

The Auditor-General
Audit Report No.7 2002–03
Performance Audit

Client Service in the Child Support Agency Follow-up Audit

Department of Family and Community Services

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of Australia 2002

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Canberra ACT
16 September 2002

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Family and Community Services in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Client Service in the Child Support Agency Follow-up Audit*.

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

Yours sincerely



P. J. Barrett
Auditor-General

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

AUDITING FOR AUSTRALIA

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Abbreviations/Glossary

Abbreviations

ANAO	Australian National Audit Office
ATO	Australian Taxation Office
CAT	Case Assessment Tool
CSA	Child Support Agency
CSO	Client Service Officer
COA	Change of Assessment
EW/EWA	Employer Withholding/Employer Withholding of Arrears
FaCS	Department of Family and Community Services
FTB	Family Tax Benefit
HRD	Human Resource Development
JCPAA	Joint Committee of Public Accounts and Audit
SCO	Senior Case Officer
RSC	Regional Service Centre

Glossary

Case-locking	A procedural and operational tool used by the CSA to 'lock' a client to a Client Service Officer until completion of a required task or resolution of an issue.
Child Support Assessment	A binding child support maintenance assessment generated by a formula prescribed by legislation.
Child Support Scheme	Legislation and policy underpinning the Commonwealth system of transferring child support from the non-resident to the carer parent.
Client Service Delivery Model	CSA's strategic segmentation and channel management approach to deliver services to clients.
CSA Collect clients	The CSA registers, assesses and collects assessment.
CUBA	CSA computer system introduced in March 2002. The computer system derives its name from Cuba, the Roman goddess of sleeping children.

Individual Case Management	Where an individual Client Service Officer services a client.
Issue Management	Where a client is not Individual Case Managed, and so can be serviced by many Client Service Officers.
Private Collect clients	Assessment registered with the CSA but payment made directly between the parents.
Stream Referral Guidelines	Guidelines that determine the basis for transferring clients between streams (for example, going from Collection Support to Debt Management Services).
Stream Strategy	Three specialised streams (New Clients, Collection Support, and Debt Management Services) that support the Client Service Delivery Model.

Summary and Recommendations

Summary

Background

1. The Child Support Scheme (the scheme) was established in 1988 as a national system for transferring child support payments between separated parents for the benefit of children. The Child Support Agency (CSA) leads the administration of the scheme. Its main functions are to register and assess cases; collect payments if requested; enforce child support liabilities; and provide information on child support matters.
2. The CSA administered over 650 000 child-support cases as at 30 June 2002, including approximately 330 000 cases for which it was the collection agency. Each case has two CSA clients—a payer and a payee—so that the CSA had around 1.3 million clients at that time, responsible for around 990 000 children.
3. The CSA operates in a complex and sensitive environment. The strong emotions often felt by separated parents and their experiences with other aspects of the separation process can markedly affect their relationship with the CSA.

Previous reviews

4. The CSA was subject to a number of audits and parliamentary reviews throughout the 1990s. The 1997–98 ANAO audit of the CSA¹ (the previous ANAO audit) examined the CSA's administration of the scheme and found that it had substantially improved its operational performance. Nevertheless, the ANAO identified scope for improvement across many CSA activities, and made 12 recommendations to enhance the CSA's performance (see Appendix 1). The CSA agreed with all recommendations, including three with qualifications.
5. The Parliament's Joint Committee of Public Accounts and Audit (JCPAA) reviewed² the previous ANAO audit and concluded that it 'looks forward to seeing further improvement in performance management, through the continued implementation of the ANAO's recommendations'. The JCPAA also reinforced three ANAO recommendations in its own report.

¹ ANAO, *Management of Selected Functions of the Child Support Agency*, Report No.39 of 1997–98, April 1998.

² Joint Committee of Public Accounts and Audit (JCPAA), *Report 367, Review of Auditor-General's Reports 1997–98*, March 1999.

Audit approach

6. The objectives of this follow-up audit were to:
 - assess the CSA's implementation of the 12 recommendations contained in the previous ANAO audit and three recommendations pertaining to it in JCPAA Report 367 of 1999; and
 - establish whether the CSA has improved the management and delivery of its client service, taking into account the recommendations and findings detailed in the above reports, appropriate alternative measures and emerging issues that have affected the agency.
7. The audit examined whether the CSA had addressed these recommendations by reviewing the processes it followed to implement them and assessing the effectiveness of the implementation actions taken. The audit also broadly assessed the performance of the CSA in delivering quality client service.
8. The methodology involved collecting information from a variety of sources, including a detailed report by the CSA outlining its actions and performance in implementing these recommendations, discussions with CSA staff in national and branch offices, discussions with stakeholders, analysis of CSA documentation and general research of the CSA's operations.
9. The audit did not assess the impact of the CSA's redeveloped IT system (CUBA) on client service, as fieldwork was conducted prior to its introduction in March 2002. Nor did it address policy issues relating to the scheme, such as the child support formula, as they are outside the ANAO's audit mandate.

Audit conclusion

10. The CSA placed a strong emphasis on addressing the issues and recommendations of the previous ANAO audit and associated JCPAA report. Consequently, it either fully or substantially implemented virtually all of the 15 combined recommendations of these two reports. The CSA adopted a holistic approach to overseeing these recommendations, implementing them as part of a fundamental restructure of its business.
11. These business initiatives, particularly the Client Service Delivery Model and the CSA's new stream structure (comprised of New Clients, Collection Support, and Debt Management Services), significantly improved the way that it manages its business. The CSA further enhanced support for its staff to deliver services to clients, through, for example, the introduction of leading edge telephony infrastructure, comprehensive training and coaching and more robust workload predictions.

12. As a result, CSA's performance improved in many aspects of client service since the previous ANAO audit. This included faster telephone responsiveness, simplified correspondence, expanded services to rural and remote communities, better complaints handling and a more comprehensive introduction package for new clients. Nevertheless, measured client satisfaction remained steady at an average level, and there is scope for further improvement. In particular, the CSA should provide more accurate and consistent advice; explain decisions more clearly; fulfil obligations made by staff; improve the application of case-locking rules; and improve many aspects of the Change of Assessment process.

13. The CSA's collection performance is high, notably by international standards. However, the magnitude of arrears and timeliness of payments remains a problem for many CSA Collect payees, who were owed an average of over \$2100 at 30 June 2001. The introduction of the Debt Management Services Stream allows the CSA to specialise on difficult debt cases and contributed to the moderate improvement in debt collection since the previous ANAO audit. The CSA enhanced debt recovery tools available to staff, for example through clearer debt collection documentation; improved default assessment processes; streamlined processes to action new debt; and better identification of debtors suitable for litigation. However, the audit identified scope to improve debt collection performance, especially by reviewing procedures for employer withholding and employer withholding of arrears, revising performance measures of debt and collection, refining case selection criteria for Individual Case Management and improving cross stream referral rules.

14. The CSA has demonstrated its commitment to continual improvement, and the introduction of CUBA, in particular, aims to provide further support to CSA staff and, potentially, to improve client service. Such improvements are necessary to provide adequate support for separated parents and their children, who often face difficult financial and emotional circumstances.

CSA response

15. The CSA welcomes the ANAO's comprehensive whole of business review conducted over a period of more than six months. The ANAO's conclusions acknowledge the substantial progress made by the CSA across all areas of its operations while suggesting areas where further improvements can be made. These suggestions, together with extensive research and analysis available from the CSA's quality and innovation framework, provide the basis to drive the CSA's continuous improvement agenda.

16. Without resiling from our intent and efforts to improve client satisfaction, child support is and will remain one of the most complex areas of policy and

administration. It is very difficult for some parents to differentiate between policy issues, personal outcomes and service delivery. Progress has and continues to be made in service delivery, most notably for new clients, reflecting the early success of the CSA's fundamental redesign of service delivery. This work will continue. Cross-sectoral strategies are supplementing the CSA's internal efforts to optimise outcomes for separated parents across the family law system. This comprehensive approach will improve most (though not all) parents' satisfaction with their experiences of the system.

Key Findings

Implementation of previous audit recommendations (overview of Chapters 3 to 8)

17. Table 1 summarises the ANAO's assessment of the CSA's implementation of recommendations of the previous ANAO audit report and associated JCPAA report. Appendix 1 provides greater detail on the implementation of these recommendations.

Table 1

Summary of the CSA's implementation of previous audit recommendations

<i>Subject of ANAO recommendations</i>		<i>Rec. Nos.</i>	<i>Level of Implementation</i>
Scheme Administration	Identify more effective service delivery, improve client communication	1	Fully
Client Service	Promote charter, improve correspondence, telephone responsiveness and outreach	2(a-d)	Substantially
Complaints Handling	Enhance awareness of complaints service	3	Substantially
	Record all complaints and analyse information	4	Fully
Human Resource Development	Improve reporting and evaluation	5	Fully
Child Support Review Office	Assess benefits/costs of technical database	6	Fully
	Transfer Review Office client service to general staff	7	Fully
Debt Management	Improve collection guidelines	8(a-c)	Substantially
	Research and profile debtors and review compliance score	9(a-c)	Substantially
Debt Collection Operations	Analyse debt risk, improve collection plans and key performance indicators	10(a-c)	Substantially
	COMPACT computer system	11	Overtaken by events
	Timeliness and effectiveness of collection action, revise EWA and penalty guidelines	12(a-f)	Substantially
<i>Subject of JCPAA recommendations</i>		<i>Rec. Nos.</i>	<i>Assessment</i>
Take immediate action to simplify language used in publications		J2	Substantially
Commission expert consultant to undertake regular surveys of client awareness of the charter and complaints service		J3	Alternative strategy pursued
Take action to ensure equitable outcomes by setting levels of employer withholding of arrears to reflect client's annual income		J4	Partially

18. Table 1 shows that the CSA fully or substantially implemented all of the 11 recommendations of the previous ANAO audit³ and one of the three JCPAA recommendations. The CSA has pursued an alternative strategy to meet the intent of JCPAA Recommendation No.3 and is considering further actions to fully implement JCPAA Recommendation No.4, which has been partially implemented to date.

Managing and delivering improved client service (Chapter 2)

19. The CSA has sought to continually improve client service, for example through improved business structures, by monitoring and evaluating performance, improving staff training, disseminating better practices and focussing on delivery of its client charter commitments. As a result, service levels improved in most operational areas, such as in quicker response or processing of main service activities (including communication via the telephone and correspondence), expanded outreach services, enhanced provision of information and better complaints handling.

20. Benchmarking undertaken by the CSA indicates its cost, productivity and collection performance is high by international standards. Since the previous ANAO audit, the CSA substantially increased the proportion of cases registering with the CSA but responsible for their own payment arrangements (Private Collect), thereby improving the extent of co-operation between parents and reducing scheme administration costs. The CSA improved the consistency of performance between its regions for most key operations. The number of complaints was relatively low given the CSA's caseload and the nature of its operations but increased since the previous ANAO audit.

21. Despite improved service levels, measured client satisfaction was steady since the previous ANAO audit, at an average level, according to the rule of thumb used by the consultant undertaking the analysis. The CSA investigated this trend using independent consultants but was unable to identify clear reasons for the lack of improvement. The ANAO considers that this stemmed from increased client expectations, a continued linking of satisfaction to elements of the scheme rather than its administration (especially for payers) and a lack of sufficient progress in some core CSA activities important to many clients.

³ Recommendation No.11 was overtaken by events.

Improving links with other government agencies (Chapter 3)

22. The previous ANAO audit found that the CSA should improve coordination with other government agencies delivering the scheme and improve communication with clients about the roles and responsibilities of the various agencies administering the scheme. The ANAO examined the associated recommendation⁴ in light of changes to the administration of the scheme since the previous ANAO audit.

23. The ANAO found that the CSA made considerable effort to work with other agencies to identify issues that impact on child support and what its clients need. However, the CSA should adopt a more strategic approach to working with the Australian Taxation Office (ATO) and Centrelink to undertake data matching, data interchange and data interrogation.

24. The CSA has adequately delineated and formalised its responsibilities with other government agencies administering the scheme. Where formal agreements were necessary they were in place and generally adhered to better practice principles. Where formal agreements were not appropriate, the CSA had sound informal relations with the other government agencies administering the scheme. However, the ANAO considers that the CSA should resume regular bi-lateral meetings with the ATO given the importance of that relationship and the recent changes in key personnel at the ATO, and take a proactive role to establish stronger links with the Federal Magistrate's Service.

25. The CSA's current pricing agreement with the Department of Finance and Administration supports the CSA's strategic intent. However, the ANAO believes that in preparation for the next Pricing Agreement, the CSA should consider discussing options with the Department of Finance and Administration that would encourage the CSA to invest in measures to improve its collection rate performance for CSA Collect cases, while allowing it to continue to realise its objective of encouraging an increased proportion of clients to transfer child support under private arrangements.

26. Since the previous audit, the CSA made substantial efforts to improve communication with clients and stakeholders regarding the scheme, its relationship to other issues affecting separated parents and the respective responsibilities of the government agencies administering the scheme.

⁴ ANAO, op. cit., Recommendation No.1.

Enhancing aspects of client service, complaints handling and staff development (Chapters 4, 5 and 6)

27. The previous ANAO audit identified scope to further enhance the CSA's client service, by improving elements of its client charter, correspondence, telephony enquiry services and outreach strategies.⁵ The JCPAA made two similar recommendations⁶, related to the CSA charter and improving CSA correspondence.

28. The ANAO found that the CSA had more widely promoted its charter since the previous ANAO audit and systematically evaluated its impact on client service through various client surveys.⁷ This measurement approach represented an alternative strategy to the JCPAA Recommendation No.3, that the CSA should measure client awareness of the charter.

29. The CSA undertook a significant re-design of its correspondence between 1998 and 2000 to make it easier for clients to understand. Major revisions were proposed to virtually all system letters in early 2000 but a number of important changes could not be implemented prior to the introduction of CUBA in March 2002. Partly for this reason, many client representative groups considered that the quality of CSA correspondence had not improved substantially since the previous ANAO audit but needed to do so. However, these views also partly reflected the difficulty in providing correspondence that often covers complex issues but is required to cater for clients with varying literacy levels. The CSA supports its correspondence with a phone first policy, that is, phoning rather than writing to clients wherever possible and similarly encouraging clients to phone for information, explanation and advice.

30. Since the previous ANAO audit, the CSA implemented leading-edge telephony infrastructure and improved staff rostering. This contributed to improved phone responsiveness. The CSA has been meeting its service standards to answer 90 per cent of incoming calls within two minutes and 80 per cent of calls within 30 seconds consistently since January 2001. However, some CSA clients continued to face problems in talking to Client Service Officers (CSOs) with sufficient understanding of their cases. To ameliorate this problem, the CSA should review the application of rules that case-lock clients to CSOs that are knowledgeable about their case. The CSA should also quickly implement its proposal to undertake regular, ongoing point-of-service surveys to assess specific components of CSA service delivery such as the telephone enquiry service.

⁵ *ibid.*, Recommendation No.2.

⁶ JCPAA, *op. cit.*, Recommendation Nos.2 and 3.

⁷ Particularly the *Professionalism Study* surveys and the *Client Satisfaction Index* surveys.

31. The CSA has expanded the delivery of Outreach Programs and other alternative services since the previous ANAO audit. This significantly increased the opportunity for face-to-face contact with clients in regional Australia and with community organisations. This generally increased client satisfaction but came at a much higher cost than standard phone based servicing by branch office staff. The CSA used appropriate methods to assess the cost-effectiveness of Outreach Programs and related activities.

32. In a recent review of the CSA's complaints service, the Commonwealth Ombudsman found that it functions at a high standard. It also found a continuing low awareness by clients of the CSA complaints service.⁸ The ANAO considers that the CSA should undertake regular surveys of client awareness of the complaints service in order to gauge the effectiveness of its increased promotional activities and review these activities if awareness remains low. The CSA has advised that it will consider the need for this research within the broader context of the client satisfaction research redesign.

33. The previous ANAO audit report found that the inability to adequately record complaints data impaired the CSA's analysis of clients' problems.⁹ The complaints database is designed to be integrated into CUBA but the interim database allowed adequate analysis to contribute to improved service delivery and scheme design. The CSA implemented a number of other strategies to learn from complaints, as part of its change in culture from one where complaints were viewed as problems to one where the organisation genuinely sees each complaint as an opportunity to learn and to improve the services that its clients receive.

34. The previous ANAO audit recommended that the CSA improve management reporting of its human resource development (HRD) activities and more systematically assess outcomes of HRD activities.¹⁰ The audit found that the adoption of the TriCS application to manage HRD training enabled the CSA to cost-effectively extract HRD data that is useful to management. However, there is scope for future enhancements of TriCS, such as to link the underlying resource costs of training to the CSA's financial management information system, to explore systemised recording of informal training by team coaches and e-learning self-paced modules. The CSA adopted a more formal evaluation process to systematically evaluate outcomes of HRD strategies and activities via ongoing monitoring and reviews of training modules and other HRD activities.

⁸ ANAO, op. cit., Recommendation No.3.

⁹ *ibid.*, Recommendation No.4.

¹⁰ *ibid.*, Recommendation No.5.

35. Since the previous ANAO audit, the CSA has undertaken a comprehensive redevelopment of its HRD environment, which has been recognised as better practice by the Public Service Commission. Nevertheless, the CSA's most recent staff survey¹¹ reveals a high rate of staff dissatisfied with or neutral to formal training, highlighting the need for the CSA to continue to improve formal training.

Varying child support assessments (Chapter 7)

36. The Change of Assessment (COA) process provides an internal administrative mechanism to vary child support liabilities to take account of special circumstances of separated parents and their children. The CSA initiated a number of reforms since the previous ANAO audit in order to streamline and improve the delivery of the functions. These reforms incorporated the previous ANAO audit recommendations to develop a technical database to improve consistency of decisions and to integrate COA staff with CSA stream staff.¹²

37. The ANAO found that the CSA introduced the required technical database to support Senior Case Officers (SCOs), mainly as part of the broader CSA intranet. The ANAO could not assess whether this improved the consistency of COA decisions since the previous ANAO audit.

38. Taking into account changes to the COA function, the ANAO found that the revised administrative support arrangements improved timeliness and streamlined case management. However, the CSA is yet to fully synthesise client service between the COA and stream CSOs, leading to a degree of double handling of clients. Further developments of the COA operations model should aim to enhance coordination of service delivery between streams and the COA function.

39. CSA surveys showed a decrease in client satisfaction in COA in 2000 compared to 1998. The ANAO notes that much of the client dissatisfaction is related to broader child support scheme issues and outcomes. Nevertheless, there is scope to improve many elements of the COA process, including the COA Application form, preparing the client for conference, the behaviour of SCOs, the standard of decision-making, explaining the COA process to clients and explaining SCO decisions. The ANAO considers that the CSA should further monitor SCO decisions by conducting theme-based research.

¹¹ Child Support Agency (CSA), *Corporate Health Index*, 2002.

¹² ANAO op. cit., Recommendation Nos.6 and 7.

Reducing child support debt (Chapter 8)

40. The previous ANAO audit made five recommendations to further enhance the CSA's debt management and collection activities. These recommendations related to the CSA's:

- debt collection policy, guidelines and procedural instructions;¹³
- debt collection priorities and research;¹⁴
- national business plans, performance indicators and targets;¹⁵
- business support systems;¹⁶ and
- debt collection operations.¹⁷

41. Overall, the ANAO considers that there has been a moderate improvement in the CSA collection and debt performance since the previous ANAO audit. The ANAO estimates that, abstracting from the impact of legislative changes, average child support debt across all CSA payers would have fallen by around nine per cent over the four years to June 2001.

42. This improved performance has stemmed from improvements to a number of aspects of the CSA's debt management and collection activities as follows.

- The CSA has implemented a new stream structure which helps direct its resources toward more difficult debt collection cases that require specialised skills and/or more intensive Individual Case Management in order to achieve a positive outcome.
- It has implemented a new integrated business planning and management framework which has improved the communication of debt collection priorities and procedures to CSA staff. It has also produced a *CSA Debt Policy* that is readily accessible to staff via the CSA intranet and has revised its procedural instructions relating to debt collection activities.
- It has improved the accuracy of its default income assessments and sought to address the issue of non-lodgement of tax returns through joint activities with the ATO.
- It generally takes more prompt action with first time defaulters and identifies clients with significant assets for potential litigation via Individual Case Management.

¹³ *ibid.*, Recommendation No.8.

¹⁴ *ibid.*, Recommendation No.9.

¹⁵ *ibid.*, Recommendation No.10.

¹⁶ *ibid.*, Recommendation No.11.

¹⁷ *ibid.*, Recommendation No.12 and JCPAA, *op. cit.*, Recommendation No.4.

43. Nevertheless, there is scope to improve some aspects of CSA debt management and collection activities as the following illustrates.

- The criteria used by CSA streams to select cases for Individual Case Management could be further researched and refined to ensure that debt collection resources are applied to high return cases. The CSA has appropriately identified this as a key business strategy aimed at improving the cost effectiveness of its service delivery. In response to a recommendation of the previous ANAO audit, the CSA has developed a new compliance model that effectively presents staff with an expected return to debt collection effort for individual cases. The ANAO strongly supports the early incorporation of this model into CUBA.
- At the time of fieldwork for this audit, the *CSA Debt Policy* referred to a number of out of-date policy guidelines and there was scope for CSA procedural instructions to provide fuller guidance on some debt collection issues. The CSA has advised that it is addressing these issues.
- Although the CSA's *National Business Plan 2001–02* identifies debt collection process improvements that would positively impact on debt risk, there would be merit in separately identifying debt risk in its overall risk assessment given the growth in child support debt over recent years and the potential for this to negatively impact on the community perceptions of the scheme's effectiveness.
- The Employer Withholding of Arrear (EWA) rates applied to debtors under garnishee arrangements do not appear to fully reflect debtor capacity to pay. In February 2002, the average EWA deduction for debtors with income of less than \$20 000 was actually higher than for debtors with incomes of more than \$20 000. The ANAO recommends that the CSA review the EWA procedural instructions to ensure that they offer complete and specific guidance on appropriate EWA rates across the entire spectrum of payer income levels to ensure that equitable outcomes are being delivered. There also appears to be scope to improve the CSA's overall collection performance by expanding the use of garnishee arrangements where appropriate.
- There is scope to improve the consistency of debt write-off activity across the CSA. Proposed system changes with the introduction of CUBA should largely address this issue.

44. With around three-quarters of CSA Collect payers now having child support debts and many having little capacity to repay these debts, debt management is an important and challenging component of CSA service delivery. Consequently, the CSA will need to continue to apply significant resources to debt collection activities.

Oversight of previous audit recommendations (Chapter 9)

45. The ANAO found that the CSA monitored the implementation of the previous ANAO audit recommendations as part of its ongoing business arrangements rather than through a separate process.

Recommendations

Set out below are the ANAO's recommendations with report paragraph reference and the CSA's abbreviated response. More detail is found in the body of the report.

**Recommendation
No. 1
Para 2.19**

The ANAO recommends that the CSA supplements its main reported indicator of collection performance, based around the cumulative collection compliance rate, to include an additional measure that assesses the timeliness of payments.

CSA response: Agreed.

**Recommendation
No. 2
Para 7.16**

The ANAO recommends that the CSA undertake an analysis of Change of Assessment Notices of Decision, such as examination by reason and/or the exercise of Senior Case Officer discretionary powers, to provide the CSA with a broader view of consistency in decision making.

CSA response: Agreed.

**Recommendation
No. 3
Para 8.78**

The ANAO recommends that the CSA conduct a review of the Employer Withholding of Arrears guidelines, with a view to offering more complete and specific guidance on appropriate Employer Withholding of Arrears rates across the entire spectrum of payer income levels, to ensure that actual Employer Withholding of Arrears rates better reflect payer capacity to pay.

CSA response: Agreed.

**Recommendation
No. 4
Para 8.85**

The ANAO recommends that the CSA continue to assess the extent to which Employer Withholding and Employer Withholding of Arrears arrangements could be appropriately expanded to enhance the CSA's overall collection performance.

CSA response: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter provides background information on the Child Support Agency and previous reviews of the agency. It explains the approach, objective and methodology of the audit and describes the structure of the report.

Overview of the Child Support Agency

1.1 The Australian Child Support Scheme (the scheme) was introduced by Parliament in 1988 to strike a fairer balance between public and private forms of support for children to alleviate the poverty of sole parent families. It is a national system for transferring child support payments between separated parents for the benefit of children.

1.2 The Child Support Agency (CSA), together with the Department of Family and Community Services (FaCS) and the Attorney-General's Department, administer the scheme. The CSA operated as part of the Australian Taxation Office (ATO) from its establishment until October 1998. At that time it became part of the FaCS portfolio.

1.3 In administering the scheme, the CSA registers cases, assesses child support payable, collects payments where requested and enforces child support liabilities when liable parents do not meet their obligations. It also provides an information service on child support matters.

1.4 It administered over 650 000 child-support cases as at 30 June 2002, including approximately 330 000 cases for which it is the collection agency. In 2001–02, the CSA employed around 2500 full-time equivalent staff and had program costs of \$215 million. The CSA has a National Office in Canberra, 19 branch offices and 21 Regional Services centres organised into five administrative regions.¹⁸

1.5 The CSA operates in a complex and sensitive environment. Child support is often an emotional issue, which must be dealt with by separated parents along with legal, financial and care and contact issues. Many parents are clients by circumstance rather than by choice and this can affect their relationship with the CSA.

¹⁸ The five CSA administrative regions are: NSW/ACT, South Australia/Northern Territory, Queensland, Victoria/Tasmania, and Western Australia.

Previous reviews

1.6 The CSA was subject to a number of audits and parliamentary reviews throughout the 1990s. The ANAO audited the CSA twice—in 1993–94 and 1997–98.

1.7 The 1997–98 ANAO audit (the previous ANAO audit) of the CSA was published as *Management of Selected Functions of the Child Support Agency*, Audit Report No.39, 1997–98. The primary objective of the audit was to form an opinion on the CSA’s administration of the scheme.

1.8 Overall, the previous ANAO audit found that the CSA had substantially improved its operational performance. Nevertheless, it identified scope for improvement across many CSA activities, including client service, debt management and collection, and co-ordination with other scheme providers to deliver services that meet the needs of separated parents. The previous ANAO audit made 12 recommendations to improve the CSA’s performance (see Appendix 1). The CSA agreed with all recommendations, including three with qualifications.¹⁹

1.9 The Parliament’s Joint Committee of Public Accounts and Audit (JCPAA) reviewed²⁰ the 1997–98 ANAO audit of the CSA and concluded that it ‘looks forward to seeing further improvement in performance management, through the continued implementation of the ANAO’s recommendations’. The JCPAA also reinforced three ANAO recommendations in its own report.

The current audit

Audit objective, criteria and focus

1.10 The objectives of this follow-up audit were to:

- assess the CSA’s implementation of the 12 recommendations contained in the previous ANAO audit and three recommendations pertaining to it in JCPAA Report 367 of 1999; and
- establish whether the CSA has improved the management and delivery of its client service, taking into account the recommendations and findings detailed in the above reports, appropriate alternative measures and emergent issues that have affected the agency.

¹⁹ The CSA agreed with qualification to Recommendations 7, 11 and 12(b), (d) and (e).

²⁰ JCPAA, op cit.

