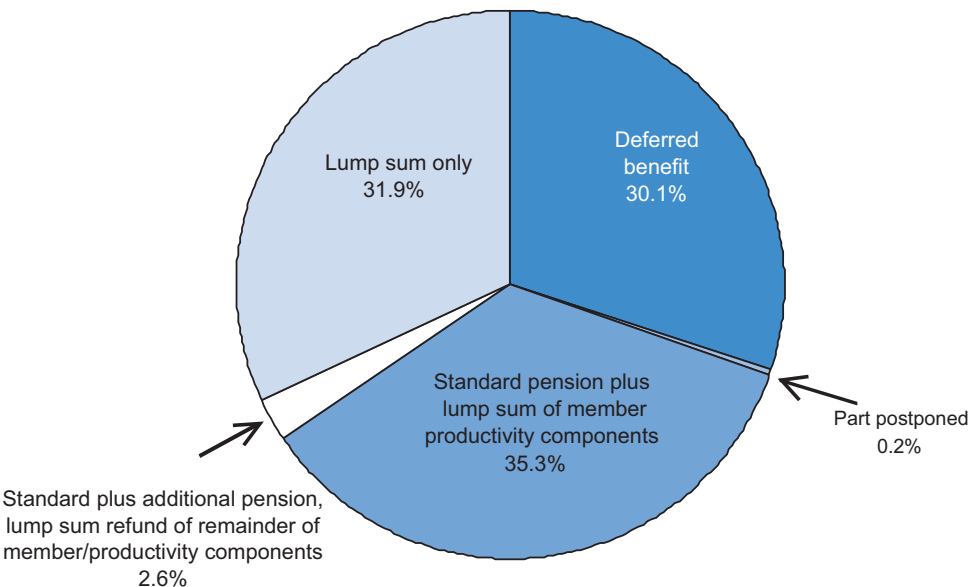
Source: ComSuper data

4.5 The CSS has 19 different types of benefit, corresponding to how the member separates from employment (for example, resignation, retirement, redundancy, invalidity or death), the timing of the benefit (for example, immediate, deferred, postponed or delayed updated), and who claims the benefit (for example, the member, the member's spouse, or the member's orphan). There are a total of 77 payment options, depending on how the benefit is taken (for example, maximum pension, part pension/ part lump sum, and full lump sum). Similarly, the PSS has 14 different types of benefit, and a total of 54 payment options applying to the benefits. A list of all benefit types and payment options is included at Appendix 1.

4.6 The benefits provided by the CSS comprise three components: a member component consisting of basic contributions (5% of salary) and any supplementary contributions (generally up to another 5% of salary), plus accumulated interest; a funded employer component consisting of employer funded productivity contributions (on average, about 3% of salary), plus accumulated interest; and an unfunded employer component (notionally 18.9% on a scheme wide basis).

4.7 For many CSS exits, the unfunded employer component is paid as an indexed pension that is based on final salary, length of contributory membership, and age at exit. The two main exceptions to this are in circumstances of involuntary retirement or resignation. For involuntary retirement, the unfunded employer component may be taken as a lump sum (although after 1 July 1999, depending on the age of the member, some portion of this benefit may be compulsorily preserved). In resignation, where a CSS member opts to take his/her own contributions instead of preserving them in the scheme, the unfunded employer benefit is the minimum superannuation guarantee entitlement, which is then subject to preservation requirements. The member and productivity components may be taken either as a lump sum, or as an additional non-indexed pension. Figure 4.2 outlines the relative frequency of different benefits taken on exit from employment by CSS members since the introduction of ComSAS in 1996.

Figure 4.2
Summary of CSS Benefits Taken Since 1996

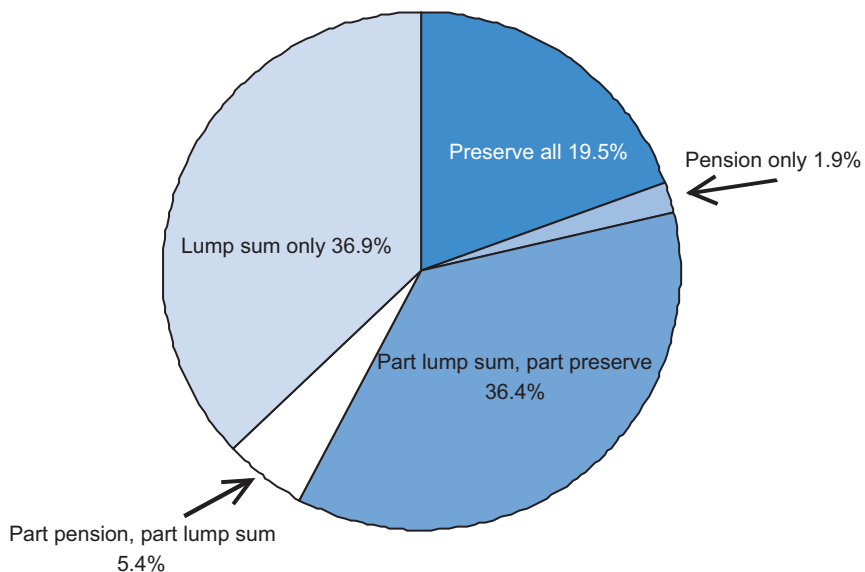


Source: ANAO analysis of ComSuper data

4.8 The benefits provided by the PSS comprise three components: a member component consisting of member contributions (between 2% and 10% of salary), plus accumulated interest; a funded employer component consisting of funded productivity contributions (on average, about 3% of salary), plus accumulated interest; and an unfunded employer component (notionally 11.2% on a scheme wide basis).

