

The Auditor-General
Audit Report No.17 2002—03
Performance Audit

Age Pension Entitlements

Department of Family and Community Services

Centrelink

Australian National Audit Office

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of Australia 2002

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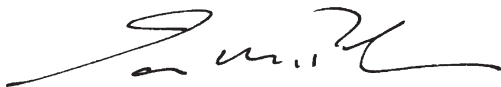
Canberra ACT
5 November 2002

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Family and Community Services and Centrelink in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present this report of this audit, and the accompanying brochure. The report is titled *Age Pension Entitlements*.

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

Yours sincerely



Ian McPhee
Acting 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

ABC	Area Based Checking
ABS	Australian Bureau of Statistics
ANAO	Australian National Audit Office
ASO	Area Support Office
AWT	Australians Working Together
BAF	Business Assurance Framework
BPA	Business Partnership Agreement
CAO	Complex Assessment Officer
CDA	Centrelink Development Agreement
CEN	Centrelink Education Network
CEO	Chief Executive Officer
CIR	Customer initiated reassessment
CPI	Consumer Price Index
CRN	Customer Record Number
CRS	Centrelink Reference Suite
CSC	Customer Service Centre
CSO	Customer Service Officer
CtC	Check the Checking
DMIS	Debt Management and Information System
DOC	Online documentation
FaCS	Department of Family and Community Services
FMA Act	<i>Financial Management and Accountability Act 1997</i>
IRS	Integrated Review System
IT	Information and technology
LMS	Learning Management System
LNA	Learning Needs Analysis
NSRS	National Selective Review System
PAC	Procedure and Accuracy Check
PER	Pensioner Entitlement Review
QOL	Quality On-Line
RSS	Random Sample Survey
RRRS	Random Review Results System

Glossary

Accuracy	<p>Under the new Business Assurance Framework, Centrelink and the Department of Family and Community Services have agreed a definition of 'accuracy'. A payment is accurate if decision making within Centrelink's control is correct, that is:</p> <ul style="list-style-type: none">• the right person is paid;• under the right program;• at the right rate;• for the right date(s); <p>and if the customer advises of changes in circumstances that may affect their payment entitlements over time (see also 'Correctness').</p>
Administrative error	<p>Under the new Business Assurance Framework, this type of error includes errors caused by Centrelink staff, systems or ambiguous rules.</p>
Automated reassessment	<p>The automatic update of a customer's record through the Centrelink information system.</p>
Confidence interval	<p>The upper and lower confidence bounds within which the population estimate lies, with a specified degree of confidence. Confidence intervals are symmetrical about the point estimates and are expressed as the percentage point (pp) difference between the point estimate and the confidence bounds. For example, a statement that an estimate of 50 per cent ($\pm 10\text{pp}$) of assessments are subject to a particular error means that there is a 95 per cent probability that between 40 per cent and 60 per cent of assessments contain the error.</p>
Correctness	<p>Under the new Business Assurance Framework, Centrelink and the Department of Family and Community Services have agreed a definition of 'correctness'. A payment is correct if Centrelink makes correct decisions about processes within their control, that is:</p> <ul style="list-style-type: none">• the right person is paid;• under the right program;

- at the right rate; and
- for the right date(s).

(See also 'Accuracy')

Customer error	Error or omission by the customer in providing information to Centrelink.
Customer initiated reassessment	The update of a customer's record by Centrelink on the initiated of the customer.
Non-verifiable error	When there is insufficient information to determine whether a decision is correct or not.
Payment effect	<p>In order to determine the impact of errors on outlays, the Department of Family and Community Services and Centrelink have agreed on definitions for three types of error. These are:</p> <ul style="list-style-type: none"> • errors with no impact on outlays, that is errors that have no effect on the customer's payment; • errors with an impact on outlays, that is errors that have an immediate effect on the customer's payment; and • errors with a potential impact on future outlays, that is errors that have no immediate effect on the customer's payment but may in the future.
Pensioner Entitlement Review	A risk based program review used to ensure that age pensioners are receiving the correct entitlement.
Population	The 39 704 Pensioner Entitlement Reviews, and the 15 800 customer initiated reassessments completed between 1 November 2001 and 31 January 2002.
Sample	The 400 Pensioner Entitlement Reviews and the 426 customer initiated reassessments drawn from their respective populations, processed by Centrelink between 1 November 2001 and 31 January 2002.

Summary and Recommendations

Summary

Background

1. The Age Pension is a social security income support payment available to Australian residents and eligible Australians residing overseas who have reached Age Pension age¹ and whose income and assets are under certain limits.²
2. The Age Pension is funded as an appropriation through the Department of Family and Community Services' (FaCS) third Outcome: Economic and Social Participation. For the financial year 2001–02, \$16.5 billion was paid to approximately 1.8 million age pensioners, or 67 per cent of the population of Age Pension age.
3. The program is delivered via a purchaser/provider arrangement whereby FaCS, on behalf of the Government, purchases program delivery and associated services from Centrelink. The relationship between FaCS and Centrelink is governed by a Business Partnership Agreement (BPA). The agreement 'blends elements of purchaser/provider responsibilities with elements of partnership and alliance.'³ Under the agreement, FaCS is responsible for advising the Government on policy issues related to the program and for ensuring that Centrelink delivers the program in accordance with government policy. Centrelink is responsible for the operational delivery of the program, including assessing new claims for the Age Pension in accordance with the *Social Security Law* and the *Guide to the Social Security Law* and ensuring that ongoing payments under the program are made to eligible people accurately and in a timely manner. FaCS and Centrelink are dependent on each other to ensure that payments are delivered effectively and efficiently.
4. The BPA is anchored in legislation, particularly the *Commonwealth Services Delivery Agency Act 1997*, under which the Secretary of FaCS has delegated to the Chief Executive Officer of Centrelink the responsibility for administering specified FaCS programs, including the Age Pension. Also under the Act, the activities agreed to in the BPA are the functions of Centrelink, and the agency's board is responsible for ensuring that those functions are properly, efficiently and effectively performed. However, the Secretary of FaCS remains accountable under the *Financial Management and Accountability Act 1997* for the program

¹ At the time of the audit, Age Pension age was 62 for women and 65 for men. The Age Pension qualifying age for women is being progressively increased until it reaches 65 in July 2013.

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

³ FaCS-Centrelink Business Partnership Agreement 2001–04, Strategic Partnership Statement.

expenditure. Centrelink is therefore required to provide assurance to FaCS that payments, and therefore program outlays, have been made in accordance with the *Social Security Law*.