1.11 The audit criteria are at Appendix 2.

1.12 The audit focused on client service in the CSA. It did not address policy issues relating to the design of the scheme, including the child support assessment formula, as they are outside the ANAO's performance audit mandate.

Audit methodology

1.13 The audit methodology comprised the following:

- assessment of a submission by the CSA on its progress to implement the recommendations of the respective ANAO and JCPAA reports;
- examination of CSA's management processes for oversight and implementation of the audit recommendations;
- interviews with CSA managers, key National Office staff and Branch staff in the ACT, NSW, Queensland, South Australia, Tasmania and Victoria;
- focus group discussions with some staff;
- analysis of key CSA documentation and files;
- discussions with key stakeholders throughout Australia; and
- general research.

1.14 Fieldwork to gather evidence for the audit was conducted primarily from December 2001 through February 2002. This was prior to the introduction of the CSA's fundamentally redeveloped IT system (named CUBA) that was launched in March 2002. Therefore, the audit was not able to assess the impact of CUBA on client service. However, the ANAO recognises that CSA planning for CUBA was complex and required extensive CSA resourcing in preceding years.

1.15 In undertaking the audit, the ANAO engaged ORIMA Research Pty Ltd to assess the CSA's debt management and coordination with other agencies delivering the scheme. ORIMA have expertise in performance auditing, public sector management and statistical analysis.

1.16 The audit was conducted in accordance with the ANAO Auditing Standards at a total cost of \$340 000.

Report structure

1.17 The report is organised into nine chapters, based on the structure of the previous ANAO audit. Table 1.1 demonstrates the structure of the report, including the specific recommendations addressed from the previous ANAO audit report.

Table 1.1
Report structure

<i>Chapter</i>	<i>Title</i>	<i>Recommendations from previous ANAO audit or criteria addressed</i>
2	Recent Performance of the CSA	Audit criteria No.3
3	The Roles of Government Agencies in Delivering the Scheme	Previous ANAO audit Rec. No.1
4	Client Service	Previous ANAO audit Rec. No.2 and JCPAA Recs. No.2 and No.3
5	Complaints Handling and Performance	Previous ANAO audit Recs. No.3 and No.4
6	Human Resource Development	Previous ANAO audit Rec. No.5
7	Change of Assessment	Previous ANAO audit Recs. No.6 and No.7
8	Debt Management and Collection	Previous ANAO audit Rec. Nos.8 to 12 and JCPAA Rec. No.4
9	Governance Measures to Manage Audit Recommendations	Audit criteria No.2

2. Recent Performance of the CSA

This chapter reviews the performance of the CSA in improving the management and delivery of client service since the previous ANAO audit.

Introduction

2.1 An objective of the audit is to assess the level of improvement in the CSA's management and delivery of client service since the previous ANAO audit. This chapter assesses this issue by examining major changes to the CSA's business management framework and analysing performance trends in:

- collecting child support obligations and debt;
- satisfying its clients—as measured by formal measures of client satisfaction;
- improving cost and productivity;
- handling complaints;
- meeting service standards; and
- improving consistency between regions.

2.2 The chapter, therefore, examines a wide range of indicators of CSA performance, reflecting the complexity and breadth of its operations.

2.3 To provide a background to these developments, the chapter first examines trends in CSA caseload. The chapter also briefly discusses the absolute level of CSA performance in these areas and some impacts of the scheme, as these issues are important to many CSA clients.

CSA caseload

2.4 CSA caseload has grown steadily since the scheme's inception in 1988. Figure 2.1 shows that since the previous ANAO audit, the number of cases grew by around eight per cent annually to over 650 000 in June 2002. Each case has two CSA clients—a payer and a payee—so that the CSA had around 1.3 million clients at that time. The number of children in cases registered by the CSA went up by a slightly lower rate to around 990 000 in June 2002.

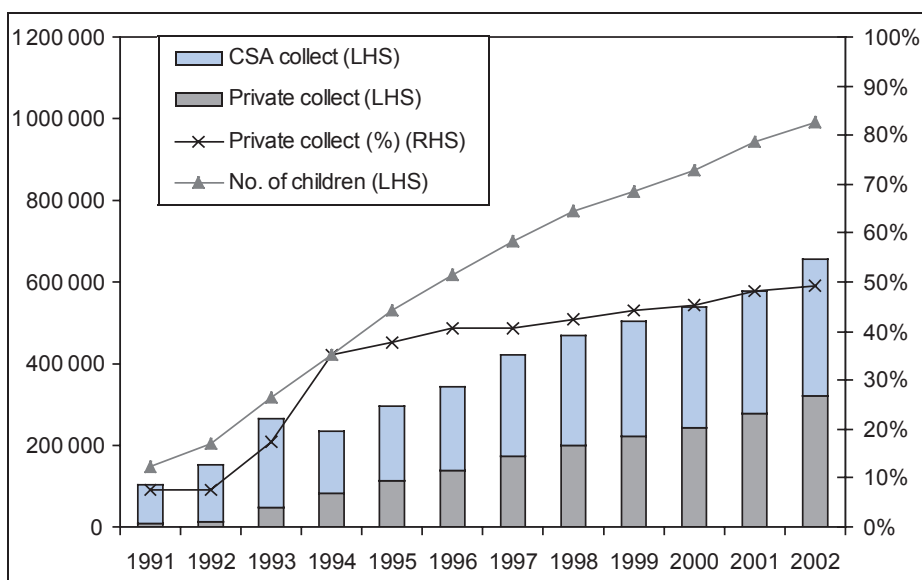
2.5 Australian families may make child support arrangements in one of three ways:

- Self-Administration: an entirely private arrangement between the parents, which includes cases where child support is not sought;
- Private Collect: registration with the CSA but with payment made directly between the parents; or
- CSA Collect: registration, assessment and collection by the CSA.

2.6 The CSA encourages parents to use the Private Collect option where there is evidence that payments will continue to be made, in order to improve the extent of co-operation between parents and reduce scheme administration costs. As at 30 June 2002, 49 per cent of the CSA's current caseload were Private Collect cases, up from 41 per cent at the time of the previous ANAO audit.²¹ The CSA acts as a safety net, and collects payments, if the payee does not select private collection or if it is selected but fails. The ANAO supports the CSA's approach to encourage its clients to enter into stable Private Collect arrangements and notes that the CSA has had considerable success with this approach since the previous ANAO audit.

Figure 2.1

CSA caseload: Number of cases, CSA Collect and Private Collect, and number of children, 30 June 1991 to 30 June 2002



Source: Data provided to the ANAO by the CSA (2002).

²¹ This caseload excludes self-administration. A significant portion of the increase in CSA caseload resulted from an increase in the CSA's coverage of eligible (including self-administered) cases, from around 75 per cent in 1997 to around 90 per cent in 2002.

2.7 The scheme was implemented in two stages. The first stage established arrangements for the CSA to collect maintenance payments under court orders or court-registered agreements. The second stage provided for the administrative assessment of child support obligations.²² The proportion of Stage 2 cases continued to increase and comprised 95 per cent of all CSA clients as at 30 June 2002.

Business management by the CSA since the previous ANAO audit

2.8 The CSA transformed the way it manages its business since the previous ANAO audit. This process began with a comprehensive independent review of its management, which led to a major restructure in which the CSA implemented an integrated Business Management Framework. This framework is based on the Client Service Delivery Model, which groups CSA Collect clients according to the intensity of support they need. This largely depends on the quality and nature of the relationship between parents, payment performance and the stage of the client's relationship with the CSA. As illustrated in Figure 2.2, this grouping comprises three main streams, with corresponding specialised staff skills:

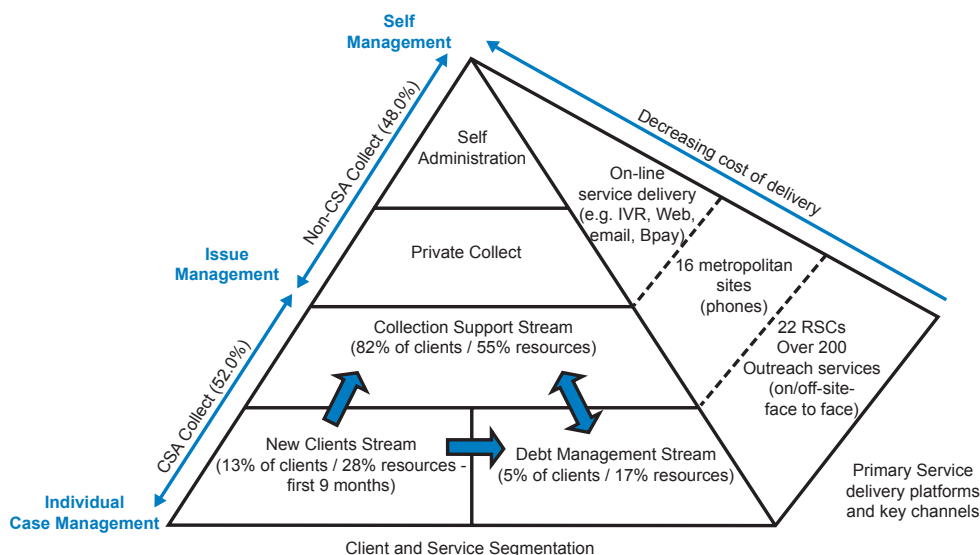
- New Clients Stream;
- Collection Support Stream; and
- Debt Management Services Stream.²³

2.9 Within each stream, case selection criteria are used to determine which clients require a high level of support. These cases are assigned to Client Service Officers (CSOs) for Individual Case Management. Other cases are Issue Managed and dealt with as client needs arise. Individual Case Management is significantly more costly than Issues Management. In either case, the Client Service Delivery Model treats clients more holistically, thereby attempting to better deal with the wider range of issues facing separated parents.

²² In cases where parents separated after, or had a child born on or after 1 October 1989.

²³ New Clients Stream assists new CSA clients to understand their choices and to establish the most appropriate ongoing payment arrangements. Collection Support Stream provides advice, information and support to existing CSA clients. Debt Management Services Stream handles more difficult cases with a view to addressing payment problems and to re-establish appropriate and sustainable payment arrangements.

Figure 2.2
CSA Client Service Delivery Model



Source: Diagram provided to the ANAO by the CSA (2002) relating to late 2001.

Note: IVR = Interactive Voice Response, RSC = Regional Service Centre.

2.10 The ANAO considers that these developments, including the Client Service Delivery Model and the CSA's new stream structure, represent significant improvements in the way that the CSA has managed its business since the previous ANAO audit and has contributed to improved client service and debt management. The CSA received acknowledgment by the Australian Business Excellence Awards, where its significant achievements were recognised amongst a field of leading private and public sector organisations.

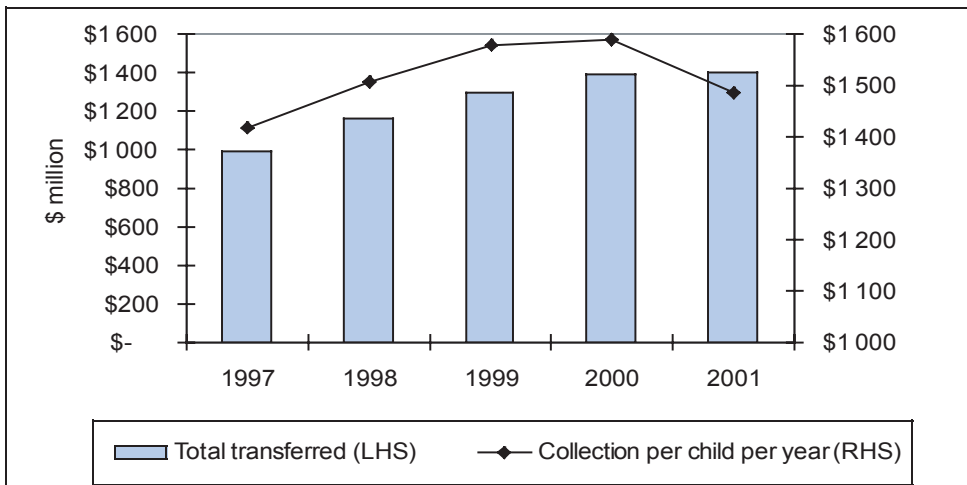
CSA collection of child support obligations and debt

2.11 The amount of child support payments collected by the CSA increased significantly since the previous ANAO audit. Over \$1.4 billion was transferred between parents in 2000–01, an increase of around 40 per cent compared to 1996–97. This was largely due to the increase in CSA caseload, as the average payment per eligible child rose only slightly over the period, to nearly \$1500 in 2000–01 (see Figure 2.3).

2.12 The average collection per child is determined by the liability raised and the amount paid. The liability is calculated through the Child Support formula. As such, this measure reflects scheme characteristics more than CSA performance and provides a background to CSA activities to support children not living with both parents.

Figure 2.3

CSA child support collection: total annual transfers and average transfers per child, 1996–97 to 2000–01



Note: The CSA advised that the decrease in average collection per child in 2001 stemmed mainly from legislative changes and an increase in the average number of relevant dependent children per payer.

Source: ANAO analysis of data provided by the CSA (2002).

2.13 One of the CSA's key responsibilities is to ensure that parents meet their child support obligations. This requires that the CSA collects and arranges for the transfer of a high proportion of assessed child support liabilities.

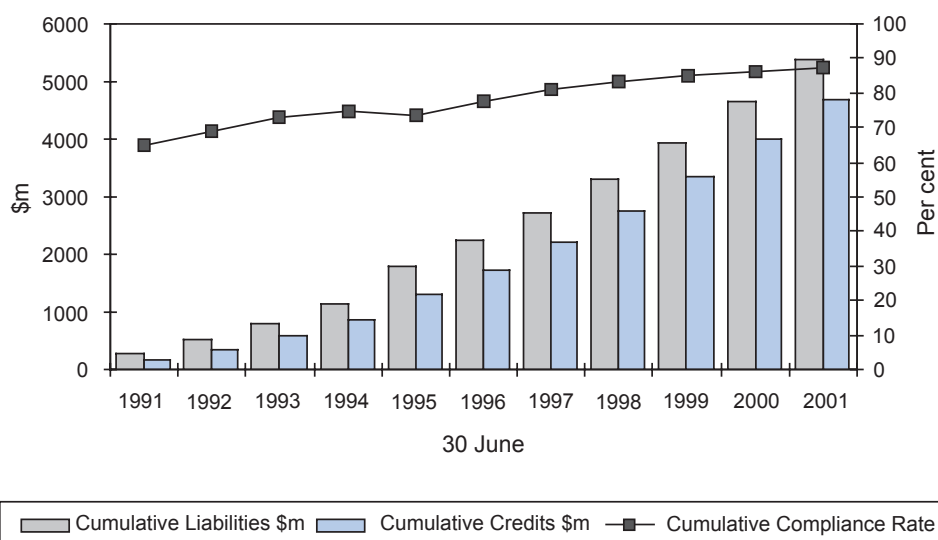
2.14 The CSA typically reports its collection performance in a graph showing cumulative liabilities and credits and the cumulative collection compliance rate (see Figure 2.4). The cumulative collection compliance rate reports credits (or payments) collected as a percentage of liabilities raised since the CSA's inception. The graph shows that the CSA has collected a high proportion of liabilities since the scheme's inception.²⁴ It also suggests a strong improvement in CSA collection performance (and thus debt performance) as reflected in an increase in the collection rate from CSA Collect cases from around 66 per cent in 1991 to nearly 88 per cent in 2001. The measure only includes CSA Collect cases and thus excludes Private Collect cases, that theoretically do not require CSA collection or enforcement so should have a higher collection rate.²⁵

²⁴ The CSA reports liabilities and credits that include discharged arrears (that is, liabilities that are not actually collected).

²⁵ The CSA estimates that the compliance rate for all CSA cases (Private Collect plus CSA Collect) would be around 93 per cent, assuming all Private Collect liabilities are met. The CSA makes this assumption because Private Collect payees are able to request collection by the CSA where the payer fails to meet their child support obligations—the CSA 'safety net'. The CSA reports the collection rate for CSA Collect only as it focuses on collecting payments from these clients, and data are available.

Figure 2.4

Present CSA measure of collection performance: Cumulative liabilities and collections (CSA Collect Cases), 1991 to 2001



Source: CSA, *Child Support Scheme Facts and Figure 2000–01*, 2002.

2.15 The ANAO considers that this cumulative collection measure overstates the improvement in CSA collection performance over time, mainly because it is not revised to take account of liability corrections.²⁶ In addition, it is increasingly insensitive to annual changes in debt levels and it does not capture timeliness of payment.²⁷ Therefore, to enhance stakeholder understanding of collection performance, the current measures should be modified and supplemented by an additional indicator that better tracks recent collection performance, thereby placing stronger emphasis on the timeliness of collecting payments.

²⁶ Liability estimates are predominantly adjusted downwards over time, as payer incomes are adjusted downwards. For example, *Facts and Figures 1999–00* reports that the cumulative collection rate for the period 1988–97 was 81.0 per cent based on original estimates of cumulative credits and liabilities over this period. However, the most recently available estimates of cumulative liabilities for 1988–97 indicate that the cumulative collection rate for this period was 85.4 per cent. Thus, the improvement from June 1997 to June 2001 is 2.1 percentage points compared to 6.5 percentage points based on the unrevised measure (and reported by the CSA).

²⁷ Timeliness is an important element of good client service, especially as many CSA Collect payees are on low incomes and rely on child support payments for basic needs. However, many child support payments are late (see Chapter 8), making it difficult for payees to budget effectively in order to pay bills.

2.16 The ANAO suggests that in developing such a timeliness measure, the CSA considers the merits of a fixed period (say one-year) measure that reports the proportion of liabilities incurred over the past year that were collected. In such a case, credits could be allocated first to current liabilities then to the most recently incurred debt. Total credits should not exceed total liabilities for the period. The ANAO also suggests that the CSA's current cumulative collection rate measure be revised to account for changed liabilities in previous years and that both measures should exclude discharged arrears from liabilities and credits.

2.17 Given that the CSA's main reported measure of collection performance tends to overstate improvements in collection performance over time, the ANAO analysed additional data and noted that CSA collection increased moderately faster than case load between June 1997 and June 2001. Similarly, the growth in total child support debt was moderately higher than the growth in the CSA Collect client base over the period, rising 30 per cent to \$670 million in June 2001. At the same date, average child support debt was over \$2100 per case—equivalent to nearly one year's current collection—and around three-quarters of CSA Collect payers had child support debts.

2.18 These data demonstrate that the CSA's performance in collecting liabilities and debt improved moderately since the previous ANAO audit but remains a considerable problem for many CSA clients and an issue for the CSA to continue to actively manage.

Recommendation No. 1

2.19 The ANAO recommends that the CSA supplements its main reported indicator of collection performance, based around the cumulative collection compliance rate, to include an additional measure that assesses the timeliness of payments.

CSA response

2.20 The CSA agrees and has taken steps to implement the recommendation. The cumulative collection rate is a global measure which reflects all of the CSA's collection efforts, relating to both current and prior year debt and, as such, is both a valid and valuable measure of overall performance.

Client satisfaction with the CSA

Trends in client satisfaction since the previous ANAO audit

2.21 The two main measures of client satisfaction with the CSA are the *Professionalism Index*²⁸ and the *Client Satisfaction Index*.²⁹ Both these measures indicated client satisfaction with the CSA remained virtually unchanged since the previous ANAO audit. However, the *Professionalism Index* results initially improved quite strongly to November 1999 but declined thereafter to February 2002. While payee satisfaction remained fairly steady since May 2000, payer satisfaction recorded a statistically significant decline overall from then to February 2002. Analysis of the findings of both these indexes by the CSA and consultants was unable to confidently explain reasons for trends in client satisfaction with the CSA since the previous ANAO audit. Consequently, the CSA sought further research to better understand this trend.

Results of recent research into client satisfaction with the CSA

2.22 The CSA *Professionalism Index* score of 3.5 in February 2002 indicated that around 60 per cent of clients were satisfied or very satisfied with the professionalism of CSA staff. While this represented average performance according to the consultant's rule of thumb interpretation, the CSA advised that it did not account for the sensitive and complex nature of the CSA's operation and the difficulty in satisfying many clients. For example, the final *Client Satisfaction Index* (in July 2000) reported that 'the extent of cooperation in the relationship and amount of contact with the non-resident parent has with the children has a strong influence on satisfaction', irrespective of service levels. Other CSA research³⁰ emphasised that obtaining a satisfactory outcome for their case was often more important to a client than the quality of service provided to administer the scheme.

2.23 The *Professionalism Index* results indicate that the CSA achieved success in many areas where it focussed attention. Figure 2.5 shows that clients were most satisfied with many personal attributes of CSA staff such as being polite, helpful, good listeners, open and honest and sincere. Importantly, the satisfaction of the New Clients Stream improved significantly, with clients reporting at or above the target 3.7 satisfaction for all elements of the *Professionalism Index*. Satisfaction was also relatively high for clients of Regional Service Centres.

²⁸ Corporate Diagnostics, *Professionalism Study, Child Support Agency*, March 2002.

²⁹ Corporate Diagnostics, *Client Satisfaction Index 2000, Child Support Agency*, July.

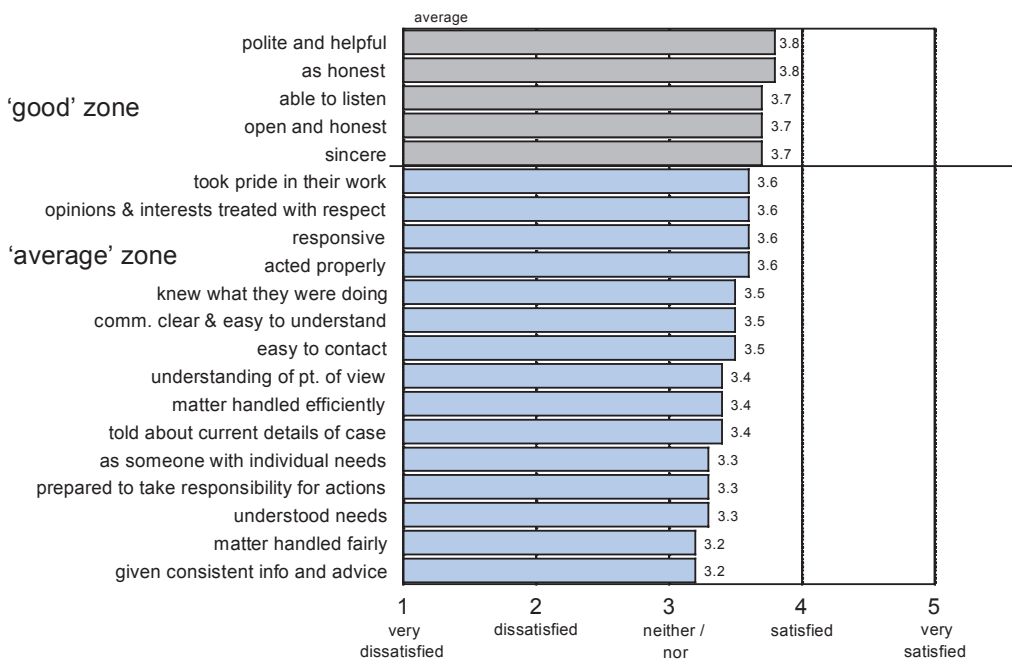
³⁰ Millward Brown, *Client Satisfaction Research, CSA*, August 2001.

2.24 Conversely, *Professionalism Index* results indicated that many clients dealt with a large number of different staff who they felt, despite polite service and a conscientious approach, did not fully understand their needs and sometimes provided inconsistent advice for which they did not take full responsibility. Thus, many clients felt that their matters had been dealt with only moderately efficiently and fairly. These ratings principally related to Collection Support, which is the largest stream, servicing around 80 per cent of CSA clients.

2.25 The *Professionalism Index* results also indicated that the satisfaction of payees with the professionalism of the CSA was higher than that of payers (although the gap closed in recent periods). These gaps were reasonably similar for each category and largely reflected payer dissatisfaction with broader scheme and judicial treatment after separation.

Figure 2.5

The twenty attributes of Professionalism—average ratings for payees and payers, February 2002



Source: Corporate Diagnostics, *CSA Professionalism Study*, March 2002.

Consultant research

2.26 Consultant research (Millward Brown³¹) examined trends in the *Professionalism Index* and noted that client satisfaction with the CSA was generally higher where clients had a case manager and lower in complex cases.³² Compared to Issue Managed cases, case managers were seen by clients to be easier to contact, more responsive to requests, more responsible for their actions and more competent to deal with their case. The very low percentage of Individual Case Managed or case-locked³³ cases in Collection Support (four per cent of cases in February 2002) may therefore have limited the CSA's ability to raise client satisfaction. The ANAO suggests that the CSA closely examine the application of case-locking rules, particularly in Collection Support, to improve client service.

2.27 The Millward Brown research highlighted a number of areas where clients identified scope for improvement with CSA professionalism, most notably involving:

- inconsistency of advice;
- lack of initiative in informing clients of their case and changing circumstances;
- unachieved promises and timeframes;
- inconsistent follow-up and actioning of issues;
- perceived bias; and
- lack of confidentiality.

2.28 The ANAO supports the six recommendations made by Millward Brown³⁴ to improve CSA staff professionalism in these areas. The ANAO acknowledges that the CSA is taking a number of measures to implement these recommendations, and suggests it monitors the success of these strategies and take appropriate action if performance does not improve.

CSA cost and productivity

2.29 The average cost per CSA client³⁵ has fluctuated since the previous ANAO audit. However, CSA operating costs decreased by around four per cent in 2000–01 compared to the previous year, mainly due to increases in the efficiency of many CSA operations and an increase in the ratio of Private Collect cases.

³¹ *ibid.*

³² Many complex cases do not have a case manager.

³³ Case locking is a procedural and operational management tool utilised by the CSA to ensure that a client's case issues are referred to one CSO.

³⁴ Millward Brown, *op. cit.*, pp. 10–12.

³⁵ Includes all CSA Collect and Private Collect payers and payees.

2.30 The total number of full-time equivalent CSA staff remained fairly stable while caseload increased and legislative changes increased workload.³⁶ As a result, labour productivity, as measured by CSA clients per CSA staff, increased by around 10 per cent between 1997–98 and 2000–01. To support staff with this increased workload, the CSA introduced a number of initiatives, including those discussed in paragraphs 2.8 and 2.9.

CSA international benchmarking

2.31 In 2000–01, the CSA coordinated a benchmarking project that compared key elements of CSA performance with international counterparts. The project indicated that the CSA was an international leader in collecting child support, as evidenced by superior performance in the collection of liabilities, the cost of collecting child support payments and productivity (see Table 2.1). The ANAO considers the findings to be well based but notes that it was still not possible to draw strong conclusions from the comparisons, mainly due to the different legislative basis of the child support schemes in the various countries being compared.

Complaints

2.32 Chapter 5 provides a detailed analysis of trends in CSA complaints since the previous ANAO audit. In summary, it reports that the overall number of complaints was low considering the CSA's caseload and operating environment. While complaints data may have been under-reported in the mid-1990s, the number of complaints per thousand CSA cases increased since the previous ANAO audit and the number of complaints upheld per thousand CSA cases also increased slightly. Increased service complaints contributed to this trend, especially relating to the standard of advice and behaviour (mainly privacy breaches).