4.9 PSS benefits are generally payable as either a lump sum or a pension or a combination of the two. Depending on the circumstances of exit, the member's benefit is generally based on final average salary over the last three years before exit, length of contributory membership, age at exit, and rate of contribution to the Scheme. Figure 4.3 outlines the relative frequency of different benefits taken on exit from employment by PSS members since the introduction of ComSAS in 1996.

Figure 4.3
Summary of PSS Benefits Taken Since 1996



Source: ANAO analysis of ComSuper data

Benefit processing and payment system

4.10 When a member exits the CSS or PSS, he or she may either make a formal benefit election to ComSuper, or receive the default benefit available under the relevant scheme. ComSuper produce several application forms specific to the scheme and exit circumstances, which list the relevant range of benefit options. The application is submitted through the employer, which is required to certify final membership details.

4.11 An action officer enters the benefit application details into ComSAS, and depending on the assessment of the member's data record, the application is processed either automatically or manually.⁵³ Benefit applications are classified as 'pending' when they are incomplete or incorrect, or when there is a problem with the member's record. Follow-up action is taken with the agency and/or member accordingly.

4.12 At close of audit fieldwork, there were no documented benefit processing procedures. Staff receive on the job training prior to their commencement or on release of a new feature of ComSAS and have available a series of ComSAS cue cards. ComSuper has since advised ANAO that:

Comprehensive written procedures on all aspects of benefit payments have been prepared since the beginning of the audit but with an emphasis on the rationale for manual payment of benefits. These instructions outline the legislative and historical bases for benefit entitlements and complement the cue cards, which became available with the introduction of ComSAS in 1996, and contain system based instructions for processing benefits in ComSAS. In addition ComSAS includes many checks and edits which, in effect, prompt new starters through the benefit payment process. For example, the data entry process checks that benefit options are valid, name and dates of birth agree with ComSAS, bank account details are correct, compulsory preservation roll over details are provided and so on. ComSAS also has 'work flow' type functionality which dictates the order in which particular processes must be done and requires the action or approval officer to view certain screens before a benefit can be paid. Cue cards and systems edits are supplemented by written procedures in relation to specific aspects of benefit processing (for example processing where the member has a surcharge debt, late elections to preserve and unclaimed benefits). In addition, as part of the administrative process, an experienced officer completes a manual, 'check list' which includes details of items to be checked before a benefit is actioned and approved.

Timeliness

4.13 The statement of services and standards established between ComSuper and the CSS and PSS Boards require ComSuper to 'process all applications for benefits in a timely manner and in accordance with the CSS and PSS Acts'. Consistent with this requirement, service standards have been set for the timeliness of benefits processing.

4.14 ComSuper's performance in meeting benefit processing timeliness targets is monitored by the Boards through monthly reports from ComSuper on its main activities, including benefit processing. These reports reveal that ComSuper

⁵³ If automatic processing fails, the application is referred for manual processing.

has consistently exceeded the service standards. As a result, consistent with the principles of continuous improvement, ComSuper proposed to the Boards that the service standards be tightened, which has since occurred. The most recent standards were agreed in February 2001, as follows:

- 75% of benefit applications are to be processed within 10 working days;
- 95% of benefit applications are to be processed within 20 working days with any exceptions reported to the Boards; and
- the average time to process benefit applications is to be 7.5 working days, with the average to be achieved in at least 9 months of the year.

4.15 ComSuper performance reporting to the Boards indicates that the revised, more rigorous, service standards are also being met. However, processing times exclude the time the benefit application is in the 'pending' category. Staff are instructed to put benefit applications into pending where a benefit cannot be processed for reasons outside ComSuper's control. Benefit processing is suspended pending completion or correction of the application and the member's record. In June 2001, some 43% of benefit applications were pending, due to either benefit application problems or problems with the member's record. From 1999–2000 to 2000–01, the average time that benefit applications spent as pending rose from 17.6 days to 30.7 days. ComSuper does not routinely report on how long benefit applications are suspended in the pending category. As over a third of benefit applications on average are suspended at any given time, it would add significantly to the overall benefit processing time.

4.16 ComSuper advised the following in regard to pending benefit applications, and ComSuper's measurement of benefit processing time:

This is consistent with wider industry practice, where other administrators do not start the clock ticking on their timeliness until a benefit application is complete and ready to process. That is, cases are in pending whilst we are awaiting the necessary information to enable us to correct the benefit application or update the record. The figures on benefit applications in pending in June 2001 could be misleading. Firstly ComSuper's RICE exercise in the period February to May had identified a large number of unclaimed benefits for follow up and processing and secondly members traditionally ask that processing of their application be delayed until the new financial year. These cases are put into pending. Statistics produced at the end of the financial year show that 3471 out of a total of 20 250 automatically processed benefits were put into pending during the 2000–01 financial year. That is, only 17% of the total applications were put into pending. For the financial year the statistics show that the average time in pending was 30.7 days in the year to 30 June 2001 with 34% of those cases being PSS Resignations, many of which would have been unclaimed and placed in pending while attempts were made to locate the member. The overall elapsed time (total time from the later of receipt of

application or date of exit to date of processing including any time in pending) in the 2000–01 financial year was 8.05 days but, consistent with industry practice, ComSuper reports only on the average time for processing (4.35 days) which is the time from the later of receipt of application or date of exit to the date of processing, **excluding** any time in pending. The overall elapsed time in the 2001 calendar year fell to 6.45 days.

ComSuper agrees that there is scope for improving the specificity and coverage of service standards. In its annual effectiveness review in February 2002, it will be recommending additional service standards to the Boards. ComSuper will be recommending the inclusion of service standards relating to time cases are at pending status as part of these new service standards.