5. The Age Pension performance standard in the 1999–2001 BPA was for 95 per cent of new claims to be ‘correctly assessed’. The 2000–2001 BPA standard was 95 per cent of claims ‘completely accurate’ in terms of correctness of payment as measured by data from Centrelink’s Quality On-Line (QOL) system. Following ANAO findings in the new Age Pension claims audits⁴, FaCS and Centrelink committed to implementing a new Business Assurance Framework (BAF). The BAF aims to delineate more clearly the different responsibilities of FaCS, Centrelink and the customer in ensuring that payments are both correct and accurate. A distinction is made between correctness and accuracy, where correctness relates to decision making processes within Centrelink’s control that are required for a correct payment outcome; and accuracy, which includes this, but also recognises the obligation of the customer to advise of changes in circumstances that may affect their payment entitlements over time.

6. Under the 2001–04 BPA, correctness and accuracy of benefit payments are measured through a program of Random Sample Surveys (RSS). Following selection in a RSS, customers are required to participate in a face-to-face interview and Centrelink Customer Service Officers (CSOs) verify information provided. The performance standard is 95 per cent correctness of payment for those factors within Centrelink’s control, that is, Centrelink should be the source of error in no more than 5 per cent of payments.

7. To ensure that a pensioner’s payment is correct, Centrelink’s CSOs must update pensioners’ circumstances as they are advised of changes and apply the rules of the program to reassess eligibility and determine the correct payment rate. Centrelink conducts reviews of customers’ circumstances to ensure that the information it holds is up-to-date and correct. The level of review activity undertaken by Centrelink in the Age Pension program is specified in the 2001–04 BPA. Centrelink reassessments are of four kinds:

- customer initiated reassessments (CIRs), when the age pensioner provides new information about his or her circumstances;
- Pensioner Entitlement Reviews (PERs), that is, as a result of a Program Review to ascertain whether a customer is receiving their correct entitlement;

⁴ ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink* and ANAO Audit Report No.35 2000–01, *Family and Community Services’ Oversight of Centrelink’s Assessment of New Claims for the Age Pension*.

- compliance reviews, where there is a perceived risk of incorrect payment or fraud, based on information not previously known about and/or not provided by the customer; and
 - automated updates, such as the quarterly Consumer Price Index update.
- 8.** The reliability and efficiency of these reassessments depends on appropriate design of the processes and activities, as well as on the capacity of customers to provide accurate information. It also depends on preventive quality controls such as the training of CSOs, the availability of accurate guidance material, and effective quality control mechanisms.
- 9.** CSOs involved in delivering the Age Pension operate in an environment of considerable complexity. This complexity results from, among other things, the targeted nature of the income support system, the involvement of two agencies in administering the program, and the fact that the Government, FaCS and Centrelink are continually working to improve the targeting of the Age Pension program and the effectiveness and efficiency of its delivery.

Audit objective and scope

- 10.** The objective of the audit was to assess whether the controls employed by FaCS and Centrelink to ensure the correctness of payments made under the Age Pension program were effective and efficient.
- 11.** The ANAO focused on:
- business arrangements between FaCS and Centrelink and the BAF;
 - whether the source of error was correctly attributed in customer records assessed by FaCS and Centrelink as containing an error in the 2000–01 Age Pension RSS⁵;
 - the correctness of Centrelink’s processing of reassessments, including PERs, CIRs and automated updates; and
 - progress in implementing the recommendations of previous ANAO audits concerning the preventive quality controls that underpin correct payments.

⁵ The ANAO limited its examination to customer records identified by FaCS and Centrelink as containing an error. The ANAO did not seek to verify if this was the extent of all cases with errors in the 2000–01 Age Pension RSS.

Audit approach

12. The fieldwork for the audit was conducted between December 2001 and June 2002 at the national offices of FaCS and Centrelink, and in the Centrelink network. Assistance was obtained from the Australian Bureau of Statistics' (ABS) Statistical Consultancy Unit to design the sampling strategy for stratified random samples of PERs and CIRs. The ABS also supplied the sample design for the assessment of attribution of error in the RSS. The ABS extrapolated the sample results and obtained unbiased estimates for the appropriate populations.

13. Three Centrelink staff with experience of the Age Pension program were seconded to the ANAO to assist with the development of detailed audit test criteria for the assessment of PERs, CIRs and the Random Sample Survey; to examine pensioners' records selected for the audit against these test criteria; and to assist in interpreting the results.

14. In working with the ANAO audit team, the Centrelink staff were authorised under the *Auditor-General Act 1997* and conducted their evaluation and analysis in accordance with the ANAO Auditing Standards.

Overall conclusion

15. Centrelink is required to provide assurance to FaCS that payments, and therefore program outlays, have been made in accordance with the *Social Security Law*. During 2001–02, Centrelink and FaCS worked together to develop a new Business Assurance Framework (BAF) to improve the mechanisms used to provide that assurance. The ANAO concluded that FaCS and Centrelink had made significant progress in developing the foundations for the BAF by agreeing on definitions of correctness and accuracy, and by improving their measurement tools.

16. Under the BAF, the program of Random Sample Surveys (RSS) is the source of performance information reported by Centrelink to FaCS concerning the integrity of outlays. The RSS is an improvement on earlier measurement tools because it separates assessment of the integrity of outlays from the operation of specific controls. Coupled with improved confidence in the integrity of the data provided by this tool, the new performance information should allow FaCS to focus on its role as a purchaser of Centrelink's services with greater confidence in the quality of the performance information being provided.

17. According to the 2000–01 Age Pension RSS undertaken by FaCS and Centrelink, 28 per cent of age pensioners were receiving an incorrect entitlement. The error was attributed to the following sources: 13 per cent customer error, 1 per cent Centrelink error, 2 per cent Centrelink and Customer error, and 12 per cent other causes. FaCS estimated the net impact on outlays arising from these

incorrect payments as approximately 1 per cent of total program outlays. Extrapolating this to the entire Age Pension program amounted to approximately \$7 million in incorrect payments paid every fortnight, out of total fortnightly outlays of \$600 million. Because the source of error is a key component of performance reporting and assurance under the 2001–2004 Business Partnership Agreement (BPA), the ANAO examined the attribution of error in the RSS to determine whether the survey's results accurately captured the extent of error attributable to Centrelink at that time. The ANAO's analysis of the errors identified by FaCS and Centrelink revealed that a significant number of cases could be attributed to a different source from that identified by FaCS. However, once all the cases had been reattributed, errors attributable in whole or part to incorrect processing by Centrelink remained low at 3 per cent. The ANAO estimated that 22 per cent of cases could be attributed to customer error. Most of the customer error could be attributed to Age Pension customers not informing Centrelink about changes in their circumstances, as they are required to do by law.