³⁶ Changes to legislation in 1999 and 2000, for example, increased the number of CSA paying cases by around 100 000, modified the formula and thus the calculation of all assessments and created a new type of Non-CSA Payment.

Table 2.1

Benchmarking Australian and overseas child support agencies

Country		Total A\$m. Collected or Transferred	Program Costs A\$m	A\$ Collected for each \$1 Spent	Cost of Collecting \$1	Caseload	Agency Staff Numbers (FTEs)	Cost A\$ per Agency FTE	Arrears A\$
Australia	1997-98	1 162.9	169.7	6.85	14.6 cents	494 534	2 587	65 597	450.3
	1998-99	1 299.2	180.1	7.21	13.9 cents	535 569	2 663	67 634	455.6
	1999-00	1 386.2	198.2	6.99	14.3 cents	569 710	2 714	75 055	542.6
Canda	1998-99	1 225.6	n/a	n/a	n/a	389 273	1 590	62 830	1 746.6
New Zealand	1997-98	153.2	33.7	4.55	22.0 cents	131 750	509	66 220	224.9
	1998-99	160.2	36.4	4.40	22.7 cents	132 500	475	76 571	259.1
United Kingdom	1998-99	1686.7	589.3	2.86	35.0 cents	923 960	9 299	63 372	n/a
United States	1996-97	22 673.9	5 815.8	3.90	25.6 cents	19 057 164	52 483	110 987	75 703.8
	1997-98	24 342.9	6 082.4	4.00	25.0 cents	19 419 449	56 212	n/a	n/a

Source: CSA, *Child Support Schemes: Australia and Comparisons*, March 2001.

CSA Service Standards

2.33 The CSA charter package lists a set of service standards that the CSA aims to achieve. Table 2.2 shows they were largely achieved in 2000–01 but not achieved in the preceding two years, mainly due to the significant turnover of CSA staff.³⁷

2.34 The improvement in the CSA's performance in meeting its service standards reflects system technical improvements, especially in phone handling and workload management, together with management priority and staff training. It results from the CSA's strong focus on improving the timeliness of processing.

Table 2.2

CSA service standards, 1997–98 to 2000–01

Service standards	Target	1997–98	1998–99	1999–00	2000–01
Electronically register child support applications within 21 days of lodgement ¹	90%	75	78	76	87
Decrease average number of days from lodgement to disbursement	Decrease	118	197	81	83
Respond to correspondence within 28 days	85%	90	87	88	95
Answer telephone calls within two minutes	90%	93	87	87	95
Schedule a Change of Assessment conference within 90 days of application ²	90%	nr	94	85	94
See clients within 10 minutes of arrival at a CSA office	100%	nr	nr	nr	nr

Notes: (1) Target is 90 per cent for electronic registration and 80 per cent prior to electronic (in 1998).

(2) Relates to the finalisation of COA applications. In 1999–00 the measure changed to 'application to finalisation' within 90 days.

(nr) Data not collected or reported.

Source: Data provided to the ANAO by the CSA (2002).

³⁷ The large turnover of CSA staff in 1999 and 2000 was mainly due to opportunities at the ATO as part of the GST start-up. This turnover affected CSA performance in many areas, such as increasing the backlog of unanswered correspondence.

2.35 The ANAO notes that the CSA has not reported performance against its service standards as an entire set in recent departmental annual reports or any other regular external report.³⁸ The ANAO suggests that, to comply with the Department of Finance and Administration (2000) *Client Service Charter Principles*, the CSA reports service standards in forthcoming Annual Reports and revises them in the next release of the CSA client charter (scheduled for 2002–03) to make them more suitable for reporting in such publications.

Consistency between regions in performance

2.36 The previous ANAO audit report stressed the need for greater uniformity in performance between different CSA regions. The ANAO examined this by comparing performance in the collection compliance rate, service standards, complaints and client satisfaction across regions and over time. The ANAO found that the CSA achieved more consistent regional performance against virtually all of these measures and considers that this reflects a uniform national approach to service delivery. This has been brought about by technological improvements and targeted training efforts as well as the dissemination of better practices throughout the CSA.

Impact of elements of the scheme

2.37 During the conduct of the audit, the ANAO received many comments from stakeholder groups that highlighted a lack of adequate research into some consequences of the scheme. The ANAO considers that the CSA should play a role in encouraging or undertaking such research, to further meet its Challenge: ‘to provide leadership when working with other government agencies to develop whole-of-government solutions in child support and related areas.’³⁹

Impact of scheme on work incentives

2.38 During the audit, a number of representatives of stakeholder groups claimed that the incidence of unemployment amongst CSA payers was considerably higher than the rate for the rest of the population—leading to associated high welfare payments and tax revenue foregone. They further posited that a prime cause of this was the high combined cost of child support payments and taxation.

³⁸ However, it reports regularly on most of these standards in internal reports.

³⁹ CSA, *National Business Plan, 2001–02, 2002*.

2.39 These client representative groups were concerned that inadequate research was being undertaken by government agencies about the impact of child support on incentives to work. They argued that such research was necessary to determine whether the scheme was meeting its stated aim to ensure ‘work incentives for both parents to participate in the labour force are not impaired’.⁴⁰

2.40 The CSA reported that it will commence a research project in 2002–03 to examine the pre and post incomes of families to determine whether those parents who use the scheme are initially on low incomes and this is maintained, or whether the incomes drop post separation. This may provide information about any connection between child support enforcement and unemployment. Depending on the outcomes of this analysis, the CSA advised that it will discuss the need for any further research with FaCS. The ANAO welcomes this research stream and suggests that the CSA also liaises with client representative groups in the planning and progression of the study.

Clawback

2.41 The CSA contributes to the broad aims of the scheme, including that ‘Commonwealth involvement and expenditure is limited to the minimum necessary for ensuring children’s needs are met.’⁴¹ FaCS reports to Government against this objective through an estimate of clawback. This measures the reduction in Family Tax Benefit (FTB) outlays as a result of child support payments.

2.42 Information provided by FaCS indicates clawback savings in FTB payments resulting from the transfer of child support payments, range from around \$100 million to nearly \$400 million, depending on various assumptions and definitions. As well as these FTB savings to government, the scheme provides an additional transfer in the order of \$1 billion in payments to support children, which may not have occurred without the CSA.

Conclusion

2.43 The ANAO found that, since the previous ANAO audit, the CSA enhanced its business management framework and improved performance in virtually all elements of operation affecting client service. Performance improved in many aspects of client service while there were no areas of notable decline in performance.

⁴⁰ CSA, *Child Support Scheme Facts and Figures, 2001–2002*, June 2002.

⁴¹ *ibid.*

2.44 The CSA's collection performance improved moderately since the previous ANAO audit. However, the magnitude of arrears and timeliness of payments remain a problem for many CSA Collect payees. These generally represent the more difficult collection cases. Benchmarking undertaken by the CSA indicates it rates very well in international comparisons of child support agencies in collection performance, cost effectiveness and productivity.

2.45 Client satisfaction has been steady since the previous ANAO audit. The ANAO considers that the lack of improvement in client satisfaction is partly due to increased client expectations, a continued linking of satisfaction to elements of the scheme rather than its administration (especially for payers) and a lack of sufficient progress in some core CSA activities.

2.46 The CSA substantially improved the timeliness of its main service activities, especially answering phones and responding to correspondence, since the previous ANAO audit. The CSA improved the consistency of performance between its regions for most key operations. The number of complaints was relatively low given the CSA's caseload and the nature of its operations.

2.47 Notwithstanding its improved performance, the CSA has scope to improve many areas important to clients, including debt collection and aspects of service such as providing accurate advice, explaining decisions, fulfilling obligations made and improving elements of the Change of Assessment process.

3. The Roles of Government Agencies in Delivering the Scheme

This chapter examines the CSA's actions in responding to and implementing Recommendation No.1 of the previous ANAO audit that dealt with improving the coordination of, and consultation between, agencies involved in the delivery of the scheme.

Introduction

3.1 The previous ANAO audit examined the roles and responsibilities of government agencies administering the scheme and the main coordinating and consultative arrangements that were in place. It recommended that to improve the effectiveness of these arrangements between scheme agencies, the CSA should:

- improve coordination in delivering the scheme; and
- improve communication with clients about the roles and responsibilities of the various agencies administering the scheme.

3.2 Since the previous ANAO audit, there have been a number of changes to the Government agencies administering the scheme, partly to improve co-ordination between agencies and partly to streamline service delivery. In October 1998, the CSA moved from the ATO to FaCS. In addition, the Federal Magistrates Service was established and has a role in the administration of the scheme. Figure 3.1 shows the agencies involved in administering the scheme at the time of the current audit.

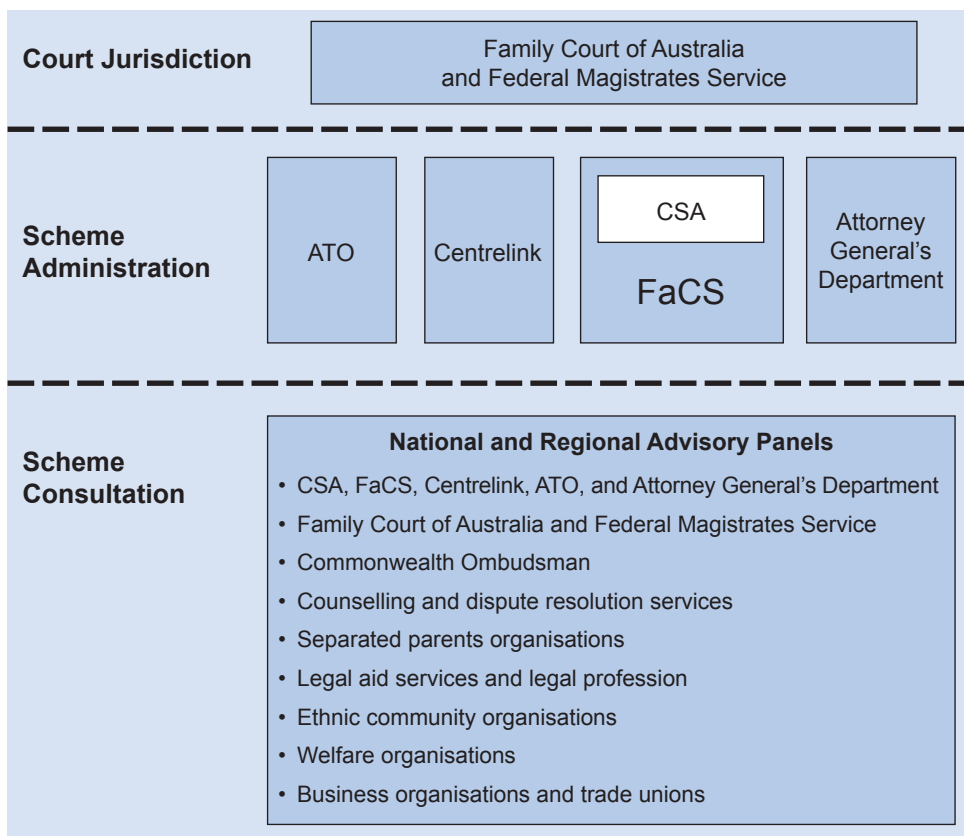
3.3 Despite these new arrangements, the roles and activities of many of the core government agencies administering the scheme, including the CSA, have remained reasonably constant since the previous ANAO audit.

Co-ordinating delivery of the scheme

The previous ANAO audit found scope for government agencies to improve the coordination of the scheme. Consequently, ANAO Recommendation No.1(a) stated that the CSA should *work together with other agencies administering the scheme to identify preferred options for more effective future service delivery arrangements for the scheme and to further delineate and formalise their responsibilities through memoranda of understanding.*

Figure 3.1

Coordinating and consultative arrangements for the scheme



Source: ANAO analysis (2002).

Identifying more effective service delivery options

3.4 To assess whether the CSA worked better with other agencies administering the scheme in order to identify and improve service delivery since the previous ANAO audit, the ANAO examined the CSA's performance in leading and coordinating a whole-of-government approach to child support issues and the adequacy of its data matching and related arrangements with other government agencies.

Whole-of-government approach and consultation with community stakeholders

3.5 After separation, parents must deal with child support, along with often difficult legal, financial and custody issues. This necessitates a whole-of-government approach to child support issues incorporating an extensive and ongoing consultation with community stakeholders.

3.6 The ANAO found that, consistent with its *Business Plan 2001–2002*, the CSA had often taken a leading role in influencing a whole-of-government approach to developing solutions in child support and related areas. It also worked closely with the community in shaping and implementing child support systems.

3.7 An important example was the role the CSA played to integrate client service across the family law system by its contributions to the Family Law Pathways Advisory Group. The CSA also continued the Registrar Advisory Panel (RAP), which it established in 1994. The RAP gives community and Government stakeholders the opportunity to raise issues and develop solutions, in consultation with the CSA. The ANAO found that the CSA has leadership of, or active involvement in, a number of other networks that focus on improving services for separated parents.

3.8 The ANAO considers that the CSA made considerable effort to work with other agencies to identify issues that impact on child support and to meet the needs of its clients. The CSA also established a framework, through its business plans and organisational culture, to assist it to achieve its commitment to ongoing improvement in service delivery and client relations.

Data matching, data interchange and data interrogation issues

3.9 Although formally removed from ATO administration, the CSA continues to operate within the ATO computing environment and inherited extensive links to ATO systems.⁴² The CSA also has a regular program of data interchange with Centrelink that identifies mutual clients and then reports disbursement of child support payments related to these mutual clients.

3.10 The ANAO considers that the CSA makes good use of existing data interchange and data matching resources with these two agencies.⁴³ However, the ANAO found little evidence that the CSA attempted to assess or manage the potential of this activity in a coordinated and strategic manner⁴⁴, such as explicitly linking it to addressing emerging risks to performance of the CSA's collection mission (such as undeclared income or non-lodgement of tax returns by payers) in a timely manner.

⁴² For example, the CSA has access to real time matches of client tax file numbers, and is able to intercept tax refunds if the payer has child support arrears.

⁴³ Which should be further improved in CUBA, which will automatically generate 'in-tray' action or follow-up items.

⁴⁴ Although, the CSA has attempted to monitor changes within the taxation system that will enable access to new types of information, such as Business Activity Statement and Goods and Services Tax refunds and data, and from October 2002 CSA will be able to intercept some FTB payments made through the tax system.

3.11 Thus, a more strategic approach to data matching, data interchange and data interrogation would help consolidate and systemise the various sources of data used on a case-by-case basis by CSA staff, and focus efforts to address key emerging risks to the CSA's collection mission.

Delineating and formalising responsibilities of the CSA and other agencies delivering the scheme

3.12 In examining the relationship between agencies that administer the scheme, the ANAO considered whether a formal agreement between each agency and the CSA was warranted. It took into account the level of interaction between each agency and the CSA and the coordinating and consultative arrangements already in place. Where such formal agreements exist, the ANAO assessed whether the agreements met better practice standards by clearly specifying:⁴⁵

- the purpose of the agreement;
- the roles and responsibilities of each agency;
- funding arrangements;
- processes for managing risk;
- mechanisms for reporting performance and resolving disputes relating to performance; and
- the existence of an effective performance management framework.

3.13 Where formal agreements are in place, the ANAO also assessed whether the CSA had appropriately monitored the delivery of the services specified in those agreements and, where necessary, renegotiated service arrangements.

3.14 The ANAO found that the CSA adequately delineated and formalised its responsibilities with other government agencies administering the scheme. Where formal agreements were necessary they were in place and generally adhered to better practice principles. These included Business Partnership Agreements or Service Level Agreements with Centrelink and the ATO. Where formal agreements were not appropriate, the ANAO found that the CSA had sound informal relations with the other government agencies administering the scheme. These included relationships with the Family Court of Australia and the Attorney-General's Department.⁴⁶

⁴⁵ These criteria are based on those used in the ANAO audits *Implementing Purchaser/Provider Arrangements between the Department of Health and Aged Care and Centrelink*, July 1999 and *ATO Performance Reporting under the Outcomes and Outputs Framework*, June 2001.

⁴⁶ The role of the Attorney-General's Department in administering the scheme is to advise the government on matters that relate to family law. It also provides Legal Aid funding to eligible parents under the scheme.

3.15 The ANAO suggests two actions to improve relations between the CSA and other government agencies administering the scheme:

- that the CSA resume regular bi-lateral meetings with the ATO, given the importance of that relationship and the recent changes in key personnel at the ATO; and
- that the CSA take a proactive role to establish stronger links with the Federal Magistrates Service, along similar lines to that established with the Family Court of Australia.

3.16 The ANAO also examined the CSA's pricing agreement with the Department of Finance and Administration. The current four-year pricing agreement ends in June 2004, with funding based on the CSA's active client caseload, at an agreed cost per client.

3.17 The ANAO found that while the current agreement supports the CSA's strategic intent, it provides little scope for the CSA to invest in measures to improve its collection rate performance for CSA Collect cases.⁴⁷ Not explicitly linking CSA funding to overall collection performance may mean that the CSA cannot invest in compliance improvement measures that would yield a benefit to its clients and the Commonwealth well in excess of the costs to the CSA.

3.18 The ANAO suggests that, in preparation for its next Pricing Agreement, the CSA considers developing and discussing options with the Department of Finance and Administration that would encourage the CSA to invest in measures to improve its collection rate performance for CSA Collect cases, while allowing it to continue to realise its objective of encouraging an increased proportion of clients to transfer child support under private arrangements. Such recognition should provide more scope for developing investment proposals to improve collection rates over and above funded collection and compliance activities to deliver whole-of-government benefits.

Conclusion

3.19 The ANAO concludes that the CSA made appropriate efforts to identify effective future service delivery options and adequately delineated and formalised its responsibilities together with other agencies.

⁴⁷ However, the CSA has made significant investments in both people and technology (for example, telephony, training and CUBA) in order to improve client outcomes.

Informing clients of the roles and responsibilities of Government agencies administering child support

The previous ANAO audit identified scope for the CSA to better work with other agencies to explain administration of the scheme to clients. Consequently, ANAO Recommendation No.1(b) stated that the CSA should *work together with other agencies administering the scheme to improve communication with clients and stakeholders regarding the scheme, its relationship to other issues affecting separated parents and the respective responsibilities of the government agencies administering the scheme.*

3.20 The ANAO found that the CSA made considerable efforts to define and inform its clients and stakeholders about its role and responsibilities. For example, the public could access information about the CSA's role and its services through public seminars, a comprehensive web site and a range of printed information products.⁴⁸ The CSA also provided information about how it interacts with other related government agencies to deliver the scheme.

3.21 The CSA focussed on building relationships with stakeholders, as well as its day to-day relationships with clients.

3.22 While examining efforts made by the CSA since the previous ANAO audit to improve communication with stakeholders about the scheme and its administration, the ANAO identified some multicultural service delivery issues.

3.23 The CSA attempts to ensure that multilingual versions of its products are available where practicable and provide instructions on who to contact for more information. However, the ANAO considers that language resources for many CSA clients are inadequate and that the CSA could improve modelling of the Diverse Culture and Linguistic Background (DCALB) profile of its caseload, drawing on a number of data sources.⁴⁹ Also, the CSA utilises the Translating and Interpreting Service for its telephony translation service, but indicated it had not analysed the frequency and location of services delivered in order to model demand in specific language groups.

3.24 In order to better service and understand its clients, the CSA should better analyse its client base and use these findings to support the implementation of a market segmentation and service model for the DCALB caseload, as indicated in the agency's Multicultural Services Plan.

⁴⁸ Examples of major CSA publications for clients include *Back on Track: Finding A Way Through Separation and Repartnering and Financial Security—The Guide to Managing Your Money*.

⁴⁹ For example, FaCS, Centrelink and the Department of Immigration and Multicultural and Indigenous Affairs' settlement data.

Conclusion

3.25 The ANAO concludes that, since the previous audit, the CSA has made substantial efforts to improve communication with clients and stakeholders regarding the scheme, its relationship to other issues affecting separated parents and the respective responsibilities of the government agencies administering the scheme.

4. Client Service

This chapter examines the CSA's actions to implement Recommendation No.2 of the previous ANAO audit report and Recommendation Nos.2 and 3 from the JCPAA report, relating to core services provided to its clients.

Introduction

4.1 The previous ANAO audit examined the CSA's main dealings with its clients through telephones, correspondence, face-to-face counter services and outreach arrangements. It also covered related issues such as the client charter and measuring client service performance.

4.2 Based on the findings of the previous ANAO audit, the ANAO made one recommendation to further enhance the CSA's client service. The CSA agreed with all four parts of this recommendation, which related to:

- ensuring that the CSA fulfils its charter commitments;
- improving the ease of understanding CSA correspondence;
- improving the responsiveness of telephony enquiry services; and
- evaluating the cost-effectiveness of outreach and other alternative delivery strategies.

4.3 The JCPAA also made two recommendations related to the CSA charter and improving CSA correspondence. On behalf of the CSA, FaCS responded to the JCPAA in October 1999, reporting that the CSA had implemented these two recommendations (and the remaining recommendation relating to setting Employer Withholding of Arrears).

Ensuring that the CSA fulfils its charter commitments

The CSA charter specifies what clients can expect when dealing with the CSA, how staff will treat them and their responsibilities when dealing with the CSA.

The previous ANAO audit found that only 13 per cent of the CSA's clients recognised the existence of its charter. Mainly for this reason, ANAO Recommendation No.2(a) stated that the CSA should *examine cost effective ways to further promote the charter and to evaluate more systematically the impact of the charter on client relations and client service performance.*

The JCPAA was also concerned about the low client awareness of the charter and recommended that the CSA should *commission an expert consultant to undertake comprehensive and regular client surveys in order to determine the level of client awareness of the charter and complaints service.*

4.4 The ANAO jointly examined the previous ANAO audit and JCPAA recommendations concerning the CSA charter, by considering how the CSA further promoted it, assessing the effectiveness of these promotional activities and gauging the impact of the charter on client service performance.

Further promoting the charter

4.5 The CSA revised its charter in 1999, based on market testing with clients, community groups and stakeholders. The revised charter involved two products—a shorter, simplified charter for clients and a charter package for CSA staff that drives internal standards of service delivery. The CSA charter received the top award for excellence in service delivery at the Special Minister of State’s inaugural Service Charter Awards in December 1999 and also was the best performing agency in the Commonwealth Government’s Service Charter Awards for Excellence in 2002.

4.6 Since its revision, the CSA significantly increased the promotion of the CSA charter (and the complaints service), for example:

- including it in the information package to new clients;
- featuring it more prominently on the CSA web-site; and
- making it available through a wider range of relevant community organisations and government agencies.

4.7 The CSA considered cost-effectiveness when promoting the charter by aiming to provide copies of it to all clients on a regular basis, or when they may need it, at a relatively low cost.

Determining client awareness of the CSA charter⁵⁰

4.8 The CSA considered the merits of JCPAA Recommendation No.3 (to measure client awareness of the charter) but preferred to measure performance in meeting charter commitments. This decision was based on research that indicated that while clients’ recollections about awareness of the charter were relatively low, their recollections about key elements of the charter were considerably higher. This suggested that clients’ focussed on the intent of the charter rather than the document itself.

4.9 The ANAO acknowledges the difficulty of accurately measuring client awareness of the charter and the greater importance of measuring the impact of the charter on client service but also notes opposing arguments that measuring

⁵⁰ Chapter 5 discusses client awareness of the complaints service.

client awareness of the charter would not be too costly and would adhere to better practices outlined in *Client Service Charter Principles*.⁵¹

Measuring the impact of the charter on client service

4.10 The CSA assessed the delivery of its charter commitments by:

- measuring client satisfaction with charter commitments;
- measuring staff acceptance of organisational values; and
- obtaining feedback through the complaints service.

Conclusion

4.11 The ANAO concludes that CSA more widely promoted the charter since the previous ANAO audit and systematically evaluated its impact on client service. The CSA preferred to measure performance in meeting charter commitments rather than implement JCPAA Recommendation No.3 and measure client awareness of the charter.

Improving the ease of understanding CSA correspondence

Correspondence delivery and handling is a crucial aspect of CSA client service. In 2000–01, the CSA received around 600 000 pieces of correspondence and sent out nearly five million letters, statements and other correspondence.

The previous ANAO audit considered that there were opportunities to make CSA correspondence more understandable and easier for clients to use. Consequently, Recommendation No.2(b) stated that the CSA should *design forms, standard letters and publications that are more simple and easy for clients to understand, through consultations with community stakeholders and client focus group research where appropriate.*

Similarly, the JCPAA placed a high priority on improving the CSA's correspondence and recommended that *in order to ensure that all the CSA's clients are able to understand their letters and forms, the CSA should take immediate action to simplify the language and style used in its publications and should employ an outside consultant to undertake the task.*

4.12 The ANAO jointly examined the previous ANAO and JCPAA recommendations, by considering research to improve correspondence; assessing how the CSA used this research; and examining the CSA's processes to continually improve correspondence.

⁵¹ Department of Finance and Administration, *Client Service Charter Principles*, 2000. A better practice guide for preparing and delivering APS Service Charters.

Undertaking research to improve correspondence

4.13 Consistent with the previous ANAO and JCPAA recommendations, the CSA undertook a significant re-design of its correspondence⁵² between 1998 and 2000. This process used professional writers and was based on extensive feedback from clients, both formally and informally. The aim of this research was to make correspondence easier for clients to understand by simplifying the structure, reducing the use of jargon and legalese, using plain English as much as possible and adopting an appropriate tone.

4.14 This research found that over 85 per cent of CSA system letters were obsolete, incorrect or unnecessary. Major revisions were, therefore, proposed to virtually all system letters in early 2000. Aided by legislative changes, the CSA significantly reduced the number of system letters, from around 550 at the time of the previous ANAO audit to around 150 in February 2002.

Using the research to deliver improved correspondence

4.15 The CSA updated its system letters to incorporate many suggestions to improve style, tone and the use of plain English in the period 2000 to 2002. However, due to the expected but delayed introduction of CUBA at this time, the CSA deferred a number of important changes to its letters, including aspects of content such as adding additional phrasing and better personalising letters. For this reason, many system letters were not fully revised between 1998 and the introduction of CUBA in March 2002.

4.16 As an interim measure, the CSA's intranet was utilised from mid-2000 to provide around 40 revised letters while awaiting the implementation of CUBA. The CSA increased the number of Fact Sheets from only a few in 1998 to 18 in early 2002. These Fact Sheets simplified the presentation of information to CSA clients and were developed under the improved presentation guidelines with revisions immediately distributed to clients. Every CSA form was reviewed and updated since the previous ANAO audit.

4.17 Many client representative groups contacted by the CSA considered that the quality of CSA correspondence had not improved substantially since the previous ANAO audit but needed to do so. This was supported by CSA research.⁵³ These views partly reflected the fact that much of the CSA's

⁵² In providing written information to clients, the CSA generally uses system letters, sometimes in combination with Fact Sheets. System letters are generated automatically from the CSA client mainframe and provide a standard response to many typical situations. Fact Sheets provide a summary of relevant information that clients may need. The CSA also provides non-system letters that may be either drafted by CSA staff or sourced from the CSA's intranet.

⁵³ For example, many comments to Millward Brown, *ibid.*, when examining client satisfaction conveyed 'real concerns regarding the clarity of current communications, specifically letters which were seen by many as hard to read.'

correspondence is through system letters and many of these had not been fully revised at the time of research for this audit. They also partly reflected the difficulty in providing correspondence that often covers complex issues but is required to cater for clients with varying literacy levels. These views also highlight the need for the CSA to continually improve correspondence, as it has not yet achieved measurable success from its efforts to improve correspondence.