4.17 Finding: Service standards have been set for the timeliness of benefits processing with regular reporting to the Boards on performance against these standards. Performance reporting over time reveals that ComSuper has consistently exceeded the service standards. As a result of continuous performance improvement, ComSuper proposed to the Boards that the service standards be tightened, which has occurred. ComSuper performance reporting to the Boards indicates that the revised, more rigorous service standards are also being met. However, benefit processing is suspended pending completion or correction of the application and the member's record, and this is not included in the measurement of benefit processing time. In June 2001, some 43% of benefit applications were pending, due to either benefit application problems or problems with the member's record. From 1999–2000 to 2000–01 the average time that benefit applications spent as pending rose from 17.6 days to 30.7 days. ComSuper does not routinely report on how long benefit applications are suspended in the pending category. As over a third of benefit applications on average are suspended at any given time, it would add significantly to overall benefit processing time.

4.18 ComSuper advised ANAO that, in regard to pending benefit applications, ComSuper's measurement of benefit processing time is consistent with wider industry practice; that there is scope for improving the specificity and coverage of service standards; and that in its annual effectiveness review in February 2002, it recommended additional service standards to the CSS and PSS Boards.

Recommendation No. 3

4.19 ANAO recommends that ComSuper review its reporting in regard to duration of time that benefit applications are suspended in the pending category.

4.20 *ComSuper response:* Agreed.

4.21 Specific comment by the Boards of Trustees was that: 'the Boards have noted the recommendation, and are aware of action being taken by ComSuper in relation to it'.

Payment delays

4.22 Interest is payable to members where there is a delay between the date of exit from the respective Funds and the date relevant benefits are paid. Section 154A of the CSS Act specifies that where interest is payable under the Act it is calculated and payable in accordance with a Determination of the CSS Board. PSS Rule 12.3.1 specifies that additional interest may be added where the payment of benefits is delayed by circumstances outside the control of the person entitled to the payment. The method for calculating the amount is also specified in a Board Determination.

4.23 The lump sums to which these interest provisions are applied may be funded (contributions held in the Funds) and unfunded (to be paid from Consolidated Revenue). With funded amounts, a difference between the date moneys are paid out (the actual date of payment) and the date they are calculated as being paid out (an expected date of payment) results in (where the money is paid out prior to the expected date) a loss to the Funds. For unfunded amounts, the additional cost is borne by the Commonwealth.

4.24 The CSS interest determination allows for interest on any accumulation components of a benefit to be paid until the following occurs:

- where the benefit consists entirely of lump sum components, the later of: 14 days after the date the benefit is ‘determined’ (effectively the date the application is approved); and the last day of service;
- where deferred benefits become payable, the later of: the pension payday next following the day on which deferred benefits become payable; and the second pension payday after the date the benefit is ‘determined’; or
- in other cases (for example, the benefit consists of pension and lump sum components), the later of: the pension payday next following the last day of service; and the second pension payday after the date the benefit is ‘determined’.

4.25 In the CSS exit sample cases, an average time of 18 days after the date of determination was allowed for in the calculation of interest on lump sum components of benefits. The actual average time between the date of determination and the date the benefit was paid to the member was three days.⁵⁴

⁵⁴ The relevant ‘payment batch’ information detailing the date of payment was only available for post ComSAS release 1.5 exits—there were 9 CSS and 9 PSS such exits in the sample.

4.26 The PSS interest determination allows for extra interest to be paid until 14 days after the date the benefit is determined, which is:

- in the case of preserved benefits, the day on which the preserved benefits become payable; or
- in other cases, the day following the last day of service.

4.27 All of the PSS exit sample cases allowed for 14 days after the date of determination in the calculation of interest on lump sum components of benefits. The actual average time between the date of determination and the date the benefit was paid to the member was four days.

4.28 In 1999–2000, the combined CSS and PSS lump sum benefits paid to members totalled \$1.1 billion.⁵⁵ This comprised \$0.7 billion in funded amounts and \$0.4 billion in unfunded amounts.⁵⁶ ANAO analysis revealed that, based on the lowest exit rate applicable during the year (5.9%), reducing the allowance for extra interest to better approximate the actual date of payment (that is, seven days after the benefit is determined) would produce annual financial savings of \$1.6 million (comprising \$1 million to the CSS and PSS Funds, and \$0.6 million to the Consolidated Revenue Fund).

4.29 The CSS interest determination also affects calculations of CSS pension benefits that are based on accumulations of either member and/or productivity contributions. CSS deferred pensions are based on a multiple of the amount of accumulated basic contributions. Under the interest determination, these accumulated basic contributions include interest up until the second pension payday after the date the benefit is ‘determined’. This results in the initial pension (due for payment from the time the member elects to receive their benefit) being based on the amount of accumulated basic contributions at a date (the expected date of payment) some time after the pension is due to be commenced. Similarly, where members elect to receive their member and productivity contributions as an additional (unindexed) pension the initial pension will be based on the amount of accumulated member and/or productivity contributions at the expected date of payment.

4.30 Reducing the allowance for extra interest to better approximate the actual date of payment (seven days after the benefit is determined) would have resulted

⁵⁵ From 1 July 2000 restrictions on the access to lump sums on involuntary retirement means that this amount would be expected to fall in future years.

⁵⁶ The actual mechanism for paying benefits is that where a benefit becomes payable and can be met from moneys held in the CSS or PSS Fund, the benefit is paid to the beneficiary from the respective Fund. Where a benefit becomes payable and cannot be met from moneys held in the respective Fund all moneys held in the Fund in respect of the member are paid into the CRF and the Commonwealth assumes responsibility for the payment of the benefit. Virtually all payments from the Funds were to CRF. The total benefit was then paid out of consolidated revenue to the member.

in reduced initial deferred pensions of \$433 per annum for the five members in the exit sample who commenced payment of their deferred pensions. For the approximately 1000 CSS members who commenced payment of their deferred pensions in 1999–2000, this would represent a saving in initial annual pension amounts of \$90 000. At 30 June 2000, there were a further 13 000 CSS members who have elected to defer, but have not yet commenced, their CSS pension. Consequently, a change to the interest arrangements may be expected to result in significant future financial savings to the Commonwealth.