18. The ANAO concluded that while attributing errors to particular sources can be valuable in identifying problem areas, FaCS and Centrelink should also address the overall error rate, that is, Centrelink error and customer error. Centrelink should consider ways to improve customer service to ensure that customers adhere to their obligations. FaCS requires improved information concerning Centrelink's costs in order to determine the appropriate trade-off between the risk of incurring incorrect payments and the costs associated with controlling that risk.

19. In examining the attribution of the errors identified in the Age Pension RSS, the ANAO further concluded that, while subsequent iterations of the RSS have resulted in improvements in the methodology and quality assurance undertaken for the survey, there remain areas requiring further improvements. Principally, improvements in quality assurance checks on the attribution of errors identified through the survey are required to increase confidence in the integrity of performance information obtained through the RSS.

20. Centrelink conducts reviews of customers' circumstances to ensure that the information it holds is correct. The level of review activity undertaken by Centrelink in the Age Pension program is agreed with FaCS and specified in the 2001–04 BPA. The ANAO concluded that the proportion of errors in age pensioner customer records varied significantly depending on whether the customer's record had been subject to a customer initiated reassessment (CIR), a Pensioner Entitlement Review (PER) or an automated reassessment. The effectiveness and efficiency of the controls employed by Centrelink to ensure the correctness of Age Pension reassessments also varied depending on whether processing by Customer Service Officers (CSOs) involved simple or complex assessments.

21. Where processing tasks were relatively simple, or Centrelink had been able to automate them or bring other decision support tools to bear, the proportion of errors attributable to Centrelink was low. The ANAO estimated that 1 per cent of CIRs, which are often simple or use decision support tools, contained a payment error attributable to Centrelink.

22. Where processing tasks required a more complete reassessment of a complex range of customers' circumstances, such as PERs, the error rate was higher. The ANAO estimated that 14 per cent of PERs contained an immediate payment error attributable to Centrelink, and another 14 per cent contained an error with a potential impact on payment. However, where errors were found, most constituted only a small proportion of the customer's payment and, as a result, the dollar value of incorrect payments represented less than 2 per cent of fortnightly program outlays for customers subject to PERs.

23. PERs are undertaken on approximately 6 per cent of the Age Pension customer population in any given year. The most common causes of immediate payment impacts were failures to correctly process information about income streams and certain types of assets, such as property and life insurance. In this light, Centrelink should consider improving the technical assessment skills of CSOs in these areas.

24. Because the RSS was conducted in 2000–01 while the PERs examined by the ANAO were from 2001–02, it is not possible to conduct a direct analysis to understand the reasons for the discrepancy between the 3 per cent payment error rate identified in the RSS and the 14 per cent payment error attributable to Centrelink identified by the ANAO in the PERs. One important difference is that complex processing tasks such as PERs are only undertaken on a small proportion of the Age Pension customer population in any given year. As a result, the errors arising from incorrect PERs can only contribute a small proportion of errors attributable to Centrelink in the RSS.

25. In developing the BAF, FaCS and Centrelink assessed the extensive legislation, policy and guidelines that govern the delivery of income support payments, including the Age Pension, with a view to identifying the core procedural actions that had an impact on payment correctness. However, because of the variety of age pensioner circumstances, carrying out these core procedural actions incorrectly did not always have an impact on payment. As a result, CSOs undertook a relatively high degree of informal risk management in deciding whether to, for example, follow-up ambiguous information.

26. For these reasons, the ANAO concluded that FaCS and Centrelink should continue to progress the recommendations of the Rules Simplification Taskforce. The Minister for Family and Community Services established this taskforce to determine whether all the procedural steps for payment processing continue to

be necessary, given the objectives of the program and the degree of risk to which the agencies are exposed if certain steps are not followed. Expectations concerning the circumstances and means by which CSOs should manage these risks should then be made more explicit. Moreover, when establishing these expectations and gathering and reporting information about the correctness of payment, the agencies should take into consideration that there is a need to complete procedures correctly, even if there is no immediate impact on a current payment, to ensure that, for example, the evidentiary requirements of appeals or prosecutions are met. As well, the ANAO concluded that there were significant opportunities to improve the recording of processing activities on customers' records.

27. In order to improve the correctness of payments and to ensure that procedures are followed, FaCS and Centrelink have been progressing changes to their preventive controls for Age Pension processing, such as training, quality control and guidance. Many of these actions respond to the recommendations of recent ANAO reports. Progress has been satisfactory, though some initiatives have fallen behind schedule, and some issues remain. In particular, the ANAO concluded that the Quality On-Line (QOL) tool being used by Centrelink managers to monitor payment correctness internally was, at the time of the audit, still not reporting reliable results. Once QOL results have stabilised, there are opportunities for further efficiencies in Centrelink's correctness measurement and reporting systems.

Agencies' responses

Department of Family and Community Services

28. FaCS endorses the report. The audit confirms that the impact of errors in Age Pension processing on program outlays is low, notes the significant improvements made in administration and assurance processes over the past few years and provides some sound recommendations as to where processes can be improved further. It is reassuring that the areas identified by the ANAO for improvement are in synchrony with changes already in progress.

29. As the ANAO notes, FaCS is dependent on Centrelink to ensure Age Pension payments are delivered accurately and efficiently. FaCS and Centrelink have made significant progress in developing a new Business Assurance Framework, part of which is the regular Random Sample Surveys used to measure the correctness and accuracy of payments that are delivered by Centrelink. FaCS expected that the random sample processes would need to be strengthened in light of the lessons learned from the initial, 2000–01 Random Sample Survey, reported on in the audit. Improvements in train for the Random Sample Survey program are consistent with the ANAO's recommendations.

30. FaCS also agrees with the ANAO's findings that the relatively high rate of 'customer error' found in the survey should be reduced and notes that the Government's campaign to increase voluntary customer compliance (Parenting Payments, Newstart and Youth Allowance) will increase overall community awareness of this issue.

31. The complexity of, and the interactions between, our customers' varied and changing circumstances, legislation and processing requirements, is acknowledged as a continuing major challenge for Centrelink staff. FaCS agrees that processes surrounding the administration of the Age Pension program need to be followed accurately and errors in payments received by individual customers minimized.

32. FaCS notes that process improvements in train, which are being developed jointly with Centrelink, are consistent with the audit findings. FaCS agrees that processes need to be simplified and streamlined to the extent possible, both from the perspective of customers and Centrelink staff directly responsible for administering the program.

33. A major change, identified in the ANAO report, is the replacement of current customer review processes with service profiling. Service profiling will better target reviews of customer circumstances and produce more streamlined review processes. Service profiling, in combination with other decision support tools, should reduce much of the process error identified by the ANAO and better ensure process and payment accuracy.