Processes for continually improving CSA correspondence

4.18 The CSA recognises that improving the quality of correspondence is an ongoing process and so established an endorsed development process for managing changes. This process considers suggestions for letters and forms made via the Opportunities for Improvement Scheme, Client Research Mailbox and direct comments—although these have been relatively few in number. The CSA also provides training to staff more likely to write non-standard letters, in order to improve the quality of written correspondence.

4.19 The CSA supports its correspondence through a phone first philosophy, that is, phoning rather than writing to clients wherever possible and similarly encouraging clients to phone for information, explanation and advice.

Conclusion

4.20 The ANAO concludes that the CSA substantially implemented the previous ANAO audit and JCPAA recommendations related to improving the ease of understanding of its correspondence. While the CSA had undertaken virtually all of the recommended actions to improve its correspondence, system letters were not fully revised at the time of research for the audit, associated with the delay in commissioning CUBA.

Responsiveness of telephony enquiry services

The CSA currently receives around three million calls to its main call number from clients each year, representing one call per CSA Collect case approximately every six weeks. Easy access to effective phone service is therefore an important determinant of client satisfaction with the CSA.

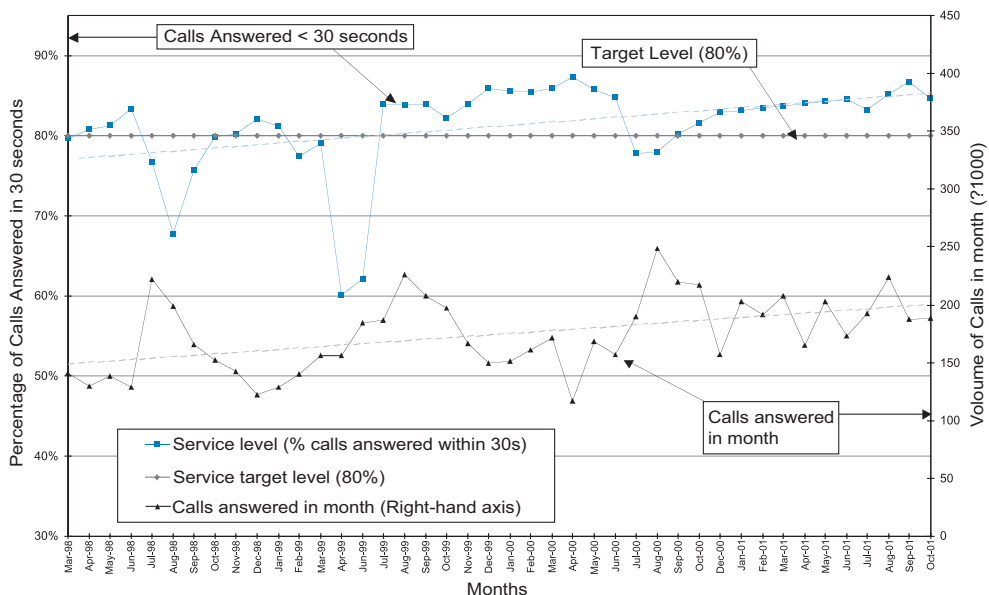
The previous ANAO audit noted that the CSA had improved its telephone enquiry service between 1993–94 and 1996–97, in terms of timeliness of answering calls and the quality of response. However, the audit considered there was further room for improvement in this service. Consequently, Recommendation No.2(c) stated that the CSA should *improve further the service responsiveness of telephone enquiry services and examine the potential for wider business application of interactive voice response technologies.*

Timeliness in answering phone calls

4.21 The CSA continued to improve phone responsiveness, typically answering client phone calls much more quickly since early 2001 than it did in 1997–98 (see Figure 4.1). The CSA has been meeting its service standards to answer 80 per cent of calls within 30 seconds and 90 per cent of incoming calls within two minutes consistently since January 2001.

Figure 4.1

Connection of telephone calls to a CSA officer within 30 seconds, 1998–2001



Source: Information provided to the ANAO by the CSA (2002).

4.22 The increase in phone responsiveness in 2001 was linked to the phased implementation of improvements to telephony infrastructure and improved staff rostering resulting from more accurate call workload predictions. This also substantially improved the consistency of CSA regions in the timeliness of answering phone calls.

4.23 However, feedback from stakeholder groups indicated that while Issue Managed clients could now contact the CSA more quickly, these clients continue to face problems in obtaining a rapid and thorough understanding of their cases. As discussed in Chapter 2, the CSA should examine the application of case-locking rules to allow clients easier access to a CSO who has knowledge of their circumstances and could assist in quickly resolving problems before they become more serious.

Quality of phone responses

4.24 In conjunction with investment in telephony infrastructure and call workload predictions, the CSA made a major investment in phone skills and relationship management. All new CSA staff attend an eight-week entry-level program that involves *Relate and Realise* telephone training modules. The CSA also introduced approximately 120 phone coaches to better support staff in their day-to-day dealings with clients.

4.25 In order to measure the quality of phone responses, the CSA's Professionalism Survey conducted in May 2001 included a random sample of clients who had telephone contact with the CSA within the four weeks prior to the survey. This analysis found that the satisfaction level of the recent phone contact group was lower than that of the generic group (especially for payees).

4.26 The CSA is reviewing the methodology used to measure service quality and is exploring the use of regular, ongoing point-of-service surveys to assess specific components of CSA service delivery such as the telephone enquiry service. The CSA expects the point-of-service survey methodology will be developed and piloted in 2002. It is important that the CSA implements such a monitoring mechanism according to this timeframe, in order to measure client satisfaction with telephone responses in a more timely and targeted way.

Examining the potential for wider business application of interactive voice response (IVR) technologies

4.27 Market research undertaken by the CSA in 1999 indicated that while payers supported further investment in interactive voice response technologies they had a strong preference for service to be provided via internet applications. The ANAO supports the CSA approach to more broadly apply interactive voice response in conjunction with the generally preferred internet delivery, dependent on analysis of the likely cost effectiveness.

Conclusion

4.28 The ANAO concludes that the CSA improved the responsiveness of telephone enquiry services.

Outreach and alternative service delivery arrangements

In addition to its core branch and stream based activities, the CSA delivers services through Outreach Programs and a number of alternative arrangements. These arrangements aim to:

- improve the accessibility of CSA services to clients in regional Australia;
- improve voluntary compliance of these clients;
- undertake client education about CSA services; and
- build relationships with community service providers.

The previous ANAO audit noted that the CSA had been innovative in the development of several alternative arrangements to deliver better client services outside its branch office structure. It also reported that the CSA could improve the evaluation of the cost effectiveness of outreach activities. Consequently, Recommendation No.2(d) stated that the CSA should *evaluate more closely the cost effectiveness of outreach and alternative service delivery arrangements, with a view to their greater use where there is a clear business case to do so.*

4.29 The CSA has expanded the delivery of Outreach Programs and other alternative services substantially since the previous ANAO audit. For example, it increased the amount of face-to-face contact in regional areas through the establishment of 22 (now 21) Regional Service Centres (RSCs) in 2000 and CSA staff visits to 214 locations (mainly Centrelink offices). The number of clients attending Community Information Sessions has grown strongly since the previous ANAO audit, as have the number of hits to the CSA web-site.

4.30 The CSA typically applies cost-effectiveness criteria to Outreach Programs in three ways:

- through guidelines which help select those cases that will most strongly benefit from Outreach Programs;
- by applying a cost-effectiveness methodology to prioritise the order of contacting different locations within a particular Outreach Program; and
- by measuring costs per client and subsequently evaluating the effectiveness of various Outreach activities.

4.31 In this way, the CSA identifies clients for Outreach Programs according to sound cost-effectiveness principles. However, the ANAO notes that the CSA had recent problems in resourcing some Outreach visits. The CSA will need to monitor this post-CUBA, as CUBA's initial specifications do not integrate Outreach workload management into the broader client management system.

4.32 The establishment and number of RSCs was a decision made by Government based on its desire to improve the accessibility and responsiveness of child support services to parents in regional Australia. The CSA advised the government on the location of individual RSC sites, based on cost effectiveness criteria. The CSA also advised on the best way to establish RSCs, which have largely been placed within existing Centrelink offices.

4.33 The ANAO considers that the CSA's methodology to recommend locations of RSCs to Government and to determine priorities for visiting locations to convene other Outreach activities effectively evaluated cost-effectiveness.

4.34 A full evaluation of the CSA's RSCs conducted in June-July 2001 concluded that 'after 14 months of operation, the RSCs are achieving some of the expected benefits, including a better collection rate performance and improved client satisfaction. However, these benefits come at a high price.'⁵⁴ The evaluation also revealed that an expanded Outreach Program would deliver higher returns on investment than an additional RSC.

Conclusion

4.35 The ANAO concludes that the CSA significantly increased the opportunity for face-to-face contact with clients in regional Australia and with community organisations since the previous ANAO audit, based on appropriate methods to assess the cost-effectiveness of these Outreach Programs. This generally increased client satisfaction but, as expected, came at a much higher cost than standard phone based servicing by branch office staff.

⁵⁴ CSA, *Evaluation of Regional Service Centres*, September 2001.

5. Complaints Handling and Performance

This chapter examines the CSA's actions to implement Recommendation Nos.3 and 4 of the previous ANAO audit report, relating to client awareness of the CSA complaints service and complaints recording. It also analyses the CSA's complaints performance since the previous ANAO audit.

Introduction

5.1 The overriding aim of any complaints handling process is to turn dissatisfied clients into satisfied clients. This is best done by speedy and effective remedies at the initial point of contact. The CSA adopts such a model for handling complaints. It has a three-step process involving an initial complaint to a case officer (step 1), escalation to a supervisor (step 2) and finally to a complaints officer (step 3).

5.2 In a recent review of the CSA's complaints service, the Commonwealth Ombudsman found that it 'functions at a high standard and provides a sound basis for my office to continue to decline to investigate matters that the person has not attempted to resolve through the complaints service.'⁵⁵

5.3 Since the previous ANAO audit, the complaints service was placed under national management with specialist roles.⁵⁶ In 2002 there were around 20 Complaints Officers in the five regions. The introduction of a national telephone system allows the CSA to route calls to national Complaints Officers throughout the country and thus respond more quickly to complaints calls.

5.4 The previous ANAO audit made two recommendations about the CSA's complaints handling mechanism. The CSA agreed with both these recommendations. The first related to increasing client awareness of complaints handling and the other to improving the recording and analysis of complaints data to aid learning. These are discussed below under separate headings.

⁵⁵ Commonwealth Ombudsman, *Review of the Child Support Agency's Complaints Service*, July 2001.

⁵⁶ Prior to July 1998, Complaints Offices were under state management and had combined roles, such as Technical Advisor.

Client awareness of the CSA complaints service

The previous ANAO audit found that over 60 per cent of clients were not aware of the existence of the complaints service. Consequently, Recommendation No.3 stated that the CSA should, *as part of its communication strategy, identify ways of enhancing client awareness of its complaints service.*

Promoting the CSA complaints service

5.5 Since the previous ANAO audit, the CSA has taken a number of actions to raise awareness of the complaints service, such as including it with the distribution of the charter (see paragraph 4.6), separately distributing the complaints leaflet: *We take complaints seriously* and including the complaints specialist phone telephone number in the *Telstra White Pages*. These actions have resulted from various CSA policies, including the communication strategy and through the national complaints service itself.

Measuring client awareness of the CSA complaints service

5.6 To gauge the success of increasing the promotion of the CSA's complaints service, the ANAO examined surveys undertaken by the Commonwealth Ombudsman in 1997 and 2000. These surveys reported very similar results, whereby around two-thirds of respondents said they were not aware of the CSA complaints service. This indicated very little improvement in client awareness of the CSA complaints service between 1997 and 2000 and that the overall level of awareness was not high.⁵⁷ Conversely, anecdotal evidence and the increase in complaints suggest a modest increase in client awareness of the CSA complaints service.

5.7 The CSA did not measure client awareness of its complaints service since the previous ANAO audit.⁵⁸ The CSA considered undertaking such research, as it was part of JCPAA Recommendation No.3. However, the CSA advised that it places emphasis on providing parents with relevant information to make a complaint and believes that parents do not need to be aware of the complaints service until they have a reason to use it. Thus the CSA did not see value in measuring client awareness of the complaints service.

⁵⁷ The 1997 survey had responses from 193 complainants, with a corresponding 146 complainants responding in 2000. The ANAO acknowledges that this was a small sample of CSA clients and focussed entirely on those that had complained to the Commonwealth Ombudsman.

⁵⁸ In October and December 2001, CSA Complaints staff conducted a survey asking 'how did clients find out about the complaints service?' This is different to measuring client awareness of the CSA complaints service.

5.8 The ANAO considers that despite the additional promotion of the CSA complaints service, considerable doubt remains about whether parents are aware of the complaints service when they need it.

Conclusion

5.9 The ANAO concludes that the CSA substantially implemented this recommendation as it further promoted the complaints service but did not adequately monitor the effectiveness of these actions to increase client awareness of it. The ANAO considers that the CSA should undertake regular surveys of client awareness of the complaints service in order to gauge the effectiveness of its increased promotional activities and review these activities if awareness remains low. The CSA has advised that it will consider the need for this research within the broader context of the client satisfaction research redesign.

Use of complaints database for learning

Information about complaints can assist the CSA to identify common problems with aspects of service delivery and take appropriate remedial action. Information about scheme complaints allows the CSA to contribute more knowledgeably to the policy debate.

The previous ANAO audit found that the inability to adequately record complaints data impaired the CSA's analysis of clients' problems. Consequently, Recommendation No.4 stated that the CSA should *incorporate facilities to record all complaints in its new computer system and analyse the management information from this system to identify opportunities for improving service delivery and scheme design features.*

Complaints database

5.10 Due to the delay in introducing CUBA, the CSA used an interim database to record and analyse complaints data from the time of the previous ANAO audit in 1997–98 to March 2002. The ANAO analysed information contained in this database and found that it was generally suitable for analysing the main trends in CSA complaints, despite a number of inconsistencies in the database.

5.11 The complaints database is designed to be integrated into CUBA's central client database, and is expected to allow easier, more consistent and timely input by case officers or complaints officers and enable some automated reporting. It is also designed to record Step 1 and Step 2 complaints, rather than only the Step 3 complaints that are recorded in the database pre-CUBA. This should allow the CSA to better identify who uses the complaints process and how effectively the complaints are resolved.

Learning from complaints

5.12 CSA management and staff discussions with the ANAO emphasised a strong corporate philosophy to learn from complaints in order to improve client service. This represented a fundamental change in culture since the previous audit where complaints were viewed as problems, to one where the organisation genuinely sees each complaint as an opportunity to learn and to improve the services that its clients receive.

5.13 The CSA has a number of processes for reporting and learning from complaints, including:

- quarterly national and regional reports that analyse major trends in complaints;
- case studies used for discussion and learning;
- CSA's monthly magazine *Snapshot* to deliver messages to frontline CSOs;
- Complaints Officer's analysis of specified aspects of complaints, in response to requests from CSA staff; and
- through messages sent to all CSA staff via the internal e-mail system on a monthly basis to raise awareness about selected complaint issues.

5.14 The CSA commented that CUBA would further improve the ability to learn from complaints, as it would allow real time feedback to CSOs and Team Leaders as issues arise.

5.15 The Commonwealth Ombudsman commented positively about the CSA's processes and practices to learn from complaints.⁵⁹ The ANAO agrees with this view but would have expected to see this reflected in improved complaints performance (for example, fewer upheld complaints per thousand caseload) or improved client satisfaction or both. Performance data have not clearly supported either of these observations (as discussed in Chapter 2 and later in this chapter).

Conclusion

5.16 The ANAO concludes that the CSA utilised complaints information to improve service delivery and scheme design features.

⁵⁹ Commonwealth Ombudsman, op. cit., p. 4.

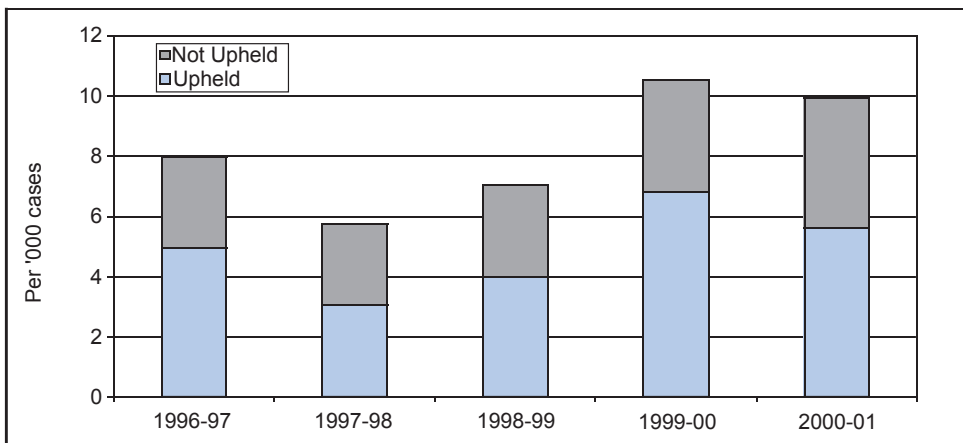
Complaints performance

5.17 As discussed in the previous section, the CSA uses complaints information to assist its CSOs improve client service. The CSA received over 10 000 recorded complaints in 2000–01, an increase from around 6000 complaints at the time of the previous ANAO audit.

5.18 The ANAO's analysis indicated a substantial increase in the number of complaints about service issues per thousand CSA cases since the previous ANAO audit and a significant increase in the number of such issues upheld per thousand CSA cases. This suggests that complaints about service issues contributed strongly to the increased total number of CSA complaints and complaints upheld (see Figure 5.1).⁶⁰

Figure 5.1

Number¹ of complaints about service issues per '000 cases, upheld and not upheld, 1996–97 to 2000–01



Note: 1. By issue (not by number of complaints).

Source: ANAO analysis of CSA complaints database in February 2002.

5.19 The main category of service complaints upheld was timeliness, although this declined in recent years. Standard of advice was the next major category but remained stable in recent years. Surprisingly, the number of upheld complaints about behaviour increased since the previous ANAO audit, especially since 1997–98.

⁶⁰ The CSA advised that the number of complaints may have been under-reported in the mid-1990s, which would overstate the subsequent increase in the number of complaints. It is not clear how strongly this factor qualifies the analysis provided in this section.

5.20 The ANAO notes that the number of upheld complaints about service issues appears very low given the nature of the CSA's activities. Figure 5.1 shows that around six complaints about CSA service issues were upheld in 2000–01 per thousand CSA cases. This represents around half of one per cent of the CSA's caseload and closer to a quarter of one per cent of all CSA clients per year.

5.21 The CSA has been successful in its aim to make the CSA complaints service the complaints mechanism of choice, with the share of complaints through the Commonwealth Ombudsman and Members of Parliament declining substantially between 1997–98 and 2000–01. While this was partly due to the large increase in the number of CSA Step 3 complaints, the number of complaints to the Commonwealth Ombudsman and Members of Parliament per thousand CSA cases trended down since the previous ANAO audit.

5.22 The complaints data by regions and by stream was not robust enough to justify the reporting of results. The ANAO suggests that the CSA monitor the accuracy and usefulness of these data after the introduction of CUBA.

Conclusion

5.23 Analysis of the CSA complaints database by the ANAO indicates that the overall number of complaints (and especially service complaints upheld) was low in 2000–01 given the CSA's caseload and operating environment, despite an increase since the previous ANAO audit.

5.24 This analysis also identified areas where the CSA has significant ongoing problems in delivering services to the standards expected by clients, many of which are raised in the Millward Brown analysis reported in paragraph 2.27, and include:

- increasing the responsiveness of CSA staff in fulfilling commitments;
- debt collection;
- decreasing the time of responses through correspondence to complex questions;
- ensuring minimal privacy breaches; and
- providing adequate advice.

5.25 The CSA is addressing many of these issues through training efforts. The ANAO considers that these issues require ongoing, and often increased, priority for improvement.

6. Human Resource Development

This chapter examines the CSA's actions to implement Recommendation No.5 of the previous ANAO audit, relating to managing selected aspects of the CSA's Human Resource Development strategy.

Introduction

6.1 Human Resource Development (HRD) assists an agency to realise its operational and mission goals by enhancing the skills and knowledge of staff and ensuring they are better equipped to face work challenges.

6.2 The previous ANAO audit examined elements of the CSA HRD function, particularly the agency's strategies and processes for evaluating training outcomes. The CSA agreed with both parts of the resulting recommendation, which related to:

- improving management reporting of HRD activities; and
- more systematically assessing outcomes of HRD activities.

6.3 This chapter assesses these issues under separate headings, after first examining major changes to the CSA's HRD strategy since the previous ANAO audit. The chapter also briefly reports on CSA staff satisfaction with HRD.

The CSA's current HRD strategy

6.4 Since the previous ANAO audit, the CSA has undertaken a comprehensive redevelopment of its HRD environment that is structured around a capability framework and comprehensively integrated into business operations. The redevelopment drew on research to identify behavioural characteristics of high performing CSA staff. This strategy has been recognised by the Australian Quality Council against the Australian Business Excellence Framework and as better practice by the Public Service Commission.

6.5 The CSA's current HRD strategy aims to continually improve organisational capacity in the specialised telephone, technical and system skills that are required to provide superior client service. The strategy links the following four human resource elements:

- Employee Portfolios, where managers and staff agree on individual performance levels against the core capabilities expected for the level of officer;
- the staff selection and succession process, which was further developed by the introduction of an agency-wide broadbanding process;

- TriCS (Training in Child Support) database to support the delivery of training; and
- Quality Client Service Modules, Achieving Results Modules and Entry Level Program to ensure staff develop and maintain appropriate skills. All courses and training are developed and provided by accredited trainers.

6.6 The ANAO examined the link between these four initiatives and found that the CSA was committed to ensuring that individual development needs identified as part of the Employee Portfolio and broadbanding process were supported and actioned by line managers, within team and stream resource constraints. The ANAO notes that high level CSA business outcomes were well aligned to individual HRD activities via the categorisation of all training modules against the core capability framework.

Improved management reporting of HRD activities

The previous ANAO audit found that the CSA could improve its capacity to analyse and report on its training activities by upgrading information technology facilities for recording these activities. Consequently, Recommendation No.5(a) stated that the CSA should *examine the cost effectiveness of upgrading computer facilities to provide improved management reporting on its HRD activities.*

Sourcing computer facilities to improve management reporting of HRD

6.7 In 1998, the CSA undertook detailed market research to establish the quality and cost of commissioning a private sector supplier to provide an industry standard IT application to manage CSA's HRD activities. For a number of reasons, no private sector submissions or quotations were suitable, leading the CSA to re-develop an existing ATO training package into the present TriCS application.

The TriCS application

6.8 The TriCS database is designed to accommodate the HRD needs of three groups:

- CSA staff—can search, select and nominate for training programs electronically. Personal records are maintained and can be downloaded to support the staff member's Employee Portfolio;
- managers—can manage staff training requests, identify costs, generate reports, and analyse training and development requirements to support each staff member's Employee Portfolio development plan; and

- trainers—can schedule all internal and external training activities (which can then be viewed by all CSA staff nationally), receive and manage all nominations, and report on individual HRD activities.

6.9 The application allows Team Leaders to view and analyse the HRD needs of their staff, export HRD expenditure data to spreadsheets and generate training reports as needed.

6.10 The ANAO considers that the training request and approval functionality of TriCS improves line management accountability and gives more focus to the linkage between individual training needs and operational outcomes. However, TriCS's future effectiveness will require attention by the CSA to keep training information on the database up-to-date and relevant. The CSA must also ensure that line managers can effectively balance individual staff training needs with available team resources and operational constraints. The CSA has recognised these issues and has tasked the TriCS project team to focus on change management to ensure ongoing organisational support for the database application.

6.11 The ANAO suggests that there is scope for future enhancements of TriCS to link the underlying resource costs of training to the CSA's financial management information system, as well as provide a better centralised reporting function to enable HRD staff to effectively research training trends across the agency. Other enhancements that the CSA could explore include systemised recording of informal training by team coaches and e-learning self-paced modules, for incorporation into individual staff HRD reports generated by TriCS.

Conclusion

6.12 The ANAO concludes that the adoption of TriCS to manage HRD training enabled the CSA to cost-effectively extract HRD data that is useful to management.

Systematically assessing outcomes of HRD activities

The previous ANAO audit found that the CSA could improve its capacity to evaluate its training activities. Consequently, Recommendation No.5(b) stated that the CSA should *adopt a more formal evaluation process for systematically evaluating outcomes of its HRD strategies and activities*.

6.13 Since endorsement by the CSA Executive in December 2000, the CSA implemented a policy to formally evaluate HRD activities and continuously improve existing HRD products. The process involves three main steps:

- evaluation of internal HRD products from the perspective of Legal Services (legislation interpretation issues), regional trainers and CSO trainees;

- focussed piloting of new or redesigned HRD modules and remediation of any identified deficiencies in the module's content; and
- post-implementation monitoring and feedback from trainers, trainees, team coaches and team leaders for collation and action by HRD staff in the CSA's Strategic People Development Team.

6.14 Developing the above process drew upon lessons learned from formal evaluation of the introduction of the Entry Level Program for CSOs which measured outcomes against required competencies. This approach measured actual CSO capabilities in the workplace against learning outcomes expected within reasonable timeframes after completing the Entry Level Program. Recommendations from this evaluation were then used to improve and re-design the content and conduct of further Entry Level Programs.

6.15 Another mechanism used by the CSA to give formal oversight to its HRD activities is the Strategic People Management Forum which gives an opportunity for streams and regions to provide feedback and stimulate training analysis and HRD module development at a national level. A new CSA Executive sub-committee was established to oversee all People Management matters in the CSA, in order to provide a better focus to HRD activities and their links to overall CSA business outcomes. The CSA also undertook research into becoming a Registered Training Organisation in order to offer in-house vocational certificates and support the delivery of more consistent HRD products.

Conclusion

6.16 The ANAO concludes that the CSA adopted a more formal evaluation process to systematically evaluate outcomes of HRD strategies and activities via ongoing monitoring and reviews of training modules and other HRD activities.

6.17 However, the ANAO notes that the future effectiveness of HRD activities in the CSA will rely on the success of this ongoing formal evaluation process being proactive in stimulating training needs analysis at the region and stream levels of the CSA in order to meet future operational challenges faced by CSA staff.