4.31 ComSuper advised ANAO that it would be recommending to the Boards that calculation of additional interest be limited to three days from the date of processing, and that the Boards have since determined, with effect from 1 March 2002, that the amount of additional interest be limited to three days.

4.32 Finding: The allowances for extra interest specified in the interest determinations of the Funds do not reflect advances that have been made in the due processing and payment of benefits. ANAO's audit sampling indicated that the average time from approval to payment for lump sum amounts was three to four days whereas the interest determinations allow for 14 days. ANAO analysis revealed that, based on the lowest exit rate applicable during the year (5.9%), reducing the allowance for extra interest to better approximate the actual date of payment (that is, seven days after the benefit is determined) would produce annual financial savings of \$1.6 million (comprising \$1 million to the CSS and PSS Funds, and \$0.6 million to the Consolidated Revenue Fund).

4.33 The overestimation of the time until benefits are paid also adversely affects the calculation of CSS pension benefits that are based on accumulations of member and/or productivity contributions. For the approximately 1000 CSS members who commenced payment of their deferred pensions in 1999–2000, reducing the allowance for extra interest to better approximate the actual date of payment (that is, seven days after the benefit is determined) would have resulted in a saving of initial annual pension amounts of \$90 000. At 30 June 2000, there were a further 13 000 CSS members who elected to defer, but have not yet commenced, their CSS pension. Consequently a change to the interest arrangements may be expected to result in significant future financial savings to the Commonwealth. ComSuper needs to consider advising the respective Boards on the merits of revising the determinations that govern the calculation of interest on expected payment delays. ComSuper advised ANAO that it would be recommending to the Boards that calculation of additional interest be limited to three days from the date of processing, and that the Boards have since determined, with effect from 1 March 2002, that the amount of additional interest be limited to three days.

Recommendation No. 4

4.34 ANAO recommends that ComSuper advise the Boards of the potential savings from revising the determinations that govern the calculation of interest on expected payment delays.

4.35 *ComSuper response:* Agreed.

4.36 Specific comment by the Boards of Trustees was that: ‘the Boards have noted the recommendation, and are aware of action being taken by ComSuper in relation to it’.

Accuracy

4.37 Between 1994–95 and 2000–01, the annual number of exits increased by 29% overall, with large swings from year to year. For example, from 1994–95 to 1995–96 the number of exits fell by 20%, but in the following year, 1996–97, rose by 73%. Such variation in benefit processing volumes poses a significant challenge to the effective management of service delivery.

4.38 The statement of services and standards established between ComSuper and the CSS and PSS Boards require ComSuper to ‘process all applications for benefits in a timely manner and in accordance with the CSS and PSS Acts’. As mentioned earlier, rigorous service standards have been set for the timeliness of benefits processing with regular reporting to the Boards on performance against these standards. However, there are no performance standards set for accuracy in ComSuper’s payment of benefits, or reporting to the Boards on the accuracy of benefits processed under the CSS and PSS Acts.

4.39 For the purposes of this audit, ComSuper provided ANAO with a report on the frequency of exits by exit type since the commencement of ComSAS.⁵⁷ Some 90% of all exits from the schemes utilised only 14 benefit option types. To examine the accuracy of ComSuper benefit calculations, a sample of three exits from each of these top 14 benefit options was taken, amounting to 42 exits in total. A further two cases were added to provide broader coverage of specific membership characteristics. ComSuper provided all data required for the calculation of the benefits for these exits, as well as details of benefits paid or remaining preserved in the Funds. The sample was not designed to provide a statistically valid representation of the benefit calculations conducted over the period, but rather a broad indication of any inaccuracies arising from systemic faults in the benefit processing system.

⁵⁷ Exits relating to the death or invalidity of a member (including a spouse or an orphan’s claim) were outside the scope of the audit and were excluded.

4.40 ANAO found that, in 42 of the 44 cases, benefits estimated by ANAO in accordance with the relevant legislation or trust deed were within 0.5% of those determined by ComSuper. Where ANAO's benefit estimate differed by more than 0.5% from ComSuper's, the reasons for the variation were investigated, with the following results:

- In one case, ANAO estimated that a lump benefit should have been 0.9% (or approximately \$210) more than what was paid. The underpayment was a combination of two errors. First, the employer was late in providing the member's contributory data to ComSuper, resulting in a contribution for November 1999 not being credited to their record until August 2000, one day after the benefit was processed. The ComSAS diagnostic system produced an error message when funds were credited to the member's record after their benefit was paid. The diagnostic error was not investigated. Second, when the member increased their contributions from 6% to 10% of salary, the employer did not report the change in contribution rate. The documentation provided by the employer with the benefit application did show that the member contribution rate had increased to 10%, but ComSuper did not investigate the discrepancy between the benefit application and the member record.
- In the other case, ANAO estimated that a preserved benefit was overstated by 8.0% (or approximately \$4800) as reported on an annual information statement.⁵⁸ Again, the problem was twofold. The preserved benefit had been calculated manually, and the error was caused by the processor's incorrect assumption that the member was entitled to a retrenchment benefit at the date of exit. Consequently, the processor used a different method (that is, the one applying to retrenchment benefits) for calculating the member's final average salary,⁵⁹ to calculate the employer component, thereby overestimating the benefit. Apart from this error, the preserved benefit should not have been processed manually, but automatically, which would have produced the correct result. Originally, the member had paid a transfer value into the PSS. On resignation he/she opted for a refund of their accumulated member contributions, and preserved the employer component in the scheme. At that time ComSAS could not process cases that included transfer values, and so the first benefit payment was calculated manually. Although the ComSAS inadequacy had been corrected for some time, it was incorrectly assumed that the preservation calculation needed to be performed manually because the original benefit had been calculated manually.