Centrelink

34. Centrelink welcomes the findings and recommendations made by the ANAO.

35. Centrelink acknowledges the effort made by the ANAO to understand the large volume of changes within our organisation since the Age Pension new claims audit, including development of the Business Assurance Framework.

36. While the report is generally positive, Centrelink notes the issues raised by the ANAO. It is reassuring that the areas identified by the ANAO as requiring improvement are being addressed with changes already in progress.

37. Centrelink and FaCS continue to work towards the recommendations made by the Rules Simplification Taskforce and acknowledge that the increasing levels of complexity in customers' circumstances, legislation and processing requirements is a major challenge that faces both agencies.

38. Service profiling is a significant change being introduced which will replace the current customer review process. Service profiling will better target reviews of customer circumstances and allow for more enhanced service actions. This, combined with other decision support tools, should lead to a reduction in processing error and an increase in overall payment accuracy.

Key Findings

Business Assurance (Chapter 2)

39. The ANAO found that the proportion of Centrelink error reported by the 2000–01 Age Pension Random Sample Survey, that is 3 per cent, was reliable. However, a substantial proportion of error cases identified by the survey were not attributed correctly. In view of the importance of the RSS as the source of performance information for payment correctness and integrity of outlays, FaCS and Centrelink should strengthen their quality assurance related to the attribution of error.

40. The ANAO also found that, in response to previous ANAO audits, FaCS and Centrelink had made significant progress in developing a new Business Assurance Framework (BAF) to provide assurance information about the integrity of outlays. The next step was to define the measures to report performance under the new framework. Issues that remained to be resolved included ensuring the integrity of information captured by the measurement tools, ensuring that the full richness of information available was collected and reported appropriately, and ensuring that inappropriate incentives were not created through focusing on the source of error.

Pensioner Entitlement Reviews (Chapter 3)

41. The ANAO found that the current risk-based strategy for selecting customers for a PER was achieving its objective of capturing a higher frequency of changes in customers' circumstances than randomly selected reviews. However, the high frequency of changes found by random reviews suggested that a further review of the strategy was overdue. Such a review had recently begun through Centrelink's Service Profiling initiative.

42. PERs processed during the audit assessment period demonstrated a substantial level of administrative error with an immediate or potential impact on outlays. However, the immediate material impact was low. The most common causes of immediate payment impacts were failures to correctly process information about income streams and certain types of assets, particularly property and life insurance. As well, in significant numbers of cases, CSOs had made administrative errors, or procedural faults, which had no impact on outlays.

43. The ANAO also found that Centrelink had adopted an informal risk management approach at the operational level with regard to updating the customer's record and following up unanswered questions. FaCS and Centrelink had not examined the degree of risk to which they were exposed by this approach. Centrelink had, nonetheless, recently adopted a more prescriptive approach requiring CSOs to follow up unanswered questions.

Customer Initiated Reassessments and Automated Updates (Chapter 4)

44. The ANAO found that Centrelink was able to achieve a high degree of correctness in processing CIRs, that is updating the agency's records on the advice of the customer. However, the ANAO noted that CIRs often do not require correctly recording information from documents, nor assessing customers' income and assets.

45. The ANAO also found that adjustments to the values of managed investments held by customers, as well as to the rate of payment based on the Consumer Price Index, undertaken in the 20 March 2002 periodic update were correctly applied to a limited sample of customers. While this result cannot be extrapolated statistically to all automated updates of age pensioners' circumstances, it suggests that these reassessments are a low risk as a source of incorrectness.

Improving Preventive Controls (Chapter 5)

46. The ANAO found that measurement mechanisms have begun to produce information that indicates significant non-compliance with Centrelink's Getting It Right minimum standards. In particular, the ANAO concluded that online documentation of processing undertaken on customers' records is still not adequate.

47. The ANAO also found that FaCS and Centrelink have made significant progress on recommendations from Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*. The key challenges that remain include ensuring that Centrelink's quality control tool QOL produces reliable information, and completing the agenda of actions identified by the Rules Simplification Taskforce.

Recommendations

Set out below are the ANAO's recommendations with abbreviated responses from FaCS and Centrelink. More detailed responses are shown in the body of the report together with the relevant audit findings.

**Recommendation
No.1
Para. 2.44**

In order to ensure the reliability of performance information obtained through the Random Sample Survey, the ANAO recommends that both FaCS and Centrelink strengthen their quality assurance checks on the attribution of errors identified through the Surveys.

FaCS response: Agreed.

Centrelink response: Agreed.

**Recommendation
No.2
Para. 3.64**

The ANAO recommends that Centrelink monitors and assesses the effect of the revised Pensioner Entitlement Review (PER) guidelines and the requirement to follow up on unanswered questions. Based on this assessment, Centrelink should determine whether Customer Service Officers require more explicit instructions or guidelines to process PERs.

FaCS response: Agreed.

Centrelink response: Agreed.

**Recommendation
No.3
Para. 3.81**

The ANAO recommends that Centrelink assess the contribution of recently introduced decision-making tools designed to assist Customer Service Officers (CSOs) to improve the correctness of payment. Based on this assessment, Centrelink should determine the value of these tools and whether additional technical training is required by its CSOs in order to reduce the degree of administrative error in processing Pensioner Entitlement Reviews.

FaCS response: Agreed.

Centrelink response: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter provides background to the audit, the audit objectives and approach, as well as the operating environment in which the Age Pension program is delivered.

Background

The Age Pension

1.1 The Age Pension is a social security income support payment available to Australian residents and eligible Australians residing overseas who have reached Age Pension age⁶ and whose income and assets are under certain limits.⁷

1.2 Payment of the Age Pension is made under the *Social Security Act 1991*, the *Social Security (Administration) Act 1999*, and the *Social Security (International Agreements) Act 1999*, known collectively as the *Social Security Law*. The Law is interpreted by the *Guide to the Social Security Law* prepared by the Department of Family and Community Services (FaCS).

1.3 The Age Pension is funded as an appropriation through FaCS' third Outcome: Economic and Social Participation. For the financial year 2001–02, \$16.5 billion was paid to approximately 1.8 million age pensioners, or 67 per cent of the population of Age Pension age.

1.4 The program is delivered via a purchaser/provider agreement whereby FaCS, on behalf of the Government, purchases program delivery and associated services from Centrelink. The relationship between Centrelink and its client agency, FaCS, is governed by a Business Partnership Agreement (BPA). The agreement 'blends elements of purchaser/provider responsibilities with elements of partnership and alliance.'⁸ Under the agreement, FaCS is responsible for advising the Government on policy issues related to the program and for ensuring that Centrelink delivers the program in accordance with government policy. Centrelink is responsible for the operational delivery of the program, including assessing new claims for the Age Pension in accordance with the *Social Security Law* and the *Guide to the Social Security Law* and ensuring that ongoing payments under the program are made to eligible people accurately and in a timely manner. FaCS and Centrelink are dependent on each other to ensure that payments are delivered effectively and efficiently.