Staff satisfaction with HRD

6.18 Improving the quality and access to training were identified as key activities under *Supporting CSA Staff* in the *CSA National Business Plan, 2000–2001*. The most recent Corporate Health Index survey results⁶¹ show that

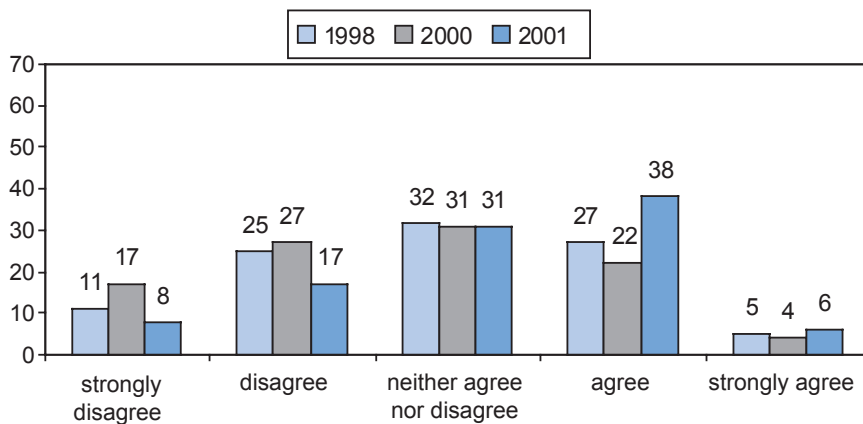
⁶¹ CSA, *Corporate Health Index*, op. cit.

overall staff satisfaction with formal training improved in 2001 compared to 1998 and 2000, suggesting that actions taken to improve the quality of HRD in the CSA have had a positive effect. This was consistent with feedback to the ANAO, whereby many CSA staff and managers indicated support for the overall direction of HRD. Many community stakeholders also recognised the improved training that CSOs had received since the previous ANAO audit.

6.19 However, the scope for improvement in staff training is highlighted by the most recent Corporate Health Index survey results which also show that in 2001 only 38 per cent of staff agreed that formal training was well-planned and carried out and a very small proportion (only six per cent) strongly agreed with this proposition (see Figure 6.1).

Figure 6.1

CSA Corporate Health Index: 'Formal training is well planned and carried out'



Source: CSA, *Corporate Health Index*, 2002.

6.20 The ANAO considers that the high rate of staff dissatisfied with or neutral to formal training is an indication that elements of formal training (for example, quality of trainer, access to training, content of HRD modules) still need to be improved by the CSA.

7. Change of Assessment

This chapter assesses the implementation of recommendation Nos. 6 and 7 from the previous ANAO audit relating to the Change of Assessment function and examines major issues emerging since the previous ANAO audit.

Introduction

7.1 Since 1992, CSA legislation has provided for an internal administrative mechanism to vary child support liabilities to take account of special circumstances of separated parents and their children. These decisions vary the amount that otherwise applies automatically under the statutory assessment formula for Stage 2 child support cases. Since 1992, there have been more than 200 000 such applications.

7.2 The previous ANAO audit examined elements of the equivalent CSA Change of Assessment (COA) function⁶², including its administrative structure, client understanding of its role and skills and support for review officers. It made two associated recommendations, with which the CSA agreed. The first related to developing a technical database to improve consistency of decisions and the second to integrating Review Office staff with general CSA staff. The CSA qualified its agreement to the latter recommendation, citing the organisational design review underway.

7.3 The ANAO examined the CSA's implementation of these two recommendations in the context of the changes that have occurred to the function, as well as other emergent issues, since the previous ANAO audit. This chapter reports the findings of this analysis under separate headings, following a brief explanation of the COA function. The chapter also reports recent COA performance, examines opportunities to improve the COA process and assesses the COA objections process.

Role and nature of the COA function

7.4 The COA function provides a free service to either parent to examine, hear and determine applications (and cross applications) for departures from child support assessments in special circumstances. Parents can apply for a change of assessment on the basis of one or more of 10 reasons specified in legislation (such as the financial capacity of the parents, costs of contacting children and special needs of children).

⁶² At the time of the previous ANAO audit it was known as the Child Support Review Office. CSA staff who made these decisions were then referred to as Review Officers but are now known as Senior Case Officers.

7.5 The COA function is administratively delivered as an integral part of the CSA's operations. The function is not an independent process of review, and SCOs are not independent of the CSA. The COA process is complex (see Figure 7.1), relatively expensive and by its nature tends to attract the least satisfied clients, who pose the greatest operational challenges to the agency.

7.6 The CSA has initiated a number of reforms and enhancements since the previous ANAO audit in order to streamline and improve the delivery of the COA function, as well as improve client satisfaction with COA outcomes.

7.7 The CSA has COA teams at eight of its 19 branch offices. Nationally, the COA function has 86 external SCOs, seven internal SCOs and more than 140 support staff.

Developing a technical database to improve consistency

The previous ANAO audit noted that community groups and legal aid officers perceived that review decisions on similar cases were sometimes inconsistent between review officers and by individual review officers themselves. In order to improve consistency, the previous ANAO audit's Recommendation No.6 stated that the CSA should *assess the benefits and costs of establishing a technical database consisting of family law issues, child support legislation, CSA rulings and key review officer determinations to assist consistent decision making.*

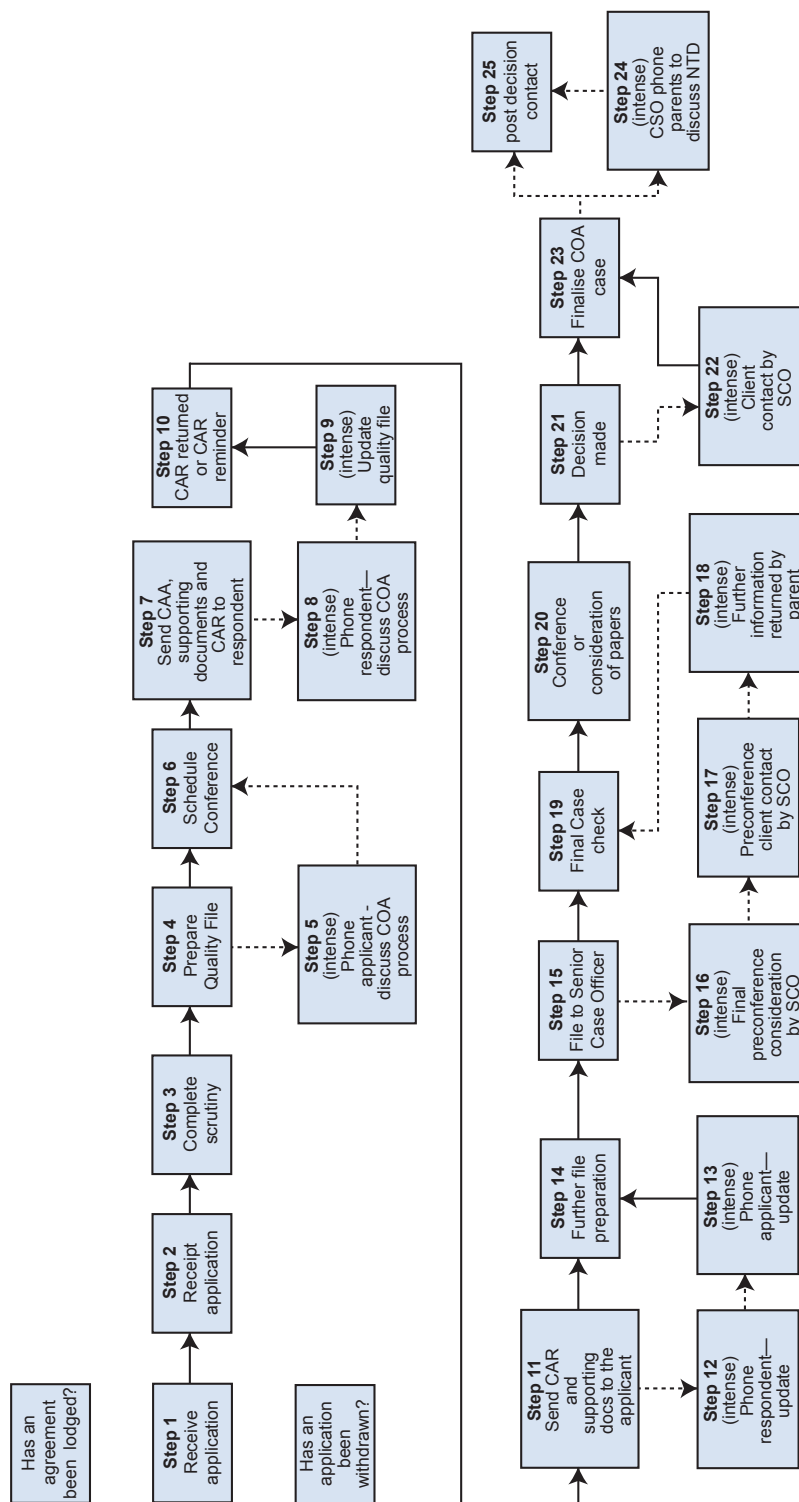
7.8 The ANAO found that the CSA developed a technical database to support SCOs as part of the agency-wide development of its intranet. The CSA did not explicitly assess the costs and benefits of establishing this technical database, as it was an additional component to a broader internal corporate communication project that had already undergone a cost/benefit assessment.

7.9 The ANAO examined the CSA's intranet and found that all CSA staff and SCOs had easy access to a range of procedural instructions, policy guidelines and relevant legislation.⁶³ The ANAO also found that SCO policy guidelines are comprehensive and have consolidated information that was previously presented in a variety of forms.

7.10 SCOs also have access to an electronic repository of Notices of Decision via a shared drive, which is primarily used to retrieve prior case Notices of Decision as background information on a new COA application. The repository minimises the retrieval and transfer of paper files.

⁶³ SCO Policy Guidelines can be accessed by the public and are available on the CSA's web site (www.csa.gov.au).

Figure 7.1
Change of Assessment in Special Circumstances Flowchart



Source: CSA COA Procedural Instruction (2002).

Note: CAA = Change of Assessment Application; CAR = Change of Assessment Response; NTD = Notice of Decision.

7.11 The CSA does not attempt to measure the usage rates of the intranet by SCOs, but does assess the application of relevant policy guidelines and procedural instructions in the COA quality assurance process. The CSA states that they consider this to be an effective approach, as it assesses the application of correct policy and procedure in the context of an individual case.

7.12 The COA quality assurance program has been functioning since 2000 and aims to improve the consistency of SCO decision making.⁶⁴ It is designed to examine the technical and logical basis of decisions as well as provide focussed feedback to individual SCOs, from a SCO representative panel, on the relative standard of their decisions.

7.13 Although the ANAO notes the rigour and comprehensiveness of the COA quality assurance process, it considers that the random sample method used to select Notices of Decision from SCOs is unable to effectively detect issues of consistency.⁶⁵ The ANAO considers that the CSA should undertake theme or qualitative research within the framework of the quality assurance process, considering the very high degree of discretion that SCOs routinely exercise, with minimal oversight by senior CSA officers.

Conclusion

7.14 The ANAO concludes that a technical database to support SCOs was implemented due to the provision of detailed COA guidance to SCOs via the intranet.

7.15 However, despite the many reforms instituted since the previous ANAO audit designed to improve the quality and consistency of the COA process, the ANAO was unable to obtain sufficient information to clearly judge whether the consistency of COA decisions improved.

Recommendation No. 2

7.16 The ANAO recommends that the CSA undertake an analysis of Change of Assessment Notices of Decision, such as examination by reason and/or the exercise of Senior Case Officer discretionary powers, to provide the CSA with a broader view of consistency in decision-making.

CSA response

7.17 The CSA agrees to supplement quality reviews of Change of Assessment decisions to include the analysis suggested.

⁶⁴ COA quality assurance operates via a peer review process that sends a random sample of Notices of Decision for examination by SCOs or Senior Technical Officers in other regions.

⁶⁵ The current sample rate for the quality assurance process is three Notices to Depart per SCO every six months, accounting for 1.8 per cent of the average number of Notice to Depart per SCO per year.

Administrative support for the COA function

At the time of the previous ANAO audit, the CSA provided administrative support for the review function separately from its multifunctional team operations. The Child Support Review Office administrative support teams kept separate case files for review applications and correspondence and also used a separate computer system, not accessible in the multifunctional teams, to record the status and outcomes of review cases.

The previous ANAO audit found that these arrangements resulted in a duplication of effort and prevented multifunctional team staff from providing a comprehensive client service. Consequently, Recommendation No.7 stated that the CSA should *examine the cost effectiveness of transferring the client service liaison aspects of review support teamwork to general agency staff to provide clients with an improved quality service.*

7.18 During research for the current audit, the ANAO recognised that most of the organisational design issues reported in the previous ANAO audit have been superseded by the extensive changes that occurred in the CSA. However, the ANAO considered that the issue of comprehensive client service delivery to clients undergoing the COA process was still an important issue, and therefore assessed the implementation of the recommendation in the context of the current COA administrative support arrangements.

7.19 The ANAO notes that a large part of client contact and advice currently falls upon operational staff in the relevant stream team when the client makes the first approach or enquiry about COA. However, once the client has decided to file a COA application, the CSOs attached to the COA teams become the main channels of information and advice to the client.

7.20 While this process generally works well for Individual Case Managed clients, most COA clients are Issue Managed. This means that stream case officers may not be familiar with their issues.⁶⁶ There is scope to better use client management tools and case-locking to ensure that clients are not double handled by streams and COA teams.

7.21 Community stakeholders indicated a concern that interaction between COA CSOs and SCOs was not well coordinated and that clients were given large amounts of information on the COA process without guidance about the most important information needed to support the application. Clients therefore provide much unnecessary information, make claims based on inappropriate COA reasons, and sometimes omit crucial information that can affect the COA determination.

⁶⁶ The National COA Team is examining options to flag cases on the new computer system so that Stream CSOs can quickly refer the client to the relevant COA case officer if required.

7.22 There is, therefore, scope for more focussed advice to be provided to clients to ensure that the client clearly understands what information is required by the SCO, and other related issues such as the right to respond to the applicant's claims and the right of respondents to introduce other relevant matters for the SCO to consider.

Conclusion

7.23 While the detail of Recommendation No.7 was superseded by events, the ANAO concludes that its intent was implemented, as the revised COA administrative support arrangements provided clients with an improved service in terms of timeliness and streamlined case management.

7.24 However, the CSA is yet to endorse a national model for the operation of COA Teams and is yet to fully synthesise client service between the COA and stream CSOs, leading to a degree of double handling of the client. The ANAO therefore suggests that further developments of the COA operations model should aim to enhance coordination of service delivery between streams and the COA function.

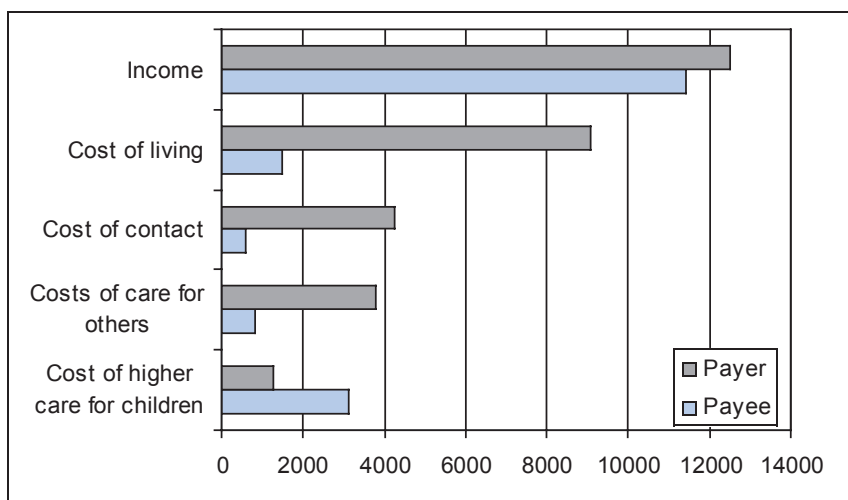
COA performance

7.25 Around 33 000 COA applications⁶⁷ were finalised in the year ended June 2001, representing 5.5 per cent of active Stage 2 caseload. There was a steady decline in the percentage of active clients making COA applications since the previous ANAO audit, down from 8.3 per cent of active Stage 2 caseload in 1997–98.

7.26 Payers continued to make the majority of COA applications, representing 60 per cent of the applications finalised in 2000–01. These applications generally sought to have a lower income used in their Child Support assessment or to reduce payments in recognition of high costs of living (see Figure 7.2). The overwhelming reason for payee COA applications was to review assessed income (mainly of the payer).

⁶⁷ Including Registrar Initiated Change of Assessment, which comprised around one per cent of all COA applications finalised.

Figure 7.2
COA applications by major reasons, 2000–01



Source: CSA, *Child Support Scheme Facts and Figure 2000–01*, 2002.

7.27 Applicants are generally successful in achieving variations to assessments when going through the COA process. In 2000–01, nearly 70 per cent of all COA applications were varied. Payees had more success than payers in this regard⁶⁸, mainly because of their success in applying for increases in payers' incomes for assessment purposes. Conversely, payers had lower success rates, partially stemming from their quite frequent applications for assessment variation based on their claimed cost of living or cost of contact. There appears to be scope, therefore, for CSA stream staff to improve the education of payers who make these applications, and thus reduce mis-directed efforts for both the clients and the CSA.

7.28 The CSA significantly improved the timeliness of handling COA cases since the previous ANAO audit. For example, between 1 July 2001 and 31 October 2001, 96 per cent of COA cases were finalised within 90 days⁶⁹, compared with 12 per cent in June 1997.

⁶⁸ Payees had 76 per cent of their applications varied, compared to 63 per cent for payers in 2000–01.

⁶⁹ The apparently long time taken to process COA applications is in part due to the administrative requirement to give the other parent sufficient time to respond to the COA application and to provide both parties with advanced notice of the hearing date. The time allowed for these two steps totals 42 days.

Client perception of COA performance

7.29 The CSA monitors performance of the COA function through surveys of client satisfaction and related reviews. The latest survey of client perceptions undertaken in 2000⁷⁰ showed a decrease in client satisfaction with COA compared to a similar survey undertaken in 1998.⁷¹ Despite considerable efforts by the CSA to improve the function, the ANAO was not able to obtain evidence that clients were more satisfied with the process.

7.30 Consistent with other CSA client research, the 2000 survey found that payers were significantly less satisfied than payees across nearly all COA issues. Similarly, clients who had a negative expectation or decision made against them were significantly less satisfied than clients whose expectation was positive or decision was in their favour.

7.31 The ANAO notes that COA is a complicated process, and is often time consuming and difficult for clients to understand. This complexity is largely due to legislative requirements as well as the difficult nature of many disputes. Due to this complex environment, the ANAO recognises that one of the CSA's key ongoing challenges is to effectively manage client expectations within the COA function.

7.32 Discussions conducted during the course of this audit with community and client stakeholders indicated that CSA clients have a clearer understanding of the role and limitations of the COA function, although many also stated that the process was still too complicated, bureaucratic and opaque, indicating that delivery of this function needs to be given more attention by the CSA.

Opportunities to improve the COA function

7.33 Findings from the 2000 survey, discussions with client representative groups, and other sources, have identified a number of aspects of the COA process that could be improved, such as:

- the COA Application and Response form (seen as complex and lengthy, with applicants unsure about which parts to fill in);
- preparation of the client for the conference (clients are not sure what issues will be given greatest priority or what outcome can be expected⁷²);

⁷⁰ Corporate Diagnostics Pty Ltd, *Change of Assessment*, December 2000.

⁷¹ Corporate Diagnostics Pty Ltd, *Departure Service Survey*, November 1998.

⁷² However, each parent attending a conference is sent a flier that outlines the conference procedures and the steps underlying the decision making process.

- behaviour of SCOs (some clients perceive bias, particularly payers, because they feel they are not believed by SCOs);
- standard of decision-making (this involves the client's perception of the way that SCOs gather, weigh-up, and take into account information, the consistency of application of discretionary powers — such as deeming — and the lack of sanctions against clients who lie about their income/ circumstances); and
- communication about the COA process and explaining SCO decisions.

Objections to SCO decisions

7.34 The objection provisions were expanded in 1999 to allow parents to object to a broader range of decisions made by the CSA. This included objections to SCO decisions. Introduction of these provisions aimed to enhance the accountability of the CSA and to provide parents with the rights and responsibilities associated with a formal review process. They also helped reinforce to clients that COA decisions are similar to other decisions made within the CSA. If the objection is not upheld, clients may then apply to the Family Court of Australia, the Federal Magistrates Court, or a Magistrate with Family Court jurisdiction, for an order to depart from an assessment.

7.35 In the 2000–01 financial year, 5214 COA objections were received, representing almost one objection for every five COA decisions. The percentage of COA objections with an upheld or partial upheld decision was six per cent—or around one per cent of SCO decisions being changed by the objections process.

7.36 This low 'objection upheld' result is explained by the CSA as being due to the 'high quality of the original decisions'. However, the ANAO was not able to confirm the quality of original Notices of Decision from its examination of the results of the quality assurance process applied to these decisions, partly because of the small sample of decisions examined, and also due to the lack of thematic approach.

7.37 The CSA delivers the objection process as a downstream control for technical and legal accuracy of Notices of Decision, rather than a re-hearing of the COA application. In order to be successful, the burden of proof falls upon the objector to show that factual material used by a SCO was incorrect or incomplete, or that the SCO failed to follow legislation or procedure.

7.38 The CSA conducted quality assurance of COA objections in late 2000 that identified a number of shortcomings in the technical and procedural quality and accuracy of the process.⁷³ The report identified that 45 per cent of the sample did not follow CSA policy and legislation, and only 39 per cent of the decisions correctly advised objectors that they had further rights to apply to a Court. The quality assurance also identified other issues such as a lack of consistency of approach to objections, decisions being made by unauthorised officers and incorrect use of system letters. The ANAO therefore concludes that, based on the results of this report, there is scope to improve the administration of objections and the application of CSA policy and procedures in objection decisions.

Conclusion

7.39 By its nature, a contentious atmosphere surrounds the COA function, with much of the client dissatisfaction related to broader child support scheme issues and outcomes. The ANAO notes the high costs involved in the COA process as well as the heavy workloads and tight timelines within which SCOs and CSOs have to research, determine and finalise cases.

7.40 The ANAO emphasises that the CSA should further monitor SCO decisions by conducting theme-based research, reinforcing to SCOs that they need to convey fairness and courtesy. Such research would improve the administration of this function by enabling the CSA to better judge the quality of COA decision-making, detect any incidence of bias and provide useful input for future improvements of the COA function.

⁷³ CSA, *Quality Assurance Report: Change of Assessment Objections*, November 2000.

8. Debt Management and Collection

This chapter examines the CSA's actions in implementing Recommendation Nos.8 to 12 of the previous ANAO audit report, relating to debt management and collection activity.

Introduction

8.1 Child support debts are incurred whenever liable parents do not meet their obligations to pay child support. Such debt is a significant issue for the Commonwealth and the community because it means that children have not received their child support entitlements and parents have not met their share of the cost of supporting their children. Child support debt also tends to undermine the confidence of carer parents in the operation of the scheme. From the Commonwealth's perspective, child support debt has several adverse financial consequences, including that CSA resources are required to pursue debt and missed child support payments can also result in additional government outlays on social security benefits for carer parents and their children.

8.2 The previous ANAO audit examined the CSA's management and collection of child support debt. Based on its findings, the ANAO made five recommendations to further enhance the CSA's debt management and collection activities. These recommendations related to the CSA's:

- debt collection policy, guidelines and procedural instructions;
- debt collection priorities and research;
- national business plans, performance indicators and targets;
- business support systems; and
- debt collection operations.

8.3 The CSA agreed with all five recommendations, although with qualifications on some components. This chapter discusses the CSA's actions in implementing these recommendations. Before doing so, it outlines the key features of child support debt (and how these have changed since the previous ANAO audit) and the impact of the 1999 organisational restructure on the CSA's debt management and collection activities. Appendix 3 more fully describes the key characteristics of child support debt.

The key features of child support debt

8.4 Over the four years to June 2001, total child support debt⁷⁴ rose 30 per cent to \$670 million. This largely reflected the 20 per cent growth in the CSA Collect client base over this period. Average child support debt per CSA Collect case rose six per cent over the four years to June 2001 to over \$2100 per case.

8.5 Low-income earners account for a large proportion of child support debt, that is, \$237 million of debt (37 per cent) related to clients with annual incomes of less than \$10 000 each and another \$107 million of debt (17 per cent) related to clients whose annual incomes ranged from \$10 000 to \$20 000.

8.6 Child support debt is concentrated amongst a relatively small group of payers with large debts. As at February 2002, six per cent of debtors owed over \$10 000 and accounted for \$270 million (43 per cent) of child support debt. Around one half of this large debtor debt is associated with payers who have incomes of less than \$20 000 and so have little or no capacity to repay this debt. Around one third of this debt is associated with payers with incomes of over \$30 000 and so have, *prima facie*, the capacity to pay.

8.7 The two most significant factors impacting on the growth and distribution of child support debt since the previous ANAO audit were:

- a legislative change in mid-1999 which introduced a minimum annual child support liability of \$260;⁷⁵ and
- the continuing shift toward Private Collect arrangements over this period.

8.8 As at June 2001, around one third of CSA Collect payers had a child support liability of \$260 or less per annum. Many of these payers were social security recipients with minimal capacity to repay debts. The effect of the minimum-liability legislation was to sharply increase the number of cases with small ongoing liabilities and small debts.⁷⁶ The percentage of payers with child support debts of under \$500 rose from 22 per cent in June 1999 to 38 per cent in June 2001. Largely as a result of this, the overall percentage of payers who had debts rose from 56 per cent in June 1997 to 74 per cent in June 2001.

⁷⁴ Debt figures refer to gross child support maintenance debt for CSA Collect cases—that is, the amount of debt before any debt write-off by the CSA. These figures exclude late payment penalty debts and assumes that Private Collect cases have zero debt.

⁷⁵ Prior to July 1999, all cases with annual child support liabilities of less than \$260 were deemed to have a nil liability. The legislative change required all payers with a formula-assessed annual liability of between \$0.01 and \$260 to pay \$260 per annum in child support payments. The legislative change did not affect cases with a previously assessed nil liability.

⁷⁶ Debt would have accumulated whilst the parent was given the opportunity to comply voluntarily with the minimum child support obligations—the \$260 minimum liability legislation prohibits more than \$5 per week being deducted from social security benefits.

8.9 As discussed in Chapter 2, the proportion of Private Collect arrangements has increased substantially since the previous ANAO audit. This has meant that the remaining pool of CSA Collect cases has, on average, become more difficult to manage and more likely to be non-compliant and have child support debt.

8.10 The ANAO estimates that, excluding the impact of the \$260 minimum liability legislation, average child support debt for CSA Collect and Private Collect payers fell by around nine per cent over the four years to June 2001. This suggests a moderate improvement in CSA debt performance since the previous ANAO audit.

8.11 The combined impact of improved CSA debt collection performance and a more challenging debt collection environment is that current child support debt has similar characteristics to the debt that existed when the previous ANAO audit was conducted, that is:

- total child support debt remains high in dollar value and there are a substantial number of child support debtors;
- debt is concentrated amongst a relatively small group of high debt cases—it will typically take a number of years for these payers to clear these debts, where there is a capacity to pay; and
- a significant proportion of debt is unrecoverable because of its size and age and the limited financial capacity of many debtors.

8.12 ANAO stakeholder interviews and CSA research indicated that timely debt collection is a key service issue for payees and has been a source of dissatisfaction amongst CSA Collect payees.⁷⁷ With around three-quarters of CSA Collect payers now having child support debts and many having little capacity to repay these debts, debt management is an important and challenging component of the CSA service delivery. Consequently, the CSA will need to continue to apply significant resources to debt collection activities.