⁵⁸ No overpayment had occurred as the entitlement was still preserved in the PSS when the error was identified.

⁵⁹ Over the three years prior to resignation.

4.41 ComSuper advised ANAO that:

The second case involves incorrect amounts being shown on a preserved benefit information statement. Whilst mistakes were made when manually calculating the preserved benefit statement, effort and resources put into benefit processing would ensure the correct calculation of the benefit when it is actually paid. There were two problems with the other case. Firstly, money came on to the record after the benefit was paid. Whilst a diagnostic was produced in the Member Accounts area, even if it had been followed up, the overpayment could not have been prevented as the benefit had already been paid. ComSuper is examining its policy in relation to acceptance of post-benefit payment adjustments by employers. The second problem relates to the fact that an employer did not correctly report a change in contributions rate. The documentation provided with the benefit application showed the increase but this was missed when the benefit was processed.

ComSuper and the Board would expect a high level of accuracy of the benefit processing programs leading to 100% accuracy where automated processing has occurred. Any reporting to the Board would need to be by way of an exceptions report relating to any overpayments/underpayments identified. As previously mentioned, comprehensive written procedures on all aspects of benefit payments have been prepared since the beginning of the audit with an emphasis on the rationale for manual payment of benefits. As previously addressed in relation to the contributions chapter, ComSuper is directing its energies towards correction of diagnostic errors which have a material impact on the accuracy of benefit calculations.

As part of the new service standards that ComSuper will be recommending to the Boards, ComSuper will be recommending the inclusion of service standards relating to the accuracy of benefit processing.

4.42 Finding: The statement of services and standards established between ComSuper and the CSS and PSS Boards require ComSuper to 'process all applications for benefits in a timely manner and in accordance with the CSS and PSS Acts'. However, there are no performance standards set for accuracy in ComSuper's payment of benefits, or reporting to the Boards on the accuracy of benefits processed under the CSS and PSS Acts. ANAO considers that there is merit in ComSuper advising the Boards on appropriate service standards and mechanisms by which ComSuper can measure processing accuracy to facilitate regular performance reporting to the Boards.

4.43 ANAO's examination of a broadly indicative sample of 44 exits from CSS and PSS found that 42 of the sampled exit benefits calculated by ComSuper were within 0.5% of the amount estimated by ANAO in accordance with the relevant legislation or trust deed. Those instances, where ANAO's benefit estimate differed by more than 0.5% from ComSuper's, demonstrated the

need to comprehensively investigate diagnostic errors, and establish completeness in procedures for manual processing. ComSuper advised ANAO that it has prepared comprehensive written procedures on all aspects of benefit payments since the beginning of the audit, with an emphasis on the rationale for manual payment of benefits. It is also directing its energies towards correction of diagnostic errors which have a material impact on the accuracy of benefit calculations. ComSuper advised ANAO that it considered that there was scope for improving the service standards relating to the accuracy of benefit processing, and that the Board of Trustees approved in February 2002 the inclusion of recommended additional service standards.

Recommendation No. 5

4.44 ANAO recommends that ComSuper:

- a) continue to facilitate mechanisms by which it can measure processing accuracy and regular performance reporting to the Boards; and
- b) review its procedures for investigating diagnostic errors, having regard to the need to follow up diagnostic errors which may relate to benefits that have already been paid.

4.45 *ComSuper response:* Agreed.

4.46 Specific comment by the Boards of Trustees was that: 'the Boards have noted the recommendation, and are aware of action being taken by ComSuper in relation to it'.

Procedures for manual payments

4.47 ComSAS does not cater for all possible combinations of membership characteristics and benefit elections. Some benefits therefore require manual calculation. The number of benefits being processed manually has tended to reduce over the years as the functionality of ComSAS has broadened. The number of manually processed benefits fell from 3365 benefits (14%) in 1999–2000 to 1648 benefits (8%) in 2000–2001.

4.48 The decision to process manually is made either at the time of processing the application (due to certain membership characteristics) or when an automatic calculation is attempted and fails. Depending on the nature of the case, the manual payments team can either use ComSAS to calculate the benefit components (after adjustment) or a series of spreadsheets.⁶⁰ If the spreadsheet solution is required, membership and some calculation details are manually transferred from ComSAS.

⁶⁰ In three of the 12 manual payment cases viewed by ANAO, the spreadsheets were not signed off as being checked.

4.49 From August 2000, almost all calculations done using spreadsheets were manually recorded and subsequently approved and paid via ComSAS.⁶¹ Once entered onto ComSAS, the calculations done by the manual team are subject to the same action/approval processes as an automatic benefit calculation. Upon approval, the benefit is paid in the same manner as other benefits processed in ComSAS.

4.50 At the completion of audit fieldwork, there were no comprehensive documented processing procedures for manual processing of benefits. Reliance was placed on the knowledge and experience of the processing officers. Staff receive on the job training prior to their commencement or on release of a new feature of ComSAS and have available a series of ComSAS cue cards. However, from its audit work, ANAO identified deficiencies in the accuracy of manual processing procedures. In this context, ANAO considers that the complex range of calculations involved warrants the formal documentation and maintenance of procedures for manual processing of benefits.

Multiple periods of membership

4.51 Multiple periods of membership in the CSS and PSS for the one person arise in a number of circumstances. The design of ComSAS provided for the ability to link records for members that have multiple periods of membership. However, the necessary links have yet to be fully implemented,⁶² thereby affecting the records of more than 8000 members. If members with multiple periods of service are not identified,⁶³ then it is possible that incorrect surchargeable contributions will be reported to the ATO.⁶⁴ Annual information statements will be incorrect, and incorrect benefit entitlements will be calculated when the member exits his/her current period of membership.