⁶ At the time of the audit, Age Pension age was 62 for women and 65 for men. The Age Pension qualifying age for women is being progressively increased until it reaches 65 in July 2013.

⁷ A number of other factors can also affect entitlement to the Age Pension, for example, the number of years that the claimant has been an Australian resident and whether he/she is receiving other social security benefits.

⁸ FaCS-Centrelink Business Partnership Agreement 2001–04, Strategic Partnership Statement.

1.5 The BPA is anchored in legislation, particularly the *Commonwealth Services Delivery Agency Act 1997*, under which the Secretary of FaCS has delegated to the Chief Executive Officer of Centrelink the responsibility for administering specified FaCS programs, including the Age Pension. Also under the Act, the activities agreed to in the BPA are the functions of Centrelink, and the agency's board is responsible for ensuring that those functions are properly, efficiently and effectively performed. However, the Secretary of FaCS remains accountable under the *Financial Management and Accountability Act 1997* for the program expenditure. Centrelink is therefore required to provide assurance to FaCS that payments, and therefore program outlays, have been made in accordance with the *Social Security Law*.

Operating environment

1.6 Customer Service Officers (CSOs) involved in delivering the Age Pension operate in an environment of considerable complexity. This complexity results from, among other things, the targeted nature of the income support system, the involvement of two agencies in managing the program, and the fact that the Government, FaCS and Centrelink are continually working to improve the targeting of the Age Pension program and the effectiveness and efficiency of its delivery.

1.7 The Age Pension program aims to ensure that those who are unable to provide for themselves have adequate income in their retirement. Payments are therefore subject to complex means test rules to ensure that they are made to those most in need. At the same time, encouraging people to provide for themselves in retirement is a strong principle of the income support system. Partly as a result, retirees increasingly have assets and other sources of income that must be taken into account when determining their initial and continuing entitlement to the Age Pension. The financial services industry is developing increasingly sophisticated products to cater for these increasing resources, products that interact in complicated ways with the rules of the Age Pension program.

1.8 In May 2001, the Commonwealth Government initiated a major project to modernise Australia's social safety net. Called Australians Working Together (AWT), the project involves a transition from a payment-centred social security system to a customer-centred one where support is tailored more closely to individuals' needs and focuses on providing appropriate assistance and incentives for people to stay involved with their communities and regain their financial independence.

1.9 The new approach does not affect the entitlements of age pensioners, since they are not, in general, expected to increase their economic and social participation. However, AWT has served to catalyse and focus a large number of changes in Centrelink's approach to delivering payments, including the Age Pension. These changes are known collectively as 'Business Transitions', and include a range of projects aiming at simplifying processes, tailoring activities to customers' circumstances, and integrating customer information and contact.

The audit

Objective and scope

1.10 The objective of the audit was to assess whether the controls employed by FaCS and Centrelink to ensure the correctness of payments made under the Age Pension program were effective and efficient.

1.11 The ANAO focused on:

- business arrangements between FaCS and Centrelink and the BAF;
- whether the source of error was correctly attributed in customer records assessed by FaCS and Centrelink as containing an error in the 2000–01 Age Pension RSS⁹;
- the correctness of Centrelink's processing of reassessments, including PERs, CIRs and automated reassessments; and
- progress in implementing the recommendations of previous ANAO audits concerning the preventive quality controls that underpin correct payments.

Criteria

1.12 Audit criteria were established in three main areas.

1.13 For the RSS, the ANAO sought to determine whether the source of error was correctly attributed to the customer or Centrelink action, in customer records assessed by Centrelink and FaCS as containing an error.

1.14 To assess the correctness of processing of PERs, CIRs and automated reassessments, the ANAO developed test sheets that incorporated relevant legislation, policies and guidelines for the Age Pension program. The test sheets aimed to determine whether the right person was paid under the right program at the right rate for the right date(s), that is FaCS and Centrelink's agreed

⁹ The ANAO limited its examination to customer records identified by FaCS and Centrelink as containing an error. The ANAO did not seek to verify if this was the extent of all cases with errors in the 2000–01 Age Pension RSS.

definition of correctness under the BAF. To ensure that the test sheets accurately reflected the rules of the Age Pension program and the BAF definitions, copies were provided to FaCS and Centrelink for comment prior to commencing the assessment, and the final sheets were revised to incorporate the agencies' comments.

1.15 In addition, with regard to PERs, the ANAO examined whether the reviews were targeted effectively.

1.16 A number of tests included following up progress by FaCS and Centrelink in implementing the recommendations of previous ANAO reports.¹⁰ These included assessing progress on the development of the new BAF, on improving preventive controls such as quality control, training, and guidance, and on development of information systems for managing compliance review activity. In these areas, the ANAO assessed whether:

- actions had been planned, implemented or were underway to address the recommendation; and
- the actions would correct the deficiencies identified.

Methodology

1.17 The fieldwork for the audit was conducted between December 2001 and June 2002 at the national offices of FaCS and Centrelink, and in the Centrelink network. The audit was conducted in three major components.

1.18 To assess development of the BAF and the attribution of error in the 2000–01 Age Pension RSS, the audit team:

- discussed development of the BAF and the methodology for conducting the RSS with staff in the national offices of FaCS and Centrelink responsible for the design and implementation of the Framework and Survey;
- reviewed relevant files and documents;
- in consultation with the Australian Bureau of Statistics (ABS), selected samples of customer records from the population of RSS records containing a payment error; and
- examined the samples of customer records to determine whether the source of error was correctly attributed in the survey results.

¹⁰ These reports were Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*; Audit Report No.35 2000–01, *Family and Community Services' Oversight of Centrelink's Assessment of New Claims for the Age Pension*, and Audit Report No.26 2001–02, *Management of Fraud and Incorrect Payment in Centrelink*.

1.19 To assess the correctness of PERs, CIRs, and automated reassessments, the audit team:

- discussed the framework for PERs, CIRs and automated reassessments with staff in the national offices of FaCS and Centrelink;
- reviewed relevant files and documents;
- discussed the conduct of PERs and CIRs with staff in five Area Support Offices (ASOs) and 15 Customer Service Centres (CSCs)¹¹;
- in consultation with the ABS, selected samples of customer records from the populations of PERs and CIRs conducted between 1 November 2001 and 31 January 2002;
- examined the samples of customer records to determine whether they were processed correctly; and
- returned files containing an administrative error to Centrelink to determine the impact of the error on payment.