Organisational restructuring of the CSA since the previous ANAO audit

8.13 As discussed in Chapter 2, the CSA implemented a new organisational structure under which CSA Collect clients are grouped and serviced by three CSA streams. Cross-stream referral rules govern whether cases should be transferred between streams. For example, Debt Management Services Stream

⁷⁷ A CSA evaluation of a mediation pilot conducted in July 1999 profiled the attitudes and motivations of CSA Collect clients. It found that delays in payments and ineffective chasing and recovering of arrears were typically considered as bad aspects of CSA Collection. Against this, these CSA Collect clients considered that CSA collection arrangements were more likely to lead to regular child support payments with less conflict between parents.

accepts cases from the New Clients and Collection Support streams where there is child support debt and evidence of non-salary and wage income streams or where there are realisable assets, and payment arrangements will not satisfy the debt within two years.

8.14 The ANAO considers that the stream structure helps direct resources toward more difficult debt collection cases that require specialised skills and/or cases that require more intensive management in order to achieve a positive outcome. Although the Collection Support and Debt Management Services streams manage 97 per cent of child support debt, the New Client Stream assists new clients to establish sustainable payment arrangements and is an important component of the CSA's overall debt management strategy. Debt prevention is particularly important where clients have limited capacity to pay arrears in conjunction with their ongoing child support payments.

8.15 The success of the stream structure in supporting effective and efficient debt collection largely depends on the effectiveness of stream case selection criteria for Individual Case Management and the cross referral rules. As noted below, there is scope to refine both and the CSA has appropriately identified these as priorities in its national business plans and stream strategies.

8.16 Effective debt collection also largely depends on the support (training, guidance and decision support material) that the CSA provides to assist staff to effectively use the debt recovery tools available to them. Most of the previous ANAO audit recommendations regarding debt management and collection related to the support provided to CSA staff or the use of individual debt recovery tools. The remainder of this chapter focuses on the CSA's response to these detailed recommendations. The ANAO current audit findings and conclusions should be read in light of a positive assessment of the overall service delivery model introduced by the CSA since the previous ANAO audit (see Chapter 2).

Debt collection policy, guidelines and procedural instructions

The previous ANAO audit found that:

- there was only limited CSA documentation on the CSA's overall framework for improving client compliance with their child support obligations;
- the CSA's national policy statement on debt collection and enforcement was not fully aligned to its business strategy of encouraging client self administration and did not adequately address some debt collection issues; and
- a number of CSA policy guidelines were outdated and there was scope to combine guidelines and procedural instructions on many issues.

In light of these findings, Recommendation No.8 stated that the CSA should:

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

Debt collection management guide

8.17 The ANAO found that the CSA had produced a National Debt Plan⁷⁸ in response to Recommendation No.8(a) of the previous ANAO audit. This *CSA Debt Policy* presents the overall CSA debt philosophy, business directions, and details about the CSA stream structure as well as the CSA approach to debt collection. It provides legislative guidance and is supported by detailed policy guidelines and procedural instructions applying to key debt collection tools. The *CSA Debt Policy* is readily accessible to staff via the CSA intranet and is a key component of staff training modules.

⁷⁸ CSA, *CSA Debt Policy 2001*.

Alignment of collection and enforcement policy with the CSA's business strategy

8.18 The ANAO found that the collection and enforcement policy contained in the *CSA Debt Policy* was aligned with the CSA's business strategy of encouraging client self administration and its compliance improvement approach. In particular, the *CSA Debt Policy* outlines the CSA business directions, which include encouraging and supporting parental responsibility with minimal Government involvement.

Debt collection policy guidelines and procedural instructions

8.19 The CSA has revised its procedural instructions since the previous ANAO audit, including incorporating information previously provided separately in policy guidelines. However, the ANAO found that a number of policy guidelines were out-of-date and provided advice that was inconsistent with the updated procedural instructions. The ANAO also found that some procedural instructions did not adequately address issues raised by the previous ANAO audit.

8.20 In response to these findings, the CSA advised the ANAO that it was in the process of removing out-of-date policy guidelines from its intranet and would ensure that appropriate components are added to the current procedural instructions to provide increased guidance to CSA staff.

Conclusion

8.21 The CSA has produced a national debt collection management guide that promotes shared understanding of the CSA's approach to compliance improvement and assists CSA staff to manage and perform debt collection duties. The guide is aligned with the CSA overall business strategy. The ANAO, therefore, concludes that the CSA has implemented Recommendation Nos. 8(a) and 8(b) of the previous ANAO audit.

8.22 At the time of fieldwork for this audit, the *CSA Debt Policy* referred to a number of out of-date policy guidelines and there was scope for CSA procedural instructions to provide fuller guidance on some debt collection issues. The CSA have advised that it is addressing these issues and, consequently, the ANAO concludes that the CSA has substantially implemented part (c) of this recommendation.

CSA debt collection priorities and research

The previous ANAO audit found that:

- the CSA had tended to add to its debt collection priorities from time to time without revoking existing priorities. This resulted in a large number of priorities, which were spread across various strategy and planning papers, and constrained the effective communication of priorities to debt collection staff; and
- the CSA had designed a 'payer compliance score' to help determine the order for actioning debt cases. However, the score did not take account of debt size and tended to direct CSA debt collection effort towards maximising immediate collection results from lower risk cases, rather than minimising overall debt relating to higher risk cases.

In light of these findings, Recommendation No.9 stated that the CSA should:

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

Research to support debt collection priorities

8.23 As discussed earlier in this chapter, the CSA has implemented a new integrated business planning and management framework since the previous ANAO audit, which has significantly improved the communication of debt collection priorities across the CSA. It has also introduced a new stream structure.⁷⁹ Streams are now the primary basis for debtor segmentation. This allows priorities to be more closely aligned to the needs of individual client segments. For example, for the New Clients stream start-up debts are typically small so it is important to focus on quickly identifying first time defaulters rather than recovering large debts. For the Collection Support and Debt Management Services streams a focus on recovering large debts may be more relevant.

⁷⁹ The CSA's new stream structure is discussed in Chapter 2.

8.24 In light of this, each stream uses its own case selection criteria to identify high-risk clients and prioritise them for Individual Case Management. CSA research⁸⁰ has confirmed that Individual Case Management can have a significant positive impact on collection outcomes and concluded that better criteria to select cases for Individual Case Management were needed.

8.25 Whilst the CSA has undertaken useful research on the key factors influencing voluntary compliance with child support obligations⁸¹, further research is required to refine the case selection criteria used by individual streams. To date, CSA research has focused on developing and refining the Case Assessment Tool (CAT) used by the New Clients Stream. The CAT groups new clients into four quadrants on the basis of relationship and compliance indicators. A CSA review in early 2002⁸² supported the use of the CAT but found that there were a number of operational issues that limited its effectiveness. For the month of December 2001, CAT quadrant codes were applied to 45 per cent of all new cases and, where they were applied, were applied correctly in only around 70 per cent of cases. The review also found that there was little differentiation in the service offered to clients in different CAT quadrants and that the New Clients Stream did not generally use the CAT quadrants as a tool for prioritising collection activities. The key improvement strategies identified by the review included:

- improving the number of cases receiving case assessment;
- improving the accuracy of case assessment;
- using client segmentation to better target and prioritise service delivery; and
- improving staff education and skilling in case assessment, client segmentation and collection activities.

8.26 The CSA has indicated that a likely solution to the low level of usage of the CAT in the New Clients Stream will be an enhancement to CUBA to make the CAT a mandatory part of the registrations process.

⁸⁰ CSA National Operations, *Sample Activity Data—Six Month Update (August 2001)* found that high-debt Individual Case Management cases had significantly better collection outcomes than a control group of issue managed cases. In particular, high debt cases were selected for Individual Case Management within Collection Support Stream. After allocation to case managers, the experimental group's collection rate increased dramatically. Prior to allocation to Individual Case Management, there was virtually no collection on these cases. The collection rate of the control group also increased, but only marginally.

⁸¹ This research explored a comprehensive range of factors that could potentially influence voluntary compliance and found that voluntary compliance or parent self-reliance was most strongly influenced by: the nature of the relationship with ex-partner; the extent of contact with the children; perceptions of procedural fairness of CSA and related services; and individual financial management (that is, household budgeting skills). The results of this research were documented in Blamey and Sutton, *Social Marketing and Regulatory Compliance*, 1999.

⁸² CSA, *New Clients National (NCN) Review of Case Assessment, Quadrant and Contact Codes*, draft report, April 2002.

8.27 To date, there has been less research into the case selection criteria used by the Collection Support and Debt Management Services streams. The ANAO notes that the selection criteria applied by Collection Support and Debt Management Services streams at the time of the audit were broad:

- Collection Support Stream selected cases for Individual Case Management which require a high level of client contact⁸³; whilst
- Debt Management Services Stream selected non wage and salary income cases for Individual Case Management where clients ‘can pay but won’t pay’.⁸⁴

8.28 Although these characteristics may be useful in directing resources, more precise criteria for selecting high-return debt cases⁸⁵ are likely to yield a better debt collection outcome. Accordingly, the ANAO agrees with the CSA that refinement of case selection criteria should be a priority. At the time of the audit, the CSA had identified ‘improved client segmentation through refinement of case selection criteria in all streams’ as a key strategy aimed at optimising cost effective service delivery (Challenge 4 of the *CSA National Business Plan 2001–2002*). The *CSA National Business Plan 2001–2002* further states that:

- Collection Support Stream will introduce a case selection model based on a balance between high debt, high liability and predicted high client contact; and
- Debt Management Services Stream will apply a stronger focus on selecting cases where the payer can pay but is actively avoiding their full responsibilities and give a higher priority to case referrals from New Clients Stream as a successful outcome is more likely with new debt.

8.29 Any refinement of case selection criteria should be informed by further research to ascertain which client segments should be the focus of the CSA’s debt collection resources. The CSA is investigating the potential for a binary segmentation approach in predicting trends amongst various client segments.⁸⁶

⁸³ The CSA advised the ANAO that there has also been a small element of proactive case selection based on case characteristics, but to date this has not been systematic.

⁸⁴ The Payer Compliance Score (discussed below) is taken into consideration when assigning priority to individual Debt Management Services Stream cases.

⁸⁵ High-return debt cases are cases that have a high expected likelihood and magnitude of recovery.

⁸⁶ Binary segmentation involves subdividing a client population into groups according to certain characteristics that are associated with a particular outcome. For example, suppose the CSA wanted to assign to each new payer a probability that he/she would be in debt in twelve months time. Under the binary segmentation approach, it would examine the experience of a study group comprised of payers who registered with the CSA twelve months ago and determine the proportion with a defined set of characteristics who are in debt today. This proportion is then used to predict the proportion of clients who have the same set of characteristics as those identified in the study group who will be in debt in 12 months time.

This would have a number of potential uses, including predicting cases which are likely to:

- fall into debt;
- accumulate large amounts of debt;
- shift from a CSA Collect to a Private Collect payment arrangements (or vice versa); and/or
- be costly to manage.

8.30 At the time of the audit, the CSA was training representatives of each stream in the use of the binary segmentation approach. The ANAO considers that this approach offers potential benefits in informing CSA debt collection priorities amongst particular client segments.

8.31 The CSA cross-stream referral rules also require further research to ensure an efficient allocation of the CSA's debt collection resources - both within and across streams. CSA research⁸⁷ found that there was a low rate of case referral from New Clients Stream to Debt Management Services Stream and concluded that this may reflect the perceived difficulty in referring cases to Debt Management Services or a lack of follow up on cases post registration. It recommended that the CSA continue to educate staff as to the referral guidelines for movement to Debt Management Services and encourage proactive referrals when compliant behaviour is not evident.

Debtor research and analysis to support debt recovery actions tailored to particular debtor segments

8.32 Debt collection tools available to the CSA include:

- negotiating voluntary payment arrangements;
- invoking its powers under Section 72 to intercept debtor tax refunds;
- invoking its powers under Section 72A to collect debts from third parties, such as banks, building societies and credit unions;
- employer withholdings from salary or wage earners of ongoing payments or arrears;
- deductions from Centrelink payments;⁸⁸

⁸⁷ CSA, *New Client National*, op. cit.

⁸⁸ Up to \$5 per week can be garnisheed. As at 30 June 2001, 60 per cent (60,167) of CSA collect minimum assessment cases were subject to Centrelink deductions.

- litigation activities, particularly in relation to assets;
- negotiating penalty remittances; and
- data matching with other government agencies and statutory authorities to determine the debtor's capacity to pay.

8.33 CSA has control-tested and evaluated many of its debt collection activities, including: Centrelink deductions; employer withholding; employer withholding arrears; Section 72A third-party debt collections; and voluntary payments.⁸⁹ It has also analysed the payment methods used by clients in each New Clients CAT quadrant.⁹⁰

8.34 The introduction of CUBA should enhance the CSA's capacity to evaluate the success of different debt recovery approaches amongst various segments of its client base. Cases under voluntary payment arrangements will be automatically reported for action if a payment is not made. This should allow for more systematic analysis and evaluation of the relative merits of enforced versus voluntary debt recovery. The ANAO supports the CSA conducting such analysis and suggests that a high priority should be given to ensuring the data required is being captured in a format that will allow the linking of customer profiles with the most effective debt recovery tools.

The payer compliance score

8.35 The CSA has undertaken a comprehensive review of the design of its payer compliance score since the previous ANAO audit.

8.36 The scoring tool at the time of the previous ANAO audit was based on only four variables and did not take into consideration the size or age of the debt. As a result it directed debt collection effort towards maximising immediate collection results from lower risk cases, rather than minimising overall debt relating to higher risk cases.

8.37 The new payer compliance score is based on 15 indices and is a superior predictor of payer compliance. The CSA has also developed a debt model that weights debt as a function of age, as old debt is generally harder to collect than new debt. Together, these two models yield 'collectable debt value'. They fully address the concerns raised by the previous ANAO audit by effectively presenting staff with an expected return to debt collection effort for individual cases and so direct debt collection resources toward high-return activities.

⁸⁹ CSA National Operations, *Sample Activity Data*, op. cit.

⁹⁰ CSA, *New Client National*, op. cit.

8.38 The new compliance model could not be included in the first release of CUBA due to complications in obtaining necessary client data. However, CUBA is designed to allow staff to access their debt cases through the debt ranking window, which allows them to sort the debt cases by the debt amount. The CSA advise that the collectable debt value will be evaluated in light of operational experience to determine priority for a subsequent release of CUBA. The ANAO strongly supports the early incorporation of the new compliance model as it continues to have reservations about the use of the original scoring tool. That said, the ANAO appreciates that the CSA has improved its management of high-risk cases through its new stream strategy based on client segmentation.

Conclusion

8.39 The CSA has significantly improved its framework for setting and communicating debt collection priorities since the previous ANAO audit. The CSA has undertaken debtor research and analysis which has informed its priorities and directions. Since the introduction of its new stream structure, the CSA has concentrated its research efforts on developing and refining the case selection model used by New Clients Stream. This research has usefully shown where improvements to the application of this model should be made. There would also appear scope to refine the case selection criteria used by Collection Support and Debt Management Services streams. There is a need for further research to support this. The CSA has appropriately identified this as a key business strategy aimed at improving the cost effectiveness of its service delivery. The introduction of CUBA aims to also enhance the CSA's capacity to develop debt recovery strategies tailored to particular client segments. The ANAO therefore concludes that the CSA has substantially implemented both Recommendations 9(a) and Recommendation 9(b).

8.40 The CSA has redesigned the payer compliance score to include a broader range of indices that impact on payer compliance and developed a model that enables an assessment of the expected return from debt collection activity on individual cases. The ANAO strongly supports the early incorporation of this model into the new system as it continues to have concerns about the use of the old payer compliance score. The ANAO therefore concludes that the CSA has partially implemented Recommendation 9(c).

National business plans, performance indicators and targets

Each year the CSA issues a single integrated national business plan for the overall administration of the scheme. The previous ANAO audit found that, despite the large dollar value of child support debt, the *CSA National Business Plan 1997–98* did not incorporate a risk analysis of child support debt or explicitly identify child support debt in its overall business risk assessment. The previous ANAO audit also saw benefit in the CSA introducing two additional performance measures relating to debt. Consequently, Recommendation No.10 stated that the CSA should:

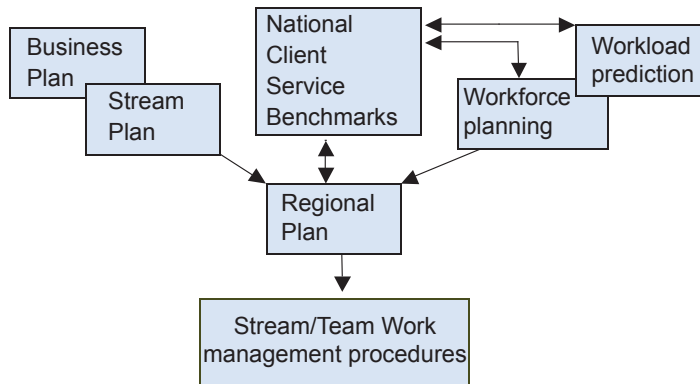
- a) *incorporate a risk analysis of child support debt, identify short run priorities for debt collection action and set out proposed debt collection process improvements in future national business plans;*
- b) *ensure that regional and branch debt collection operational plans focus on, and can demonstrably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

National business plan

8.41 The CSA's *National Business Plan 2001–02* did not incorporate a risk analysis of child support debt or explicitly identify child support debt in its overall business risk assessment. However, it did identify a broader risk that 'implementation of CSA's client service delivery model fails to deliver anticipated business and client service improvement' and reported a number of the strategies addressing this risk. For example, the *National Business Plan 2001–02* stated that each stream will refine their case selection criteria, including introducing a case selection model in the Collection Support Stream based on a balance between high debt, high liability and predicted high client contact. The CSA stream segmentation and prioritising of cases also has a positive impact on debt risk.

Regional and branch debt collection operational plans

8.42 Since the previous ANAO audit, the CSA has developed a more integrated, multi-layered business planning and management framework. Under the CSA's Client Management Framework (see Figure 8.1), the CSA's *National Business Plan 2001–02* sets priorities for client service delivery in each stream that are consistent with the aims of encouraging and supporting parental responsibility and streamlining agency service delivery. Stream strategies further detail priorities within each stream and contain stream referral guidelines, case selection criteria, work allocation principles and key performance indicators.

Figure 8.1**CSA Client Management Framework**

Source: Information provided to the ANAO by the CSA.

8.43 Together with inputs from workload predictions and workforce planning, CSA regions set detailed work activity targets (at team and individual levels), including a number related to debt collection activities.⁹¹ The CSA's National Operations Team oversees the benchmark setting process to ensure that the activities are balanced to maximise the return from available opportunities. The benchmark setting process takes into account the number of available staff and their capacity to perform controlled work activities after standard work has been completed. Regions then consider the controlled work activities they need to action in order to improve their overall performance, which in turn contributes to improved national performance.

8.44 Stream/Team work management procedures focus on the workload management approach and related responsibilities.

8.45 As discussed earlier, the Client Management Framework represents a significant improvement over the business planning framework in place at the time of the previous ANAO audit. Compliance improvement is the focus of all three streams, consistent with the CSA's overall priority of encouraging voluntary compliance. The CSA has strategies and processes in place to continuously refine and enhance this framework.

CSA collection performance indicators

8.46 At the time of the current audit, the CSA had not introduced performance indicators relating to the proportion of debtors under debt recovery arrangements or the age of debt, as recommended by the ANAO in the previous ANAO audit.

⁹¹ For example, regions set work targets for collections, voluntary payments, Employer Withholding of Arrears (EWA), Centrelink deductions, tax refund intercepts, Private Collect arrangements, tracing activities and finalised cases.

8.47 Prior to the introduction of CUBA, the CSA was unable to report on the proportion of debtors under debt recovery arrangements because its computer system did not identify clients subject to voluntary payment arrangements (as opposed to administratively enforced payment arrangements such as tax refund intercepts and employer withholding of arrears). The CSA advised that CUBA will enable it to identify clients with voluntary payment arrangements and so calculate the proportion of debtors under debt recovery arrangements. The CSA advise that, under CUBA, it will identify targets for both voluntary and administratively enforced debt repayment arrangements.

8.48 The timeliness of debt collection is an important element of good client service, especially in an environment where carer parents are not compensated for late payment.⁹² The CSA has implemented a number of processes aimed at improving the timeliness of child support collection, including pre due date calls to payers and monitoring and reporting on first-time defaulters. The CSA advise that CUBA will automatically alert staff of first-time defaulters and voluntary payment arrangement defaults as soon as such defaults occur. In addition, persistent defaulters are referred to the Debt Management Services Stream for Individual Case Management where appropriate. The ANAO's preferred fixed-period collection rate measures (see Chapter 2) would enable an assessment of the success of these strategies in collecting child support liabilities and debts in a timely manner.

8.49 As discussed in Chapter 2, the CSA's main debt collection performance indicator (the cumulative collection rate) overstates the improvement in the CSA's collection performance over time. For similar reasons, expressing child support debt as a percentage of cumulative liabilities also overstates the improvement in CSA debt collection performance.⁹³ The ANAO considers that it is more appropriate to use growth in average gross debt to assess the CSA's collection performance over time.⁹⁴ The ANAO also considers that it is more appropriate to use growth in average gross debt rather than average net debt (i.e. gross debt less debt write-off) when assessing the CSA's collection performance over time.⁹⁵

⁹² Late payment penalties are paid to the Commonwealth, not the payee.

⁹³ As a proportion of cumulative liabilities, child support debt fell by 34 per cent over the four years to 30 June 2001. This would suggest a dramatic improvement in CSA debt collection performance over this period. However, this is not supported by a broad assessment of the CSA's collection performance, considering such factors as the age of debt the debt profile and its distribution.

⁹⁴ 'Gross debt' and 'debt' are used interchangeably throughout this report and refer to gross child support (maintenance) debt for CSA Collect payers.

⁹⁵ Write-off represents child support liabilities that have been administratively temporarily quarantined from further follow-up activity by the CSA, pending further information or contact. They represent liabilities that have not been transferred to support the children of separated parents.

Conclusion

8.50 The ANAO concludes that the CSA has substantially implemented Recommendation No.10(a). While the CSA's *National Business Plan 2001–02* did not explicitly identify child support debt in its overall risk assessment, it did identify debt collection process improvements that would positively impact on debt risk. Given the increasingly challenging debt collection environment, the growth in child support debt over recent years and the potential for this to negatively impact on the community perceptions of the scheme's effectiveness, the ANAO considers that there would be merit in separately identifying debt risk in the overall risk assessment contained in the CSA business plan.

8.51 The ANAO concludes that the CSA has significantly improved its business planning framework since the previous ANAO audit and thereby implemented Recommendation No.10(b).

8.52 At the time of the audit fieldwork, the CSA had partially implemented Recommendation No.10(c) and advised that CUBA will enable it to monitor and report on the proportion of debtors under payment arrangements.

Business support systems

In the previous ANAO audit, the ANAO noted that the CSA had introduced the COMPACT computer system to provide enhanced debt collection support. COMPACT was developed by the ATO in the 1980s to support tax debt collection operations. It was introduced into the CSA on an interim basis until a dedicated CSA system was developed. The ANAO found that there were opportunities for the CSA to more fully utilise COMPACT across the agency. Consequently, Recommendation No.11 stated that the CSA should *enhance coordination of the introduction of the COMPACT computer system and, where cost effective, make greater use of its potential benefits for recording, monitoring and evaluating debt collection operations.*

8.53 The CSA commenced redeveloping its computer system in 1997. The resulting system (CUBA) was expected to be implemented in December 1998 and to include the functionality previously provided by COMPACT. Consequently, when the ATO informed the CSA in late 1997 that COMPACT would be redeveloped and that the new version would be implemented in 1999, the CSA notified the ATO that the new COMPACT would not have to support CSA work.

8.54 During 1999, it became apparent that CUBA would be not implemented before the existing COMPACT system was decommissioned.⁹⁶ The CSA discussed with the ATO the possibility of building the functionality required by the CSA into the new COMPACT system.⁹⁷ However, this was not considered cost-effective, especially as the CSA found (in line with findings of the previous ANAO audit) that the use of COMPACT varied between regions, with some regions not using COMPACT at all. Moreover, CSA analysis indicated that COMPACT did not significantly improve the performance of those regions that did use it.

8.55 While awaiting the implementation of CUBA, the CSA managed its debt collection performance (including setting detailed activity targets for teams and individuals) under its Client Management Framework.

8.56 CUBA is designed to provide CSA staff with details on child support debt for each CSA client. It is also designed to record and monitor compliance with payment arrangements and has an automated data exchange facility, providing Centrelink and ATO data such as wage and salary income, investment income and employer details.

Conclusion

8.57 The ANAO concludes that this recommendation was overtaken by events.

⁹⁶ The implementation of CUBA was delayed due to a number of factors. The project was initially outsourced, with implementation scheduled for December 1998. The project slipped significantly and, in January 2000, CSA took the project over from the contractor and managed the work itself. More delays were experienced as the CSA examined the system to determine what had been developed and its quality, and verified that it would support current business processes. The CSA also experienced difficulty in work estimation and slippages occurred during the initial development and testing phases. CUBA was eventually implemented in March 2002.

⁹⁷ The ATO offered CSA the existing COMPACT system for CSA's sole use, with CSA taking over the operation and maintenance of the entire system. However, the CSA did not have the expertise to operate or maintain the system, and would have had to invest significant sums of money in upgrading the hardware and software to make it Y2K compliant.

Debt collection operations

The previous ANAO audit examined a number of key operational activities associated with debt collection and enforcement and made the following six-part recommendation. Recommendation No.12 stated that the CSA should *maximise financial support for children of separated parents and reduce net child support debt by:*

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

The JCPAA was also concerned about guidelines for employer withholding of arrears and made Recommendation No.4, which stated that: *to ensure that equitable outcomes are delivered, the CSA should take prompt action to ensure that the setting of levels of Employer Withholding of Arrears reflect the annual income of the client.*

Time taken to identify debt

8.58 Since the previous ANAO audit, the CSA has taken a number of steps to reduce the time taken to identify and take initial action on new debt cases. The CSA currently:

- considers advice from carer parents and various computer reports to identify debt cases that require action. The reports cover first time defaulters and lists of clients who have resumed employment or are due to receive tax refunds;
- gives priority to clients with compliance issues through its Stream Strategy. The Case Assessment Tool (used in the New Clients Stream) and the Case Manager In-tray help identify high-risk clients and ensure priority is given to following up first-time defaulters; and
- aims to complete registrations by the 20th day of each month in New Clients Stream so that the initial assessment reaches the payer before the end of the month. This minimizes the size of the first payment and improves the payer's capacity to meet their first payment.

8.59 The ANAO considers that the above measures have improved CSA's capacity to quickly identify defaulting payers and take prompt corrective action in these cases.⁹⁸

Default assessments

8.60 The CSA generally uses ATO records of taxable income to assess the amount of child support payable in the next financial year. Where the CSA is unable to determine a payer's income, a system of default assessments is used. There are three main types of default assessments as follows.