⁶¹ Previously, a paper form specifying the benefits to be paid was signed off by the Action and Approval officers and sent to the Accounts section for payment, that is, details were neither recorded on or paid through ComSAS.

⁶² ComSuper has identified the gap in ComSAS functionality in relation to linking member records. Investigations have been undertaken but have not been completed due to re-allocation of resources. In October 2000, a ComSAS Links project was commenced with objectives to: identify and catalogue the types and numbers of cases with unlinked membership records; build the facilities for linking such records should a business case exist; and develop the benefit calculations for the linked records. The Links project excluded the actual linking of the relevant records. Once the facilities are made available through the Links project the process of linking the membership records is to be undertaken as part of the Records Improvement, Correction and Enhancement project approved in December 2000. This project will identify any ComSAS changes that are needed to improve data quality and then establish a task force to link records, record manually paid benefits and undertake other necessary corrective action.

⁶³ Members with multiple periods of membership are identified at the agency reporting stage through the production of a diagnostic error message.

⁶⁴ Surchargeable contributions are based on, amongst other things, the period of membership.

4.52 When a member exits the scheme and is identified as having multiple periods of membership, ComSuper performs a manual benefit calculation. In the case of CSS benefits, the various components of each period (service, member contributions, and productivity contributions) that were maintained separately can be combined at exit to calculate the total benefit. In the case of PSS benefits, ComSuper manually calculates a preserved multiple⁶⁵ for previous periods of membership, which is then included in the current membership. As with the CSS, the member and productivity contributions maintained separately for each period can be combined at exit.

4.53 One of the PSS members from the exit sample had two periods of membership that were not combined, despite the member providing advice of his/her preserved benefit at the time of their re-joining. The financial impact on any member of not combining periods of membership will depend on the relativities between the funded component (accumulated at interest), unfunded employer component (accumulated at CPI) and the total benefit (dependent on increases in final average salary).⁶⁶ In the case of the sampled member, the financial impact was not significant.

4.54 Another PSS member in the exit sample was known, at the time of benefit processing, to have two periods of membership. By not combining the two periods of service, the value of the benefit for the second period (1 payday) was such that it was paid in full.⁶⁷ Whereas, if memberships were combined, the member would have been required to preserve the productivity and unfunded employer component.

4.55 ComSuper advised ANAO that:

In mid-June 2001 the task force working on the RICE project [Record Improvement, Correction and Enhancement Project] moved to the linking of CSS Re-entered Deferred Benefit members on the completion of programming to allow the relevant links to be made and benefit calculations to reflect the correct benefit for such cases. By the end of July more than 1500 CSS records had been linked. The programs to allow linking of PSS records were in undergoing testing during November 2001 and the task force will be re-established to undertake physical linking of PSS records early in 2002. Specifications have been prepared and programming is underway to develop a Manual Entry of Data facility to cater for cases where linking is not practicable (eg. where a member has made a successful late election to preserve benefits from a prior period of service) or the number of cases involved is small (eg. re-entered invalidity pensioners).

⁶⁵ The preserved multiple is the value obtained from dividing the amount of the preserved benefit by the average salary.

⁶⁶ Members with preserved benefits consisting mainly of the unfunded employer component will generally benefit from combining membership as it is likely that the salary increases in their period of contributory membership will exceed the CPI.

⁶⁷ Employer component of the benefit is less than \$200.

4.56 In addition to the sample of 44 exits, a further 12 manually processed cases were investigated by ANAO. In two of these cases, benefits estimated by ANAO differed significantly to those calculated and paid, as follows.⁶⁸

a) Impact of '10 year rule' on members where a preserved multiple applies:

Contribution due days applicable to members with a preserved multiple count towards the 260 specified in the average accrual provisions of the PSS rules.⁶⁹ These provisions operate to restrict the rate at which the employer-financed component accrues over a 10-year period (which corresponds to 260 fortnightly pay periods over the 10 years). From the manual sample, a PSS member had a preserved multiple relating to their first period of service that included more than 260 contribution due days. Therefore, the average accrual provisions should not apply for the member's second period of service. However, the total benefit multiple for the second period of service was reduced in accordance with the average accrual provisions (contributions during the second period of membership, were for the large part, in excess of 5% of salary). ANAO estimates the final benefit was understated by approximately \$4900.

b) Early Release of Preserved Benefits:

Members with preserved benefits can obtain early access to these benefits on the grounds of severe financial hardship.⁷⁰ SIS regulations limit the amount released to an amount greater than \$1000 and less than \$10 000 (before tax) in any 12-month period. The early release of benefits has generally been processed manually. The first payment under early release provisions can now be made automatically via ComSAS but subsequent releases for the same member are processed manually.⁷¹ One of the objectives of the proposed Records Improvement, Correction and Enhancement project is to record details of benefits calculated and paid manually (mainly early releases of preserved benefits) on ComSAS. In one of the sampled cases, the member initially elected to be paid his/her member contributions. He/she subsequently applied for release of part of the benefit due, on hardship grounds. The re-calculation of the unfunded employer component for the member included a re-calculation of his/her

⁶⁸ Checks on the manual cases were limited to a check on benefits based on the calculations provided by ComSuper (that is, no check was done on the accumulations of the various components throughout the membership).

⁶⁹ PSS Rule 5.2.5.

⁷⁰ Eligibility criteria that ComSuper under delegation from the Trustees must consider are: where the member is <55 years, 39 weeks—written evidence provided by a Commonwealth agency that the member has received and is in receipt of, a 'Commonwealth income support payment' for a continuous period of 26 weeks, the member is unable to meet reasonable and immediate family living expenses.

⁷¹ A ComSAS upgrade in 2001 has enabled most subsequent releases of preserved benefits to be processed automatically.

member contributions, even though these were paid at the time of exit. While this did not affect the amount paid (which was fixed because of the \$10 000 early release limit) ANAO estimates that the member's remaining equity was understated by approximately 2%.