1.20 To assess progress in implementing the recommendations of recent ANAO audits of new Age Pension claims processing and fraud control, the audit team:

- discussed progress in implementing the recommendations with staff in the national offices of FaCS and Centrelink;
- reviewed relevant files and documents; and
- discussed the impact of changes resulting from the recommendations with staff in five ASOs and 15 CSCs.

1.21 A recurring issue throughout the audit was the low quality of data being provided to the ANAO by Centrelink information systems. These systems were designed primarily for rapid processing of large numbers of customer entitlements. The systems were therefore not necessarily optimised to produce the management information required by performance audits. However, even after the ANAO and Centrelink had agreed on the scope of data sets, including what Centrelink's systems were capable of producing, data sets provided were of a consistently low standard. For example, the initial data sets of CIRs included customers who were not Age Pension recipients. The PER data set drawn from the National Selective Review System (NSRS) had to be redrawn three times, as the first two attempts only contained half of the expected numbers of reviews. As well, the data provided for the assessment of automated reassessments was initially drawn from the wrong month.

¹¹ The 15 CSCs selected were located in: Bundaberg, Mitchelton, Strathpine each in Area Brisbane; Armidale, Gosford, Kurri Kurri each in Area Hunter; Gawler, Kadina, Norwood each in Area South Australia; Albany, Mirrabooka, Northam each in Area Western Australia; Frankston, Morwell and Rosebud each in Area South East Victoria.

1.22 Difficulties obtaining adequate data sets highlight areas of weakness in Centrelink processes. These include the effectiveness of communication channels between the information & technology (IT) and program areas of Centrelink and the quality control of data sets being produced by Centrelink's IT section.

1.23 The audit was conducted in conformance with the ANAO auditing standards at a cost to the ANAO of \$500 000.

Assistance to the audit

1.24 The ANAO sought the assistance of technical experts to assist in designing sampling strategies and in assessing customer records.

1.25 Assistance was obtained from the ABS' Statistical Consultancy Unit to design the sampling strategy for stratified random samples of PERs and CIRs. The ABS also supplied the sample design for the assessment of attribution of error in the RSS. The ABS extrapolated the sample results and obtained unbiased estimates for the appropriate populations.

1.26 Three Centrelink staff with experience of the Age Pension program were seconded to the ANAO to:

- assist with the development of the detailed audit test criteria for the assessment of PERs, CIRs and the RSS;
- examine pensioners' records selected for audit against these audit test criteria; and
- assist in interpreting the results.

1.27 In working with the ANAO audit team, the Centrelink staff were authorised under the *Auditor-General Act 1997* and conducted their evaluation and analysis in accordance with the ANAO Auditing Standards.¹²

1.28 Staff in Centrelink's Retirement Community Segment Team provided logistical support in coordinating the retrieval of customer records corresponding to the several samples examined, in organising visits to ASOs and CSCs, and in determining the impact on payment of administrative errors identified in the sample records.

1.29 The ANAO is grateful for the significant contribution and expertise of all FaCS and Centrelink staff involved, particularly the secondees who were part of the audit team.

¹² In order to ensure appropriate audit independence, the Centrelink experts were formally seconded to and paid by the ANAO. They worked in a facility separate from their normal place of work and under the direct supervision of ANAO staff. The secondees' work was subjected to extensive quality control procedures.

Previous audit coverage

1.30 The controls and procedures that underpin the delivery of income support payments by Centrelink on behalf of FaCS have been the subject of a number of recent audits by the ANAO.

1.31 New claims for payments were examined in Audit Report No.20 1999–2000, *Special Benefit* and Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*. Both audits concluded that there was a significant degree of non-compliance of new claim assessment decisions with the *Social Security Law* and relevant guidelines, but that the impact on outlays was relatively small. The audits further concluded that performance reports provided by Centrelink to FaCS were not reliable and that preventive controls were not working effectively.

1.32 Audit Report No.26 2001–02, *Management of Fraud and Incorrect Payment in Centrelink* examined another aspect of Centrelink’s control framework for ensuring correct payments. It concluded that Centrelink had implemented appropriate fraud control arrangements and that compliance reviews would detect a significant proportion of fraud and error. However, FaCS and Centrelink could improve the collection and use of information on the effectiveness of compliance activities.

1.33 FaCS’ role as the purchasing agency for Centrelink’s income support payment delivery services was examined in Audit Report No.35 2000–01, *Family and Community Services’ Oversight of Centrelink’s Assessment of New Claims for the Age Pension* and Audit Report No.45 2000–01, *Management of Fraud Control*. These audits concluded that, while arrangements for fraud control and risk management generally were appropriate, FaCS was unable to monitor and evaluate Centrelink’s performance effectively.

1.34 The effectiveness and efficiency of supporting management processes in Centrelink have been the subject of a number of additional audits, including:

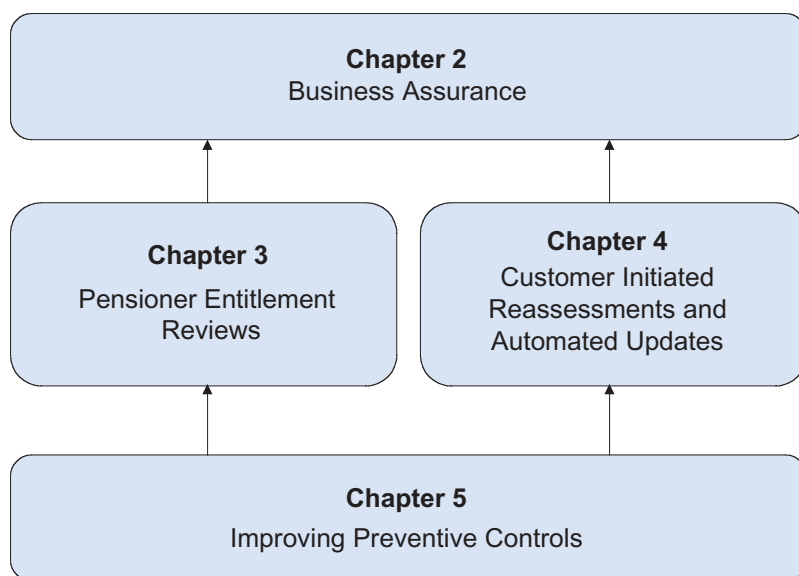
- Audit Report No.43 1999–2000, *Planning and Monitoring for Cost Effective Service Delivery—Staffing and Funding Arrangements*, and an associated follow-up audit, Audit Report No.60 2001–02, *Costing of Operational Activities and Services Follow-up Audit*;
- Audit Report No.39 2000–01, *Information and Technology in Centrelink*; and
- Audit Report No.9 2001–02, *Learning for Skills and Knowledge—Customer Service Officers*.