- Derived income default assessments involve CSA staff estimating a payer's income based on available information, including: Centrelink data-matching of mutual clients; the ATO income tax system; contact with employers (if known); and income information from previous years adjusted for inflation (if no current year information is available).
- Median income default assessments are the initial approach used if there is no information on payer income. Payer income is estimated to be the median income of CSA clients. These assessments are replaced with one based on derived income or actual income if payer income information becomes available.
- Zero income default assessments may be used where liability had been based on median income but the payer cannot be located and has made no payments to the CSA or the carer parent. The CSA gives the carer parent an opportunity to provide more information about the payer's income. If relevant information is still not available, income is assessed as nil, subject to review every six months.

8.61 The number of clients with default assessments increased from 139 500 in June 1997 to 202 500 in February 2002.⁹⁹ This growth was similar to that in CSA active caseload, with default assessments continuing to account for around one third of the CSA's total active caseload. However, total debt associated with default assessment cases increased from \$91 million (18 per cent of total child support debt) in June 1997 to \$229 million (33 per cent of debt) in February 2002.

8.62 Table 8.1 breaks down this debt according to the type of default assessment. It shows that average debt associated with median income assessments is almost three times as high as for derived income assessments. This may be because these debts are difficult to collect and so continue to build up over time. This may largely explain the disproportionate growth in total debt associated with default assessment cases.

⁹⁸ In addition, CUBA aims to automatically alert CSA staff to defaulting cases.

⁹⁹ Latest available disaggregated CSA data at the time of the audit fieldwork.

Table 8.1**Default income assessments, February 2002**

	<i>No. of clients</i>	<i>Total debt</i>	<i>Average debt</i>
Derived Default Income	132 005	\$99 345 037	\$753
Median Default Income	54 412	\$117 315 319	\$2156
Zero Default Income	16 122	\$12 029 852	\$746
Total Default Assessments	202 539	\$228 690 208	\$1129

Source: ANAO analysis of CSA data (2002).

8.63 Table 8.1 also shows that, as at February 2002, around two-thirds of default assessments were derived (i.e. estimated from available information sources). During interviews with CSA staff, CSO's indicated that this process was often difficult and labour intensive as it involves interviews with payees and third parties, such as employers and banks. However, CSA officers have endeavoured, where possible, to derive reasonable income estimates from available information rather than simply apply median incomes estimates. The continued focus of resources in this way is justified as it will result in more accurate assessments, reduce debt and lessen the need for liability corrections.

CSA clients not lodging tax returns

8.64 The need for default assessments largely reflects the extent to which CSA clients fail to lodge tax returns. The proportion of CSA Collect payers not lodging tax returns increased from around 30 per cent in June 1997 to 42 per cent in June 2001. This was largely due to the impact of legislative changes to the scheme introduced in mid-1999.¹⁰⁰

8.65 The CSA does not have the power to require lodgement of tax returns but has sought to address this issue through joint activities with the ATO. The CSA has a Service Level Agreement with the ATO under which the CSA pays the ATO to require individual payers to lodge their outstanding returns. In 1999–2000, the CSA piloted a bulk referral project in Brisbane whereby large numbers of outstanding tax returns were referred to the ATO for follow-up. The pilot showed positive but diminishing value for money and was not pursued

¹⁰⁰ Prior to July 1999, taxable income for two financial years ago was used. In July 1999, the child support legislation was changed to require the use of the taxable income for the most recent financial year. This increased the likelihood that the relevant tax return had not yet been lodged. At the same time, minimum child support liability was introduced, expanding the payer base. Many of the new payers were on social security benefits and had not lodged tax returns.

beyond 2000. The CSA's report into the pilot recommended that a better selection methodology be adopted so as to maximise collection rates. The CSA now makes referrals on a case-by-case basis. Its selection processes target non-lodgers for whom ATO intervention is most likely to achieve results.¹⁰¹

8.66 Given the high level of non-lodgement, the CSA will need to continue to spend considerable time and effort to ensure that its default assessments are, where possible, based on the best available information.

Employer withholding of arrears

8.67 Where payer parents have child support debts, the CSA encourages them to voluntarily repay their debt and resume payment of their ongoing liabilities. Where the CSA is unable to negotiate a voluntary arrangement with debtors, it is empowered to take a range of actions to collect arrears, including employers withhold of arrears (EWA) from payers' salaries. This is similar to the process whereby employer withholding (EW) is used by the CSA to collect ongoing child support payments from payer parents. Both processes are highly effective methods of obtaining payment on a regular basis from wage and salary payers.

8.68 At the time of the previous ANAO audit, CSA guidelines provided for two alternative formulae for setting EWA rates—one based on the size of the debt and the other based on the debtor's available income. For some clients, the two formulae produced very different answers. Moreover, the ANAO found little difference between the amounts being withheld in practice for clients earning up to \$40 000 per annum compared with those earning as little as \$10 000 per annum. This raised concerns about whether the financial capacity of debtors to pay was being adequately taken into account.

8.69 The previous ANAO audit suggested that the CSA undertake a comprehensive review of both its guidelines and how they were applied in practice. This was reinforced by the JCPAA, which recommended after reviewing the ANAO's report that: 'to ensure that equitable outcomes are delivered, the CSA should take prompt action to ensure that the setting of levels of Employer Withholding of Arrears reflect the annual income of the client' (Recommendation 4).

¹⁰¹ The targeting largely focuses on clients for whom other administrative compliance and enforcement tools have not been, or are unlikely to be, successful. These are predominantly cases involving self-employed and small business tax returns where an address is more likely to be reliable, and the consequences to the payer of not cooperating with the ATO are greater.

8.70 In response to the ANAO and JCPAA recommendations, the CSA revised its procedural instructions. The CSA was unable to provide the ANAO with documentation in relation to the revision process but indicated that the revisions were intended to ensure that EWA rates were based (where possible) on contact with the client to ascertain capacity to pay.

8.71 The revised EWA procedural instructions prescribe a common sense approach to setting EWA rates based on negotiation, but taking into account capacity to pay¹⁰² and how long it will take to repay the entire debt. If no agreement is reached, a standard rate of between 15 to 25 per cent of disposable income is recommended.¹⁰³ CSOs may depart from the standard rate range — provided they document their reasons for so doing.¹⁰⁴

8.72 The ANAO still has some issues with the EWA procedural instructions. Firstly, although the standard rate varies between 15 and 25 per cent of disposable income, there is no guidance on what specific rate to apply within this range. Secondly, the procedural instructions do not adequately address the situation of payers who, according to the EWA disposable income formula, have no disposable income.¹⁰⁵ No guidance is given as to whether it is appropriate to negotiate EWA arrangements with such payers and, if it were, what would be a fair EWA rate.

8.73 Furthermore, ANAO interviews suggested that some CSA staff continue to use the old debt size formula when negotiating or imposing EWA rates. There are a number of factors that may have led to this including:

- the relative simplicity of the old debt size formula;
- the apparent continued endorsement by CSA of the old formulae¹⁰⁶; and

¹⁰² Capacity to pay is based on an assessment of payer disposable income, which is defined as gross income less tax, compulsory superannuation and current child support liabilities.

¹⁰³ Compared with the old guidelines, the link between payer disposable income and the EWA rate has been loosened. The original 'available income' formula specified the percentage of available income to be deducted for particular income brackets. This varied between 15 per cent for payers with gross weekly earning of between \$350–\$400 to 30 per cent for payers with gross weekly earnings of \$1000 or more. Under the new procedural instructions, the maximum standard rate is now 25 per cent rather than 30 per cent and there is no prescribed correspondence between the level of payer income and the actual EWA rate applied.

¹⁰⁴ For example, relevant factors could include the payer's compliance history, salary packaging arrangements, offers of lump-sum payments combined with a lower EWA rate or the payer's desire to clear the debt quickly.

¹⁰⁵ In February 2002, 15 per cent of debtors on EWA arrangements had incomes of less than \$10 000. According to the definition in the EWA procedural instructions, these debtors had no disposable income. Despite this, Table 8.2 shows that the average weekly EWA rate applied to these debtors (\$28) was higher than the average rate applied to debtors with annual incomes of between \$40 000 and \$50 000.

¹⁰⁶ Despite the ANAO/JCPAA concerns that the old EWA formulae resulted in inconsistent and inequitable outcomes, the new EWA procedural instructions maintain: 'In the past we have relied on simple formulas to determine an additional amount to impose. This ensured a consistent result, which was not unreasonably high or oppressive.'

- the fact that, at the time of fieldwork for this audit, the *CSA Debt Policy* was still hyperlinked on the CSA intranet to the old EWA policy guidelines.¹⁰⁷

8.74 The ANAO considered the impact of the revised EWA procedures on actual EWA rates. Figures 8.2 and 8.3 show the average weekly EWA rates for debtors under EWA arrangements by debt size and debtor income ranges for June 1997 and February 2002, respectively. They illustrate that:

- the 2002 profile of EWA rates has a similar shape to the 1997 profile (that is, at the time of the previous ANAO audit), but the overall level of EWA rates has fallen over this four year period; and
- rather than rising with income, the average EWA deduction for debtors with income of less than \$20 000 was still higher than for debtors with incomes of more than \$20 000.¹⁰⁸

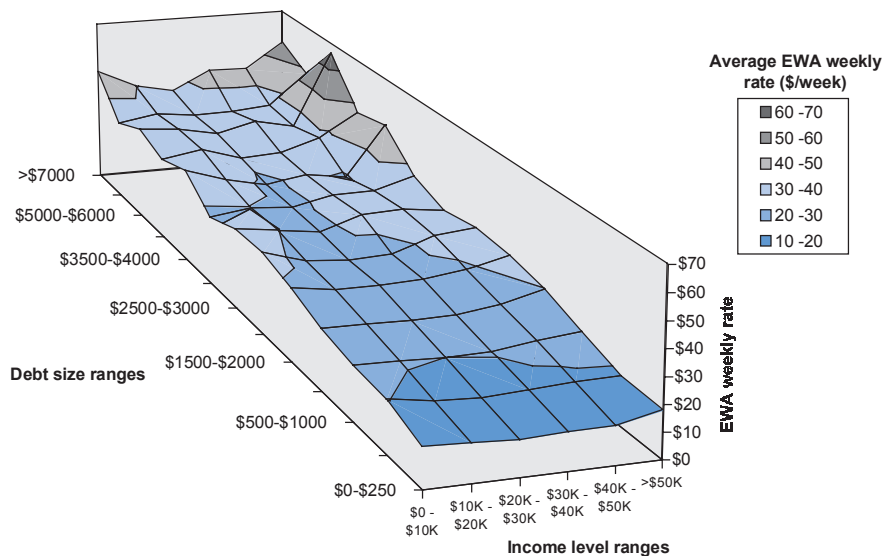
8.75 Table 8.2 illustrates that average EWA deductions have fallen for each debtor income segment between June 1997 and February 2002. This may in part reflect the reduction in the maximum standard EWA rate from 30 to 25 per cent of disposable income. It may also reflect the loosening of the link between the standard EWA rate and disposable income. Over the same period, average debt size has increased. The combination of these two factors has meant that EWA debtors are typically taking longer to repay their debts. The median repayment period associated with existing EWA arrangements increased from around two and a half years in June 1997 to around three and a quarter years in February 2002. The median repayment period varies between less than three years to almost four years across regions, suggesting that different regions may be adopting a different approach to setting EWA rates.¹⁰⁹

¹⁰⁷ CSA has advised that it is removing all out-of-date policy guidelines and incorrect hyperlinks from its intranet.

¹⁰⁸ For debtors with annual incomes of less than \$20 000, there is a strong positive correlation between EWA rates and debt size and a negative correlation with income for EWA debtors with income of less than \$20 000. The strong positive correlation between EWA rates and debt size is consistent with time-to-repayment being a strong determinant of EWA rates. Further analysis is required to establish why EWA rates for low-income individuals appear to be negatively correlated with their capacity to pay.

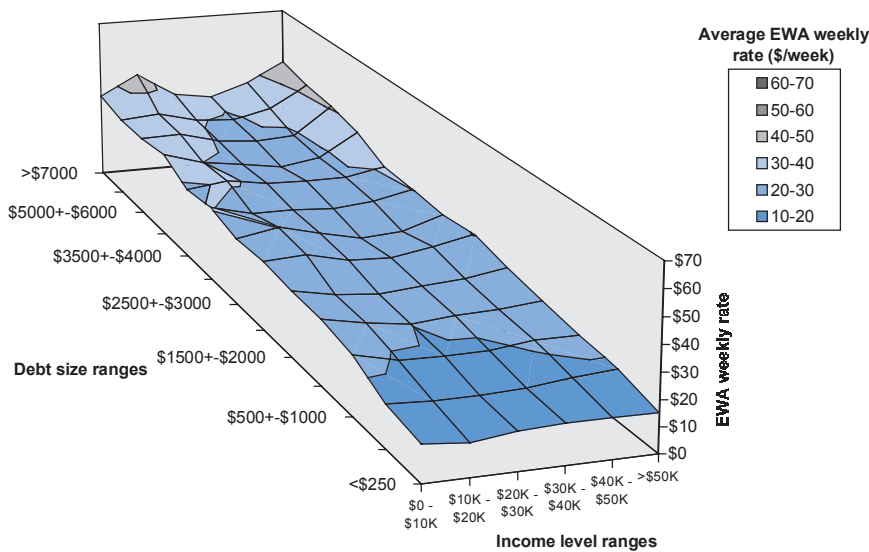
¹⁰⁹ For example, there may be a higher propensity in some regions to set maximum standard rate of 25 per cent in order to achieve timely debt recovery for the payee.

Figure 8.2
Actual EWA rates by income level and debt size, June 1997



Source: ANAO analysis of CSA data (2002).

Figure 8.3
Actual EWA rates by income level and debt size, February 2002



Source: ANAO analysis of CSA data (2002).

Table 8.2**Average EWA rates by income level range**

Income Range	\$0 – \$10,000	\$10,000– \$20,000	\$20,000– \$30,000	\$30,000– \$40,000	\$40,000– \$50,000	More than \$50,000	All EWA cases
Average Weekly EWA Rate - June 1997	\$30	\$26	\$24	\$26	\$28	\$34	\$26
Average Weekly EWA Rate - February 2002	\$28	\$24	\$23	\$22	\$25	\$30	\$25

Source: ANAO analysis of CSA data (2002).

8.76 The ANAO acknowledges that debt size and payer income are not the only relevant factors in determining the appropriate level of EWA deductions in individual cases. Clearly many other factors are relevant and CSA officers should continue to be given the discretion to allow for these as part of their management of individual cases. However, the above analysis and the ANAO's assessment of the current EWA procedural instructions suggest that further direction is warranted, especially in relation to low income payers.

8.77 In its 1997–98 report, the ANAO also observed that there had been a significant increase in the CSA's use of EWA arrangements preceding the audit, with EWA cases increasing from 8700 clients in June 1995 to 16 000 clients in June 1997. The ANAO recommended that the CSA continue to make greater use of EWA to recover debts in appropriate circumstances. However, despite a 22 per cent increase in active CSA Collect caseload between June 1997 and June 2001, the number of debtors on EWA arrangements rose only slightly over this four-year period.¹¹⁰

¹¹⁰ The number of cases where EWA was applied rose from 16 024 in June 1997 to 17 191 in June 2001.

Recommendation No. 3

8.78 The ANAO recommends that the CSA conduct a review of Employer Withholding of Arrears guidelines, with a view to offering more complete and specific guidance on appropriate Employer Withholding of Arrears rates across the entire spectrum of payer income levels, to ensure that actual Employer Withholding of Arrears rates better reflect payer capacity to pay.

CSA response

8.79 The CSA agrees. The guidelines have now been revised.

Employer withholding

8.80 It is clear that a garnishee is an effective method of both collecting ongoing payments (EW) and recovering arrears (EWA). In 2000–01, although EW payers accounted for less than 20 per cent of CSA Collect cases, EW deductions accounted for 47 per cent of all CSA Collect payments. The CSA's report entitled *Sample Activity Data–Six Month Update–(August 2001)* notes that EW may be constrained by resources and recommends that (Recommendation No.11):

Further research should be conducted into the resourcing and performance of EW teams nationally, as EW is one of the most efficient collection tools available to the CSA. This research should focus on the cost of providing the resources required to make EW a standard work item (i.e. to ensure that every potential link is actioned) and the potential benefits to CSA and to clients, as well as the impacts of moving resources from other area, if required.

8.81 The ANAO agrees that there may be potential to improve the CSA's overall collection performance by appropriately expanding the resources applied to EW linking and that further research is required to assess the potential benefits of doing so. In a similar vein, the draft CSA report entitled *New Clients National (NCN) Review of Case Assessment, Quadrant and Contact Codes (April 2002)* recommends that suitable higher-risk clients be offered EW or Centrelink deductions as a preferred payment option at registration.

8.82 The ANAO acknowledges that the Joint Select Committee (JSC) into the operation and effectiveness of the scheme recommended that the CSA should rethink its use of autowithholding (now EW) because it was unnecessarily invasive and biased against payer parents.¹¹¹ The JSC argued there should be recognition that parents' 'willingness to meet their child support responsibilities had grown with the scheme, and that the vast majority of parents were now

¹¹¹ Joint Select Committee on Certain Family Law Issues (JSC), *Child Support Scheme. An Examination of the Operation and Effectiveness of the Scheme*, AGPS, Canberra, November 1994, Recommendation 55, p. 167.

accepting of the aims and objectives of the scheme'.¹¹² This recommendation led to amendments to the scheme legislation, which gives the Registrar the option to agree not to garnishee a payer's wages where the Registrar believes the payer is likely to make timely payments.¹¹³

8.83 This recommendation and legislative amendment were in relation to EW. However, consistent with them, the CSA EWA procedural instructions state:

Negotiation is the first and preferred option to obtain payment. EWA is a collection method we can negotiate with the payer first, or a method we can use after negotiation has failed.

8.84 While the ANAO supports these objectives, at the time of fieldwork for the current audit, the CSA was unable to provide data on the extent to which debtors are actually complying with voluntary agreements to repay arrears.¹¹⁴ However, CUBA is designed to produce statistics on cases that are complying with debt repayment arrangements. This should allow CSA to monitor the proportion of debtors under debt recovery arrangements, separately identifying voluntary and administrative arrangements. Amongst other things, this should enable an assessment of the scope to expand EW and EWA arrangements to other wage and salary earners who are not currently complying with a voluntary debt repayment agreement.

Recommendation No. 4

8.85 The ANAO recommends that the CSA continue to assess the extent to which Employer Withholding and Employer Withholding of Arrears arrangements could be appropriately expanded to enhance the CSA's overall collection performance.

CSA response

8.86 The CSA will consider how employer withholding and employer withholding of arrears can be expanded (such as through enhanced marketing) to explain the potential benefits to all parties in order to increase collections without diminishing efforts to improve voluntary compliance and parental choice and self-reliance.

¹¹² *ibid.*

¹¹³ Section 44, *Child Support (Registration and Collection) Act 1988*. Previously, unless it was not practical to do so, the CSA was required to use employer withholding to meet ongoing liabilities in relation to all payer parents whose primary source of income was derived from wages and salary.

¹¹⁴ Standard CSA system reports do alert case managers where employer details are known for payers with arrears. These details are generally obtained through ATO employment declarations or from EW information. The CSA also sets collection benchmarks for both EW and EWA activity.

Legal action against debtors with realisable assets

8.87 The CSA may pursue debtors through the courts to recover child support arrears. It usually considers litigation where clients are unwilling to enter into debt payment arrangements and have realisable assets. Only a small number of cases go to court.

8.88 The national debt policy guidelines¹¹⁵ outline the circumstances when litigation could be considered. The guidelines emphasise that litigation is generally a last resort and needs to be considered in the context of how it could impact on the payers' capacity to meet their ongoing liability. Cases selected for potential litigation are referred to enforcement officers for Individual Case Management. These officers are trained in relation to enforcement and have access to national and regional mentor and peer networks. Suitable cases are then referred to the Australian Government Solicitor for legal action.

8.89 The previous ANAO audit recommended that the CSA should publicise effective enforcement operations to bolster public confidence in the scheme. The CSA disagreed with this recommendation on the basis that it would not help the CSA to build positive relationships with clients and could be counterproductive. The JCPAA endorsed this view and considered that such actions had little potential to improve collection rates across the wider client base. However, it agreed with the ANAO's recommendation that debtors with realisable assets be identified and the cost-effectiveness of increasing debt collection activities be examined for certain debtor categories, such as those with significant assets.

8.90 During the audit, the CSA advised the ANAO that Individual Case Management is the primary way in which realisable assets are identified. In addition, payees may advise CSA of assets that they believe the payer has. Court orders for the sale of these assets may then be sought or they may be used as leverage to encourage the payer to enter a payment agreement.

8.91 The CSA collects statistics that identify the number of cases under consideration for litigation and measure the outcome of such activity. In June 2001, there were 589 cases under consideration for litigation (accounting for \$8.7 million in debt). Of these, 340 cases were finalised in 2000–01. One hundred and twenty cases were finalised through litigation and 220 cases through negotiated settlement (prior to litigation) resulting in the collection of \$3.5 million in child support arrears and correction of \$1.1 million in child support liabilities. However, the CSA was not able to provide information on the extent to which litigation was considered or pursued because realisable assets were identified.

¹¹⁵ CSA, *CSA Debt Policy, 2001*, op. cit.

Penalties

8.92 Currently, child support legislation automatically imposes penalties on the late payment of child support liabilities. Penalties are debts due to the Commonwealth and are not paid to carer parents.

8.93 Outstanding late payment penalties have increased from \$208 million in June 1997 to \$324 million in February 2002. By comparison, the amount of penalty actually collected in recent years was \$2.4 million in 1998–99, \$3.7 million in 1999–2000 and \$3.5 million in 2000–01.

8.94 At the time of the previous ANAO audit, the CSA was seeking amendments to the legislation to give it the discretion to impose penalties (rather than for them to be automatically imposed). Recommendation No.12(e) of the previous ANAO audit related to this proposed amendment. However, no amendment was made following advice that it would be unconstitutional. Accordingly, it is not necessary to consider whether this recommendation was implemented. Instead, the regime that continues to apply is that penalties are automatically imposed but that the CSA has the discretion to remit late payment penalties in part or full in certain circumstances.

8.95 The CSA's philosophy is that case officers may remit penalties in order to achieve payment of arrears and to encourage voluntary compliance in the future. Procedural instructions supporting this are readily available to staff on the CSA intranet. The amount that can be remitted varies with staff seniority. Based on discussions with staff, the ANAO considers that the late payment penalty procedural instructions should include guidance on when to remit part rather than the entire penalty in order to ensure a consistent approach is adopted by CSA staff.

8.96 The ANAO also notes that the CSA does not collect data on the remission of penalties but considers that the CSA should collect and monitor data on both the collection and remission of late payment penalties. This would better enable the CSA to ensure that its discretion is being exercised in a consistent manner across regions.

Non-pursuit (write-off) of debt

8.97 Under the child support legislation, where parents have a CSA Collect arrangement, any debt owed by the payer parent is deemed to be a debt to the Commonwealth (rather than to the carer parent). In accordance with section 47 of the *Financial Management and Accountability Act 1997*, the CSA may decide not to pursue (that is, write-off) such debt where it is satisfied that it is not legally recoverable or the CSA considers that it is not economical to pursue recovery. Where a write-off occurs, carer parents are advised that the CSA has been

unsuccessful in recovering the debt. Carer parents are not then able to seek recovery privately as the debt is not directly owed to them.

8.98 Unlike a request by a carer parent to discharge a debt¹¹⁶, write-off by the CSA is an internal decision and does not expunge the debt. The CSA may re-raise debts where debtor circumstances change and there is a prospect of recovery (write-off review).

8.99 As concluded by the previous ANAO audit, write-off activity should be part of the normal case finalisation process rather than an end in itself. The CSA largely adopts this approach. However, regions set their own write-off and write-off review targets. Moreover, the variance in the amount written-off over time and across regions makes it is clear that actual write-off rates are largely dependent on the amount of resources allocated to writing-off debt¹¹⁷ rather than being a true measure of the capacity of debtors to pay. For example:

- write-offs fluctuated from a low of three per cent of total debt in June 1995 to 22 per cent in June 1999 but then fell back down to 11 per cent in June 2001 (or \$74 million, see Figure A3.1); and
- as at December 2001, the proportion of debt written-off in one region was half the national average.¹¹⁸

8.100 In the previous ANAO audit, the ANAO also observed that write-off rates varied significantly across branches and that branches registered write-off cases locally and differently. The ANAO suggested that staff be provided with practical advice and examples of what constitutes sufficient grounds for debt write-off and a standard register for recording write-off cases be designed. Although the CSA has updated the procedural instructions relating to non-pursuit of debt, at the time of the current audit, CSA regions continued to maintain variable local write-off registers and to attach different priorities and targets to write-off activity.

8.101 The ANAO considers that the CSA should work toward establishing greater consistency in write-off and write-off review practices. This consistency should not be achieved through setting numerical benchmarks or targets, but rather through a consistent approach to why and when debts should be written off and, where appropriate, re-raised.

¹¹⁶ The carer parent can decide to partially or wholly discharge (forgive) the debt at any time, subject to Centrelink deciding that it is reasonable for them to do so if they receive a social security income support payment. For example, it would be reasonable to discharge the debt if the payer was deceased and their estate had been settled. The debt is not automatically discharged in such circumstances and the decision to discharge debt is wholly at the discretion of the carer parent.

¹¹⁷ The CSA advised that write-off is predominantly undertaken in seasonal 'quiet times'. For example, little write-off activity occurs in July through November when processes related to tax returns take priority.

¹¹⁸ Debt Management Services Stream write-off rates ranged from six per cent to 20 per cent across regions; Collection Support Stream write-off rates ranged from six per cent to 14 per cent; and New Clients Stream write-off rates ranged from zero per cent to one per cent.

8.102 The CSA has advised that CUBA will assist officers to identify write-off cases that should be reconsidered in light of changes in debtor circumstances. CUBA was designed to cross match address and income and investment data from the ATO and benefit information from Centrelink and automatically remind officers to review cases. The ANAO considers that this should significantly improve the consistency and effectiveness of CSA write-off activity.

8.103 There may be further scope to improve consistency by providing staff with practical examples of when it is uneconomical to pursue a debt and when legal action to recover a debt would not be successful. The guidelines could be supported by a nationally approved checklist of possible sources of data on client's income and assets that should be considered in the process of deciding that write-off action is appropriate. A checklist could also be an efficient means of documenting the basis for the decision.

8.104 Lastly, the ANAO notes that the CSA currently focuses on net debt statistics for the purpose of reporting on its debt collection performance. The current variability in practices across the CSA means that the amount of net debt at any given time is subject to considerable 'noise' and does not provide a true measure of collectable debt. Moreover, it is possible to reduce net debt on paper by devoting resources to establishing that debts are uncollectible rather than focusing on collecting collectable debts. Resources should be targeted to maximise the financial return to debt collection activity. For these reasons, it is preferable to focus on movements in average gross debt, rather than average net debt, when assessing CSA debt collection performance over time.

Conclusion

8.105 The ANAO concludes that the CSA generally takes more prompt action with first time defaulters so has therefore implemented Recommendation No.12(a). The CSA expects that CUBA will further enhance its ability to quickly identify new debt cases.

8.106 The CSA improved the accuracy of its default income assessments and sought to address the issue of non-lodgement of tax returns through joint activities with the ATO so has implemented Recommendation No.12(b).