4.57 ComSuper advised ANAO in respect of these matters that:

Progress has been made in relation to these types of cases. On 7 March 2001, the '2nd Preserved Benefit Claims' functionality was introduced in to ComSAS. The effect of this is that any early release of preserved benefits made after this date will not only be able to be processed automatically, but all subsequent releases will also be able to be processed automatically. Previously, even if the first release was automatic, all subsequent calculations needed to be done manually. From March 2002 we will start to see the full benefits of this enhancement; ie people who have had their first release of benefits after March 2001 will be coming back after 12 months for another release. We will then be able to process this second release (and subsequent releases) automatically. Comprehensive written procedures on all aspects of benefit payments have been prepared since the beginning of the audit with an emphasis on the rationale for manual payment of benefits. It is proposed to review and, where appropriate, amend these procedures by the end of February 2002 to ensure that they contain specific reference to the complexity and range of manual calculations.

4.58 Finding: Some benefits require manual calculation due to the limitations of the computer system. The number of benefits being processed manually has tended to reduce over the years as the functionality of systems has broadened but 8% of 2000–2001 benefits were still manually processed. However, at the completion of audit fieldwork, there were no comprehensive documented processing procedures for manual processing of benefits. Reliance was placed on the knowledge and experience of the processing officers combined with on the job training. From its audit work, ANAO identified deficiencies in the accuracy of manual processing, including incorrect payment amounts. In this context, ANAO considers that the complex range of calculations involved warrants the formal documentation and maintenance of procedures for manual processing of benefits.

4.59 Multiple periods of membership in the CSS and PSS for the one person arise in a number of circumstances. The design of ComSAS provided for the ability to link records for members that have multiple periods of membership. However, the necessary links have yet to be fully implemented, thereby affecting the records of more than 8 000 members. If members with multiple periods of service are not identified, then it is possible that incorrect surchargeable contributions will be reported to the ATO, annual information statements will be incorrect, and incorrect benefit entitlements will be

calculated when the member exits his/her current period of membership. ComSuper advised ANAO that it had made progress in expanding the automation of benefit processing, and considers that further progress in this regard will continue to reduce the risk of manual processing error.

Recommendation No. 6

4.60 ANAO recommends that, to improve effectiveness and reduce the risk of manual processing error, ComSuper review its procedures for the formal documentation and maintenance of manual processing of benefits, with specific reference to the complexity and range of calculations involved.

4.61 *ComSuper response:* Agreed.

4.62 Specific comment by the Boards of Trustees was that: 'the Boards have noted the recommendation, and are aware of action being taken by ComSuper in relation to it'.

Canberra ACT
28 June 2002



P. J. Barrett
Auditor-General

Appendix

Appendix 1

CSS and PSS benefit types and payment options

Option: Description:

CSS Age Retirement

- | | |
|---------|---|
| Option2 | Standard/addit pens - refund of excess conts |
| Option3 | Standard/addit pens - refund prod and excess conts |
| Option4 | Standard pens - refund of member and product conts |
| Option5 | Lumpsum - to member - no pension |
| Option6 | Additional pens purchased with member cont on age, bal post |
| Option7 | Lump sum member conts on age retirement, balance postponed |
| Option8 | Age benefit - all postponed to a later date |

CSS Deferred Age Retirement

- | | |
|---------|--|
| Option2 | Standard/addit pens - refund of excess conts |
| Option3 | Standard/addit pens - refund prod and excess conts |
| Option4 | Standard pens - refund of member and product conts |
| Option5 | Lumpsum - to member - no pension |
| Option6 | Lump sum only - payable to another scheme - no pension |

CSS Deferred Invalidity

- | | |
|---------|--|
| Option1 | Standard/addit pens - refund suppl and product conts |
| Option4 | Standard pens - refund of member and product conts |
| Option5 | Lumpsum - to member - no pension |

CSS Deferred Orphan Claim

- | | |
|---------|--|
| Option1 | Standard/addit pens - refund suppl and product conts |
| Option4 | Standard pens - refund of member and product conts |
| Option5 | Lumpsum - to member - no pension |

CSS Deferred Spouse Claim

- | | |
|---------|--|
| Option1 | Standard/addit pens - refund suppl and product conts |
| Option2 | Standard/addit pens - refund of excess conts |
| Option3 | Standard/addit pens - refund prod and excess conts |
| Option4 | Standard pens - refund of member and product conts |
| Option5 | Lumpsum - to member - no pension |

CSS Death

- | | |
|---------|----------------------------------|
| Option5 | Lumpsum - to member - no pension |
|---------|----------------------------------|

CSS DUP Age Retirement

- | | |
|---------|--|
| Option2 | Standard/addit pens - refund of excess conts |
| Option3 | Standard/addit pens - refund prod and excess conts |
| Option4 | Standard pens - refund of member and product conts |
| Option5 | Lumpsum - to member - no pension |

CSS DUP Invalidation Retirement

- Option2 Standard/addit pens - refund of excess conts
- Option3 Standard/addit pens - refund prod and excess conts
- Option4 Standard pens - refund of member and product conts
- Option5 Lumpsum - to member - no pension

CSS DUP Orphan Claim

- Option2 Standard/addit pens - refund of excess conts
- Option3 Standard/addit pens - refund prod and excess conts
- Option4 Standard pens - refund of member and product conts
- Option5 Lumpsum - to member - no pension

CSS DUP Involuntary Retirement (Retrenchment)

- Option1 Standard/addit pens - refund suppl and product conts
- Option2 Standard/addit pens - refund of excess conts
- Option3 Standard/addit pens - refund prod and excess conts
- Option4 Standard pens - refund of member and product conts
- Option5 Lumpsum - to member - no pension