Report structure

1.35 Following this introductory chapter, Chapter 2 discusses the requirement for Centrelink to provide assurance to FaCS on the delivery of payment programs, including the Age Pension. The chapter assesses the results of the 2000–01 Age Pension RSS, which aimed to provide information about the accuracy of Age Pension payments in order to provide assurance about the integrity of program outlays. The chapter also assesses FaCS' and Centrelink's collaborative efforts to develop a new BAF. Integrity of outlays as measured through the BAF is the outcome at a point in time of Centrelink's mechanisms to ensure payment correctness and accuracy. This includes the results of review and update processes which are examined in the following two chapters. Chapter 3 assesses the correctness of processing of PERs and follows up recommendations from Audit Report No.26 2001–02, *Management of Fraud and Incorrect Payment in Centrelink* concerning compliance reviews. Chapter 4 assesses the correctness of processing of CIRs and automated updates. Chapter 5 examines initiatives underway in FaCS and Centrelink to improve correctness of processing. In particular, it assesses progress in implementing the recommendations of Audit Report No.34 2000–01 *Assessment of New Claims for the Age Pension by Centrelink* concerning preventive controls, including quality control, training, and guidance and support.

1.36 The structure of the remainder of the report is outlined in Figure 1.1.

Figure 1.1
Report Structure



2. Business Assurance

This chapter assesses the results of the 2000–01 Age Pension Random Sample Survey, which aimed to provide information about the accuracy of Age Pension payments in order to provide assurance about the integrity of program outlays. The chapter also assesses FaCS' and Centrelink's collaborative efforts to develop a new Business Assurance Framework.

Introduction

2.1 Centrelink operates as an independent statutory authority within the Family and Community Services (FaCS) portfolio and has responsibility for the delivery of a range of Commonwealth social and economic payments and services under formal purchaser/ provider arrangements. Approximately one in three Australians receives a payment from Centrelink, and expenditures amount to approximately one-third of total Commonwealth Government outlays; that is \$55.6 billion.¹³ The majority of this expenditure is on behalf of FaCS.

2.2 As noted in Chapter 1, since funding for income support programs is appropriated to FaCS, the Secretary of FaCS remains accountable under the *Financial Management and Accountability Act 1997* (FMA Act) for the efficient, effective and ethical use of those resources. The FMA Act also requires the Secretary of FaCS to provide assurance whether FaCS' financial statements, which include these income support payments, are true and fair. In addition, the Secretary of FaCS is responsible under the *Social Security Law* for ensuring that benefit payments are made in accordance with the Law.¹⁴

2.3 Consequently, to meet his obligations under the FMA and other Acts, the Secretary of FaCS requires assurance from Centrelink that payments are being delivered in accordance with the law.

2.4 The ANAO therefore examined:

- risks to business assurance;
- the measurement of payment correctness under the 2001–04 Business Partnership Agreement (BPA); and
- development of the Business Assurance Framework (BAF).

¹³ Department of Family and Community Services 2002, *Portfolio Budget Statements 2002–03: Family and Community Services Portfolio*: Budget related paper 1.8.

¹⁴ Section 7 of the *Social Security (Administration Act) 1999*.

2.5 Each of these is discussed under separate headings below.

Risk and business assurance

2.6 The relationship between FaCS and Centrelink is governed by a BPA that acknowledges (among other issues) joint responsibility for performance and business assurance. The current agreement covers the period 2001–04. Under the BPA, the Business Partnership Assurance Protocol describes:

- the requirements for business assurance; and
- the framework through which this assurance is provided.

2.7 FaCS and Centrelink have agreed that ‘incorrectness of payment and government outlays is the most significant financial risk that FaCS has with the delivery of payments and services.’¹⁵ They have further jointly identified several key risks related to payment correctness.

2.8 Of these key risks, four relate to issues discussed in this audit. They are:

- the customer not providing the correct information, either at claim or when circumstances change;
- incorrect decisions may be made (by Centrelink) as to customer eligibility and payment rate;
- the ability of Centrelink systems to deliver correct payment; and
- information provided by Centrelink to FaCS on payment correctness may be incorrect.

2.9 FaCS requires performance information from Centrelink on the correctness of payment, to demonstrate that these risks are being managed effectively. The BPA requires Centrelink to provide periodic performance reports to FaCS on agreed performance measures and indicators, and to provide specified management information.

Measuring payment correctness

2.10 Under the 1999–2001 and 2000–2001 BPAs, data from the Quality On-Line (QOL) system and its predecessor, the Procedure and Accuracy Checking (PAC) system, was used to report (what was then called) accuracy. ANAO audits of the Special Benefit program and new Age Pension claims indicated that these systems were not reliable sources of performance information.

¹⁵ FaCS-Centrelink Business Partnership Agreement 2001–04, Business Partnership Assurance Protocol, section 3.2.

2.11 In addition to PAC data, in 1999 FaCS initiated a program of Random Sample Surveys (RSS) of major payment programs to measure the levels and reasons for incorrect payments and to test, for audit purposes, whether the amount of incorrect payment would have a material impact on FaCS' financial statements. The surveys were funded through annual budget measures and targeted at individual payments.

2.12 Following ANAO findings in the new Age Pension claims audits, FaCS and Centrelink discontinued the use of QOL as a measure of Centrelink's performance. Instead, under the 2001–2004 BPA, correctness of payment was to be measured through the program of RSS. The performance standard was 95 per cent correctness of payment for those factors within Centrelink's control, that is, Centrelink should be the source of error in no more than 5 per cent of payments. This standard was considered an interim standard pending development of a revised BAF. As an interim measure, QOL results were provided to FaCS as management information in 2001–02.

2.13 During 1999–2002, FaCS and Centrelink conducted RSS of most major income support payments (see Table 2.1). The surveys were conducted as individual budget measures and were intended primarily to measure the integrity of outlays. However, FaCS also began to develop the methodology for attributing error. By seeking to measure performance based on the source of error, the 2001–04 BPA increased the importance of this methodology. The methodology for conducting and analysing the data from the surveys has been progressively refined since 1999.

2.14 Since FaCS and Centrelink did not conduct a RSS of Age Pension in 2001–02 (under the 2001–04 BPA), the 2000–01 Age Pension RSS was the most recent information available on Centrelink's ability to meet the BPA standard of correctness.

Table 2.1**Random Sample Surveys conducted during 1999–2002**

Year	Payment	Sample size
1999—2000	Parenting Payment Partnered	5005
	Disability Support Pension	4996
2000—01	Youth Allowance	2009
	Age Pension	2011
	New Start Allowance	3004
2001—02	Parenting Payment Single	2988
	Parenting Payment Partnered ¹⁶	3000
	Carer Payment	498
	Carer Allowance	500
	Disability Support Pension ¹⁷	3000

Source: FaCS, Risk, Audit and Compliance Branch, 11 July 2002.