8.107 Based on the above follow-up audit findings, the ANAO concludes that the CSA has partially implemented Recommendation No.12(c). The ANAO recommends that the CSA review the EWA procedural instructions. The procedural instructions should offer more complete and specific guidance on appropriate EWA rates across the entire spectrum of payer income levels to ensure that the EWA rates used in practice reflect capacity to pay. There appears scope to improve the CSA's overall collection performance by expanding the use of garnishee arrangements where appropriate.

8.108 The CSA identifies clients with significant assets for potential litigation via Individual Case Management. The ANAO concludes, therefore, that it has implemented Recommendation No.12(d).

8.109 Recommendation No.12(e) is no longer relevant due to the withdrawal of the proposed legislative changes in relation to the imposition of penalties. However, the ANAO suggests that the CSA monitor penalty collection and remittance activity to ensure a consistent approach is applied across the CSA.

8.110 The ANAO concludes that the CSA has substantially implemented Recommendation No.12(f). The CSA should work to establish greater consistency in write-off practices. The CSA advises that proposed system changes with the introduction of CUBA should significantly improve the consistency and effectiveness of CSA write-off activity.

9. Governance Measures to Manage Audit Recommendations

This chapter examines the CSA's corporate governance measures to ensure that agreed recommendations from the previous audit were implemented effectively.

Introduction

9.1 In addition to assessing the actual implementation of recommendations from the previous ANAO audit, this audit examined whether the CSA had in place governance arrangements to prioritise, resource and identify appropriate actions for their implementation and to monitor and assess the effectiveness of the actions taken.

CSA arrangements to implement key recommendations

9.2 The CSA was unable to provide the ANAO with evidence of an assurance framework that covered implementation and follow-up of the recommendations from the previous ANAO audit. However, discussions revealed that the CSA had considered the intent of the previous audit's recommendations and incorporated them into its business improvement agenda.

9.3 Elements of the recommendations were covered in the CSA's business plans. The business improvement agenda also included:

- the development of a debt policy guide;
- the revision of the CSA's charter;
- a review of COA processes; and
- efficiency and quality improvements in client communications relating to telephony and correspondence.

9.4 The ANAO found that the CSA had fully, substantially or partially implemented all the recommendations of the previous ANAO audit and associated JCPAA report or adopted alternative strategies. This indicates that attention was given by the CSA to these external independent reviews, although a small number of recommendations have not been implemented to the extent envisaged by these reviews.

9.5 The CSA recently developed a computer application to control and monitor the implementation of substantive decisions addressing recommendations from internal and external audits. The new system identifies individual roles and responsibilities, monitors timeframes and scrutinises results through regular progress reporting requirements throughout the lifecycle of each project.

Conclusion

9.6 The ANAO concludes that the CSA had considered the previous ANAO audit recommendations as part of its ongoing business arrangements rather than through a separate process. In addition, the CSA is in the process of developing the capacity to employ a structured approach (through the use of its new corporate governance supporting computer application) when implementing important commitments such as audit recommendations.

Canberra ACT
16 September 2002



P. J. Barrett
Auditor-General

Appendices

Appendix 1

Assessment of Implementation of Previous Audit Recommendations

Legend	
✓	Recommendation fully implemented
S	Recommendation substantially implemented
P	Recommendation partially implemented
A	Alternative strategy pursued
n/a	Recommendation no longer applies

Recommendations of Audit Report No.39, 1997–1998, Management of Selected Functions of the CSA ¹¹⁹		Status	Conclusions against recommendations
1. The ANAO recommends that the CSA work together with other agencies administering the scheme to:			
a) identify preferred options for more effective future service delivery arrangements for the scheme and to further delineate and formalise their responsibilities through memoranda of understanding; and		✓	The CSA improved service delivery arrangements and adequately delineated and formalised its responsibilities with other agencies.
b) improve communication with clients and stakeholders regarding the scheme, its relationship to other issues affecting separated parents and the respective responsibilities of the government agencies administering the scheme.		✓	Notwithstanding some issues relating to multicultural services, the CSA made appropriate efforts to improve communication with clients and stakeholders regarding the scheme, its relationship to other issues affecting separated parents and the respective responsibilities of the government agencies administering the scheme.
2. The ANAO recommends that the CSA:			
a) examine cost effective ways to further promote the client charter and to evaluate more systematically the impact of the charter on client relations and client service performance;		✓	The CSA promoted its charter more widely since the previous ANAO audit and systematically evaluated its impact on client service.
b) design forms, standard letters and publications that are more simple and easy for clients to understand, through consultations with community stakeholders and client focus group research where appropriate;		S	While the CSA had undertaken virtually all of the required actions to improve its correspondence, system letters were not fully revised at the time of research for the audit, associated with the delay in commissioning CUBA.
c) improve further the service responsiveness of telephone enquiry services and examine the potential for wider business application of interactive voice response technologies		✓	The CSA improved the responsiveness of telephone enquiry services and examined the potential for wider business application of interactive voice response technologies
d) evaluate more closely the cost effectiveness of outreach and alternative service delivery arrangements, with a view to their greater use where there is a clear business case to do so.		✓	The CSA significantly increased the opportunity for face-to-face contact with clients in regional Australia and with community organisations since the previous ANAO audit, based on appropriate methods to assess the cost-effectiveness of these Outreach Programs.
3. The ANAO recommends that the CSA, as part of its communication strategy, identify ways of enhancing client awareness of its complaints service.		S	The CSA further promoted the complaints service but did not adequately monitor the effectiveness of these actions to increase client awareness of it.

¹¹⁹ ANAO, *Management of Selected Functions of the Child Support Agency*, op. cit.

Recommendations of Audit Report No.39, 1997–1998, Management of Selected Functions of the CSA		Status	Conclusions against recommendations
4.	The ANAO recommends that the CSA incorporate facilities to record all complaints in its new computer system and analyse the management information from this system to identify opportunities for improving service delivery and scheme design features.	✓	The CSA analysed information from its interim complaint database, together with other strategies, to improve service delivery and scheme design features. CUBA aims to integrate and improve the complaints database.
5.	The ANAO recommends that the CSA:		
	a) examine the cost effectiveness of upgrading computer facilities to provide improved management reporting on HRD activities; and	✓	The adoption of TriCS to manage HRD training enabled the CSA to cost-effectively extract HRD data that is useful to management.
	b) adopt a more formal evaluation process for systematically evaluating outcomes of its HRD strategies and activities.	✓	CSA adopted a more formal evaluation process to systematically evaluate outcomes of HRD strategies and activities via ongoing monitoring and reviews of training modules and other HRD activities.
6.	The ANAO recommends that the CSA assess the benefits and costs of establishing a technical data base consisting of family law issues, child support legislation, CSA rulings and key review officer determinations to assist consistent decision making.	✓	The CSA established a technical database to support SCOs via the intranet.
7.	The ANAO recommends the CSA examine the cost effectiveness of transferring the client service liaison aspects of review support team work to general CSA staff to provide clients with an improved quality service.	✓	The current COA administrative support arrangements improved client service in terms of timeliness and streamlined case management.
8.	The ANAO recommends that the CSA:		
	a) produce a debt collection management guide to promote shared understanding of the CSA's management approach to compliance improvement and to assist key staff manage and perform debt collection and enforcement duties;	✓	The CSA Debt Policy presents the overall CSA debt philosophy, business directions, and details about the CSA stream structure as well as the CSA approach to debt collection.
	b) align the collection and enforcement policy more closely to the CSA's business strategy of encouraging client self-administration and to its compliance improvement approach; and	✓	The collection and enforcement policy contained in the CSA Debt Policy is aligned with the CSA's business strategy of encouraging client self administration, and encouraging and supporting parental responsibility with minimal Government involvement.
	c) update debt collection guidelines that have not recently been revised and rationalise where appropriate detailed procedural guidance currently provided in debt collection policy and procedures documentation.	S	The CSA has revised its procedural instructions since the previous ANAO audit. However, at the time of this audit, the CSA Debt Policy referred to a number of out-of-date policy guidelines and there was scope for CSA Procedural Instructions to provide fuller guidance on some debt collection issues. The CSA have advised that it is addressing these issues.
9.	The ANAO recommends that the CSA:		
	a) undertake systematic debtor research and analysis, control testing and evaluation of results, where appropriate, to support decisions to initiate and continue new debt collection priority areas and actions;	S	The CSA has significantly improved its framework for setting and communicating debt collection priorities since the previous ANAO audit. The CSA has undertaken debtor research and analysis that has informed its priorities and directions.

Recommendations of Audit Report No.39, 1997–1998, Management of Selected Functions of the CSA		Status	Conclusions against recommendations
b) prepare a general profile of debtors and special profiles of higher-risk debtor segments, as a better basis for developing debt recovery actions tailored to those segments; and c) review the design and operation of the payer compliance score method recently introduced to help determine the rank order for actioning debt cases and examine the benefits of developing a wider range of indices to assist debt collection operations.		S	The CSA profiled its debtors, including higher-risk debtors, when it introduced the new stream structure. It developed case selection criteria to target debt recovery actions. There would appear scope to refine the case selection criteria for all streams, based on further research.
		P	The CSA has redesigned and improved the payer compliance score and developed a model that enables an assessment of the expected return from debt collection activity on individual cases. The ANAO strongly supports the early incorporation of this model into CUBA as it continues to have concerns about the use of the old payer compliance score
10. The ANAO recommends that the CSA:			
a) incorporate a risk analysis of child support debt, identify short-run priorities for debt collection action and set out proposed debt collection process improvements in future national business plans;		S	Although the CSA's National Business Plan 2001/02 did not explicitly identify child support debt in its overall risk assessment, it did identify debt collection process improvements which would positively impact on debt risk.
b) ensure that regional and branch debt collection operational plans focus on, and can demonstrably achieve, CSA priorities and performance targets; and		✓	The CSA has significantly improved its business planning framework since the previous ANAO audit.
c) improve key collection performance indicators, to better measure payer compliance with child support obligations and enable closer monitoring of the age of child support debt and debtors under debt payment arrangements.		P	At the time of the audit fieldwork, the CSA had partially implemented this recommendation. The CSA has advised that CUBA will enable it to monitor and report on the proportion of debtors under payment arrangements.
11. The ANAO recommends that the CSA enhance coordination of the introduction of the COMPACT computer system and, where cost effective, make greater use of its potential benefits for recording, monitoring and evaluating debt collection operations.		n/a	This recommendation was overtaken by events, including the decommissioning by the CSA of the COMPACT system in the lead up to the introduction of CUBA.
12. The ANAO recommends that the CSA maximise financial support for children of separated parents and reduce net child support debt by:			
a) reducing the time taken to identify and take initial action on new debt cases;		✓	The CSA takes more prompt action with first time defaulters. CUBA aims to further enhance its ability to quickly identify new debt cases.
b) pursuing actively the recovery of debt associated with default assessment liabilities;		✓	The CSA expends considerable resources on seeking to improve the accuracy of its default income assessments and has sought to address the issue of non-lodgement of tax returns through joint activities with the ATO.
c) revising guidelines on employer withholding of arrears and making greater use of this method to recover debts in appropriate circumstances;		P	The CSA should review the EWA procedural instructions to ensure that the EWA rates used in practice reflect capacity to pay. There may also be scope to improve the CSA's overall collection performance by expanding the use of EW arrangements.
d) identifying debtors with assets for possible legal action and publicising effective enforcement operations;		✓	The CSA identifies clients with significant assets for potential litigation via Individual Case Management.

<i>Recommendations of Audit Report No.39, 1997–1998, Management of Selected Functions of the CSA</i>		<i>Status</i>	<i>Conclusions against recommendations</i>
e) reviewing the current guidelines on the remission and collection of penalties and monitoring the outcomes; and	f) targeting doubtful debts for appropriate debt recovery, liability reduction or debt write-off action.	n/a	This recommendation is no longer relevant due to the withdrawal of proposed legislative changes in relation to the imposition of penalties. However, the ANAO suggests that the CSA monitor penalty collection and remittance activity to ensure a consistent approach.
		S	The CSA should work to establish greater consistency in write-off practices. The CSA advises that proposed system changes with the introduction of CUBA should significantly improve the consistency and effectiveness of CSA write-off activity.

<i>Recommendations of JCPAA Report 367, 1999¹²⁰</i>		<i>Status</i>	<i>Conclusions against the recommendations</i>
J2. In order to ensure that all the CSA's clients are able to understand their letters and forms, the CSA should take immediate action to simplify the language and style used in its publications and should employ an outside consultant to undertake the task.	J3. The CSA should commission an expert consultant to undertake comprehensive and regular client surveys in order to determine the level of client awareness of the charter and complaints service. J4. To ensure that equitable outcomes are delivered, the CSA should take prompt action to ensure that the setting of levels of Employer Withholding of Arrears reflects the annual income of the client.	S	See comments for ANAO Recommendation No.2(b).
		A	The CSA adopted an alternative strategy for this recommendation. It measured performance in meeting charter commitments rather than awareness of the charter. The CSA should survey client awareness of the complaints service.
		P	See comments for ANAO Recommendation No.12(c).

¹²⁰ JCPAA, op. cit.

Appendix 2

Audit Criteria

The ANAO used the criteria below in the current audit of the CSA.

Box A2.1

Audit criteria

The criteria for the follow-up audit were:

- the CSA implemented all of the 12 recommendations from the ANAO Report No.39 of 1997–98 and the three recommendations pertaining to it in the JCPAA report 367 in 1999;
- the CSA has in place management arrangements to:
 - prioritise, resource and identify appropriate actions to implement these or similar current recommendations; and
 - monitor and assess the effectiveness of the actions undertaken; and
- the CSA improved performance against key measures of client service.

In this way, the criteria can be used to establish whether the CSA implemented the recommendations of the two relevant reports using appropriate controls and whether these or related actions have resulted in improved client service.

Appendix 3

Key Features of Child Support Debt

This appendix describes the key features of child support debt and how these have changed since the previous ANAO audit.

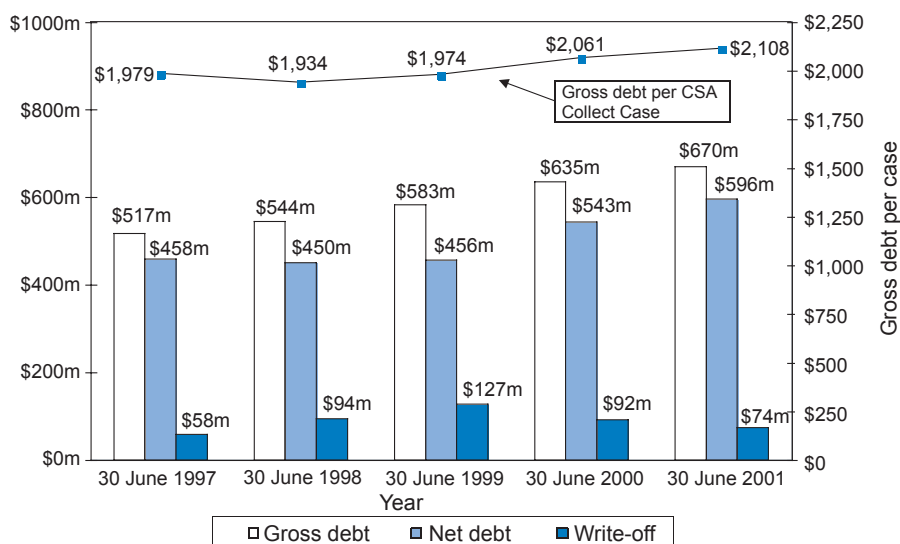
Growth in child support debt since the previous ANAO audit

Figure A3.1 shows that over the four years to June 2001:

- total child support debt¹²¹ rose 30 per cent to \$670 million—an average annual growth rate of around seven per cent;
- debt which CSA wrote-off¹²² rose 27 per cent to \$74 million; and
- net child support debt (child support debt less debt write-off) rose 30 per cent to \$596 million—an average annual growth rate of around six per cent.

Figure A3.1

Child support debt, 1997 to 2001



Source: ANAO analysis of CSA data.

¹²¹ Debt figures refer to gross child support maintenance debt for CSA Collect cases—that is, the amount of debt before any debt write-off by the CSA. These figures also exclude late payment penalty debts. The CSA assumes that Private Collect cases have zero debt.

¹²² The *Financial Management and Accountability Act 1997* allows for non-pursuit of debt (also referred to as 'debt write-off') where it is uneconomic to pursue or irrecoverable at law. Where debts are 'written off', carer parents are advised that the CSA has been unsuccessful in recovering the child support debts. They cannot enforce liabilities privately as the debts are due to the Commonwealth. Debt write-off by the CSA does not expunge child support debts: where debtor circumstances change and there is a prospect of recovery, debts can be re-raised.

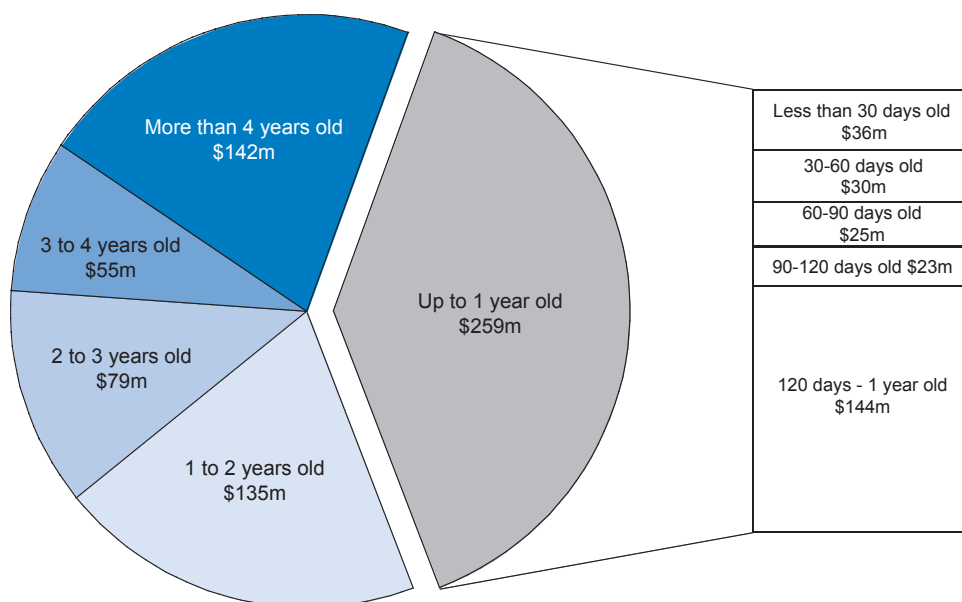
The growth in total child support debt since the previous ANAO audit largely reflects the growth in the CSA's client base: over the four years to June 2001, active CSA Collect caseload rose 22 per cent to 317 724. Figure A3.1 shows that average child support debt rose six per cent over this four-year period to \$2108 per case.

Age of child support debt

The age of child support debt increased since the previous ANAO audit, with the proportion of debt aged more than four years increasing from 16 per cent in June 1997 to 21 per cent (or \$142 million) in June 2001. Figure A3.2 shows that, as at 30 June 2001, over 40 per cent of child support debt was more than two years old.

Figure A3.2

Age of debt, June 2001



Source: ANAO analysis of CSA data (2002).

Distribution of child support debt

The most significant factor impacting on the distribution of child support debt since the previous ANAO audit was a legislative change in mid-1999 which provided that, unless the child support liability was assessed as nil, all payers must pay at least \$260 per annum. This had the effect of sharply increasing the number of cases with small ongoing liabilities and small debts. The proportion

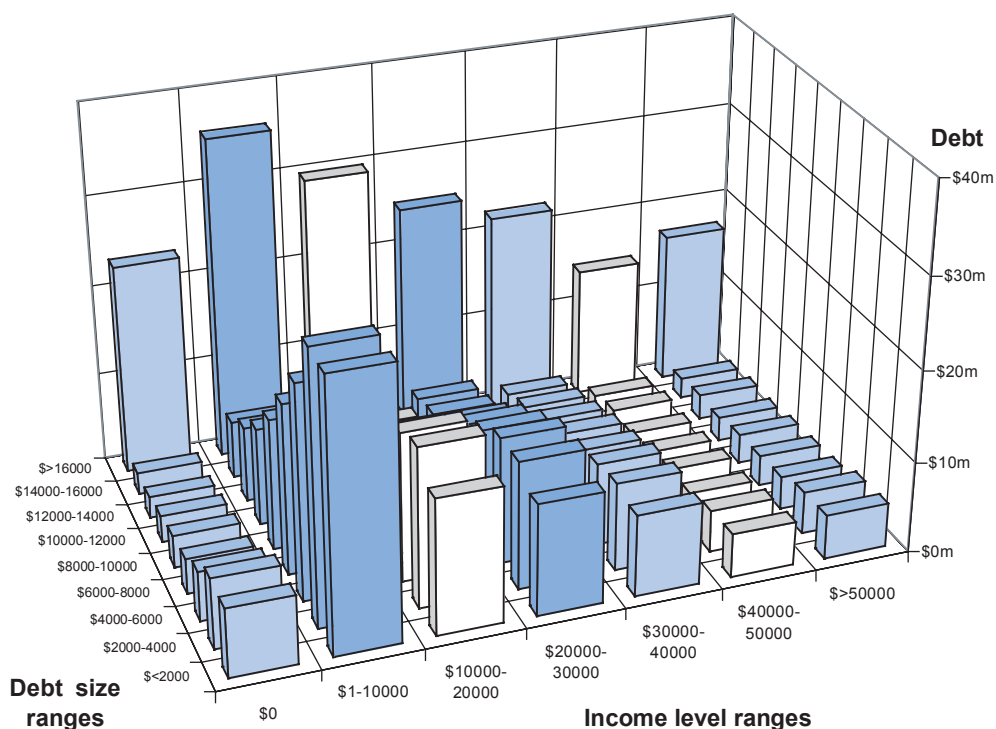
of payers with child support debts of under \$500 rose from 22 per cent in June 1999 to 38 per cent in June 2001. As at June 2001, one third of CSA Collect payers had a minimum child support liability of \$260 per annum. Overall, the percentage of payers with child support debts rose from 56 per cent in June 1997 to 74 per cent in June 2001.

Figure A3.3 shows the overall pattern of child support debt by debtor income level and debt size. The most significant change in the overall distribution of debt since the previous ANAO audit is the rise in relatively small debts amongst low-income payers (with income of less than \$10 000 per annum). Again, this largely reflects the impact of the \$260 minimum liability changes.

- Total debts of under \$2000 amongst payers with annual incomes of less than \$10 000 rose \$18 million (93 per cent) since the previous ANAO audit.
- Total debts of between \$2000 and \$4000 amongst this low-income payer group rose by \$13 million (61 per cent) since the previous ANAO audit.

Figure A3.3

Child support debt, by income level and debt size, February 2002



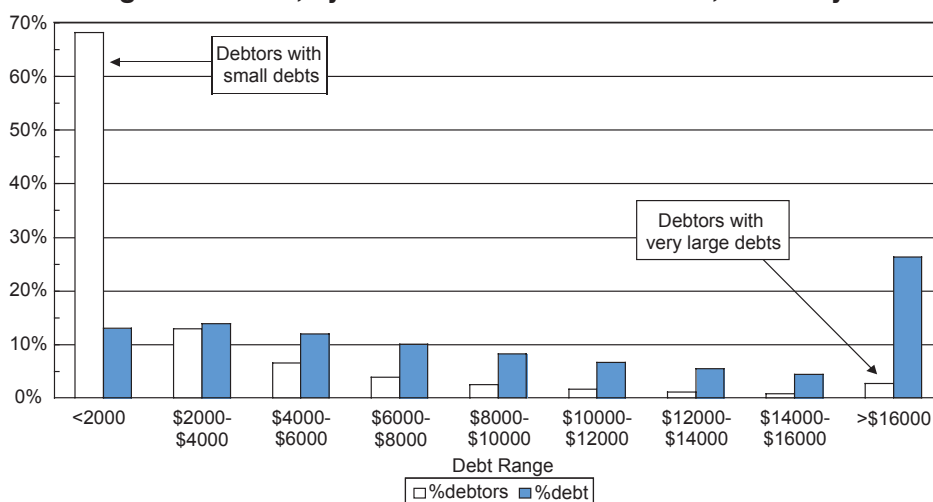
Source: ANAO analysis of CSA data (2002).

Figures A3.4 and A3.5 respectively present the proportion of debtors and debt across debt size and debtor income ranges. They show that, as at February 2002:

- most child support debtors owed small amounts, with 68 per cent of debtors having debts of under \$2000. Within this group, the average debt was \$500;
- debt was concentrated amongst a relatively small group of payers with large debts: six per cent of debtors owed over \$10 000 and accounted for 43 per cent of total child support debt. Within this group, the average debt was \$18 300; and
- low-income earners accounted for a large proportion of debtors and debt: 106 100 debtors (45 per cent) had incomes of less than \$10 000 and \$236 million of debt (37 per cent) related to these clients. Another \$125 million of debt (20 per cent) was owed by clients whose incomes ranged from \$10 000 to \$20 000.

Figure A3.4

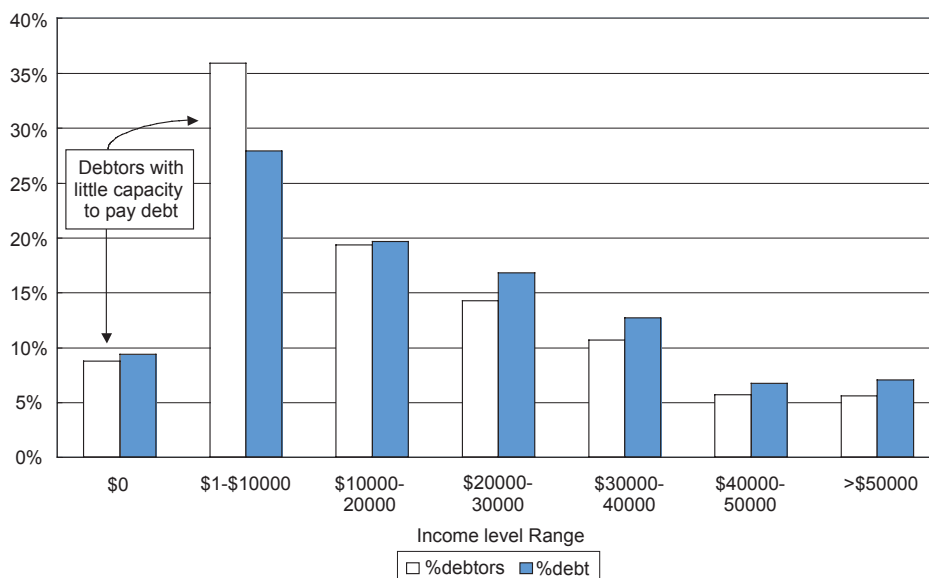
Percentage of debtors, by debt size and share of debt, February 2002



Source: ANAO analysis of CSA data (2002).

Figure A3.5

Percentage of debtors, by income level and share of debt, February 2002



Source: ANAO analysis of CSA data (2002).

Aside from the changes resulting from the introduction of the \$260 minimum liability legislation, current child support debt has similar characteristics to the debt that existed when the previous ANAO audit was conducted. In particular:

- total child support debt remains high in dollar value and there are a substantial number of child support debtors;
- debt is concentrated amongst a relatively small set of high debt cases; and
- a significant proportion of debt is unrecoverable because of its size and age and the limited financial capacity of many debtors.

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