CSS DUP Spouse Claim

- Option2 Standard/addit pens - refund of excess conts
- Option3 Standard/addit pens - refund prod and excess conts
- Option4 Standard pens - refund of member and product conts
- Option5 Lumpsum - to member - no pension

CSS Invalidation Retirement

- Option1 Standard/addit pens - refund suppl and product conts
- Option4 Standard pens - refund of member and product conts
- Option5 Lumpsum - to member - no pension

CSS Orphan Claim

- Option1 Standard/addit pens - refund suppl and product conts
- Option4 Standard pens - refund of member and product conts
- Option5 Lumpsum - to member - no pension

CSS Postponed Age Retirement or Invalidation

- Option1 Standard/addit pens - refund of excess conts
- Option2 Standard/addit pens - refund prod and excess conts
- Option3 Standard pens - refund of member and product conts
- Option4 Std pens + prod conts from postponed, mem conts prev taken
- Option5 Lumpsum - to member - no pension

CSS Postponed Orphan Claim

- Option3 Standard pens - refund of member and product conts
- Option4 Std pens + prod conts from postponed, mem conts prev taken
- Option5 Lumpsum - to member - no pension

CSS Postponed Spouse Claim

- Option2 Standard/addit pens - refund prod and excess conts
- Option3 Standard pens - refund of member and product conts
- Option4 Std pens + prod conts from postponed, mem conts prev taken
- Option5 Lumpsum - to member - no pension

CSS Resignation

- Option5 Lumpsum - to member - no pension
- Option6 Lump sum only - payable to another scheme - no pension
- Option7 Preserved benefit (PSS/CSS) - to be taken at a later date

CSS Sale, Reject Equiv Employment/Stay with New Employer

- Option10 Preserved benefit (PSS/CSS) - to be taken at a later date
- Option11 Pay all benefit for sale of govt. asset, delayed taken later
- Option5 Lumpsum - to member - no pension
- Option6 Lump sum only - payable to another scheme - no pension
- Option8 Lump sum member conts on age retirement, balance postponed
- Option9 Age benefit - all postponed to a later date

CSS Spouse Claim

- Option1 Standard/addit pens - refund suppl and product conts
- Option2 Standard/addit pens - refund of excess conts
- Option3 Standard/addit pens - refund prod and excess conts
- Option4 Standard pens - refund of member and product conts
- Option5 Lumpsum - to member - no pension

PSS Age Retirement

- Option1 Lumpsum - to member - no pension
- Option2 Preserved benefit (PSS/CSS) - to be taken at a later date
- Option3 All of a PSS benefit is taken as a pension
- Option4 Take part of the benefit as a pension and part as a lump sum
- Option5 Full pension with post 95 transfer value lump sum.
- Option6 Part lump sum/part preservation

PSS Death

- Option1 Lumpsum - to member - no pension

PSS Invalidity Retirement

- Option1 Lumpsum - to member - no pension
- Option2 All of a PSS benefit is taken as a pension
- Option3 Refund member conts - balance taken as pension
- Option4 Take part of the benefit as a pension and part as a lump sum
- Option5 Preserved benefit (PSS/CSS) - to be taken at a later date
- Option6 Full pension with post 95 transfer value lump sum.

PSS Involuntary Retirement

- Option1 Lumpsum - to member - no pension
- Option10 Part lump sum/part preservation - all TV preserved
- Option2 Part lump sum/part preservation
- Option3 Lump sum only - payable to another scheme - no pension
- Option4 Preserved benefit (PSS/CSS) - to be taken at a later date
- Option5 All of a PSS benefit is taken as a pension
- Option6 Take part of the benefit as a pension and part as a lump sum
- Option7 Full pension with post 95 transfer value lump sum.
- Option8 Part lump sum/part preservation - all TV in lump sum
- Option9 Part lump sum/part preservation - Unpreserved TV in lump sum

PSS Orphan Claim

- Option1 Lumpsum - to member - no pension
- Option2 Full pens to orphan - Residual Capital lump sum to Estate
- Option3 Full pension and RCV to estate with post 95 TV lump sum.

PSS Preservation Age

- Option3 Lumpsum - to member - no pension
- Option4 All of a PSS benefit is taken as a pension
- Option5 Take part of the benefit as a pension and part as a lump sum
- Option6 Full pension with post 95 transfer value lump sum.

PSS Preservation Death

- Option1 Lumpsum - to member - no pension

PSS Preservation Early Release

- Option1 Lump sum refund of accumulated member contributions
- Option3 Lumpsum - to member - no pension

PSS Preservation Invalidity

- Option1 Lumpsum - to member - no pension
- Option2 All of a PSS benefit is taken as a pension
- Option6 Refund member conts - balance taken as pension
- Option8 Full pension with post 95 transfer value lump sum.

PSS Preservation Orphan

- Option1 Lumpsum - to member - no pension

PSS Preservation Spouse

- Option1 Lumpsum - to member - no pension
- Option2 All of a PSS benefit is taken as a pension
- Option3 Take part of the benefit as a pension and part as a lump sum
- Option4 Full pension with post 95 transfer value lump sum.

PSS Resignation

- Option2 Refund member conts - balance preserved
- Option3 Lump sum only - payable to another scheme - no pension
- Option4 Preserved benefit (PSS/CSS) - to be taken at a later date
- Option5 Refund member conts and STPin + preserve rest.
- Option6 Refund member conts and unpres STPin + preserve rest.
- Option7 Refund member conts and preserve STPin with rest.

PSS Sale of Government Asset

- Option1 Lumpsum - to member - no pension
- Option4 Preserved benefit (PSS/CSS) - to be taken at a later date

PSS Spouse Claim

- Option1 Lumpsum - to member - no pension
- Option2 All of a PSS benefit is taken as a pension
- Option3 Take part of the benefit as a pension and part as a lump sum
- Option4 Full pension with post 95 transfer value lump sum.

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