The Age Pension Random Sample Survey

2.15 For the 2000–01 Age Pension RSS, FaCS, through Centrelink, reviewed the entitlements of 2011 Age Pension customers. FaCS provided the detailed specifications for the sample selection methodology and data requirements, and participated in the development of the review packages. Centrelink review staff conducted face-to-face interviews with selected customers. The information was recorded on paper-based review packages and on Centrelink information systems.

2.16 The data collected was recorded in several Centrelink information systems, specifically the Payment System, the National Selective Review System (NSRS), the Random Review Results System (RRRS) and the Debt Management and Information System (DMIS).

2.17 The data was forwarded to Centrelink’s National Support Office (NSO) where it was aggregated and subjected to quality assurance procedures. Centrelink carried out quality assurance on approximately 80 per cent of all cases with payment variations (that is, an upward change in the rate of payment,

¹⁶ In progress at the time of the audit; final sample size may vary from the proposed figure of 3000 cases.

¹⁷ *ibid.*

a downward change, or cancellation of the payment). Additionally, FaCS conducted its own quality assurance on a sample of 200 cases, composed of 150 cases with a variation and 50 cases with no payment variation.

2.18 FaCS' analysis of the Age Pension RSS 2000–01, identified:

- 557 cases of variations to customer payments, that is 28 per cent¹⁸ of customers surveyed were receiving an incorrect payment; and
- the gross impact on outlays arising from these incorrect payments was estimated by FaCS as approximately 2 per cent of total program outlays. This represents the amount incorrectly paid to customers (overpayments, cancellations and underpayments) as measured through the RSS. Extrapolating this to the entire Age Pension program amounted to approximately \$12 million in incorrect payments paid every fortnight, out of total fortnightly outlays of \$600 million. The net amount incorrectly overpaid to customers, that is overpayments and cancellations less underpayments, was estimated at 1 per cent of program outlays, or \$7 million per fortnight.¹⁹

2.19 The difference between the number of customers receiving an incorrect payment and the effect on outlays paid reflected the fact that only a portion of most customers' entitlement was incorrect, and that most payment variations were for small amounts.

FaCS attribution of error

2.20 FaCS determined a source for each error found in the survey and reported them in the following four categories (see Table 2.2):

- 'Customer error' contained cases where the customer failed to notify of changes to their circumstances within the required notification period,²⁰ and those changes had an impact on their payment.

¹⁸ All percentages in the text are rounded to the nearest whole number. Decimals of 0.5 to 0.9 are rounded up to the next whole number, while decimals of 0.1 to 0.4 are rounded down to the next whole number. Percentages in figures and tables are rounded to one decimal place, using the same convention.

¹⁹ The ANAO did not audit these figures to confirm their accuracy. In all cases examined by the ANAO where FaCS had determined that there was an error, the ANAO was able to confirm that there was an error. However the ANAO did not review cases that were not assigned an error by FaCS, nor determine the quantum of the payment error.

²⁰ In general, Centrelink customers are required to report changes in circumstances within 14 days of the change occurring. If they do and the change would result in a reduction in payment, the date of effect of the change is considered to be the date of notification, rather than the date on which the change occurred. It is therefore possible within the RSS for a customer's payment not to reflect their actual circumstances (and therefore require a variation), but not to be in error, as the variation reflects a change that occurred within the previous 14 days.

- ‘Centrelink error’ included errors made by Centrelink that had an impact on the customer’s payment. These included, for example, incorrect application of policy by Centrelink staff and instances of incomplete or incorrect processing of customer information.
- ‘Centrelink and Customer error’ included cases where both parties contributed to the variation and the subsequent error.
- Errors attributed as ‘Other’ included cases where error was not attributed, where there was not enough evidence available to attribute the error, or where there was a variation but no error. Variations but no error were circumstances where the change had occurred within the notification period.

Table 2.2

Final Attribution of error by FaCS

Attribution	Cases	Error as % of the sample
Customer Error	255	12.7
Centrelink Error	28	1.4
Centrelink and Customer error	39	1.9
Other	235	11.7
Total	557	27.7

Source: Vanstone, A (Minister for Family and Community Service) 2001, *Cooperation and Compulsion both needed for compliance*, media release, 15 May.

ANAO attribution of error

2.21 Because the source of error was a key component of performance reporting and assurance under the 2001–2004 BPA, the ANAO examined the attribution of error in the Age Pension RSS to determine whether the survey’s results accurately captured the extent of error attributable to Centrelink. The ANAO sought to determine whether the source of error was correctly attributed to the customer or Centrelink action, in customer records assessed by Centrelink and FaCS as containing an error.

2.22 The ANAO required both the final data sets provided by Centrelink to FaCS and the results of FaCS’ quality assurance and data cleansing. Files and review packages for the selected sample were obtained from the relevant Centrelink Area Support Offices (ASOs). The results data and the review packages were then compared with the data on Centrelink’s information systems. The review of cases was carried out by ANAO staff and the three Centrelink secondees assigned to the audit.

2.23 The data set provided by FaCS included some differences from the data that was reported publicly (see Table 2.3). The error categorised as ‘Other’ in Table 2.2 was broken down into its three component categories. These included the ‘Variation but no error’, ‘Other’ and ‘Error, but no attribution’ categories. Errors categorised as customer error in Table 2.2 were broken down into ‘Customer error’ and ‘Nominee error’ in the data set.

2.24 The ANAO found that the number of errors attributed to each category was slightly different, and that there were an extra six error files in the data set. Methodology, data cleaning and mis-attribution issues account to a large degree for the differences in the total number and categorisation of cases between the results reported publicly and the actual data sets. These issues are discussed later in this chapter.

2.25 In order to assess the attribution of error, the ANAO selected a sample of cases from each of FaCS’ categories of source of error in the RRRS system. The Australian Bureau of Statistics (ABS) provided expert advice on the sampling strategy and a total of 319 cases was selected (see Table 2.3). As well, the ANAO conducted data quality checks on the entire population of the RSS sample, that is 2011 cases. The ANAO limited its investigation to the review packages and data held in Centrelink information systems. Age Pension customers reviewed in the RSS were not contacted.

Table 2.3

Data Sampling for ANAO Study

RRRS categories	FaCS data set	ANAO sample
Customer Error	260	100
Nominee error	5	5
Centrelink Error	24	24
Centrelink and Customer error	37	37
Other :		
Variation but no error	144	35
Other	60	35
Error, but no attribution.	58	58
Total	563	319

2.26 The ANAO sought to attribute error to the minimum number of categories (see Table 2.4). Errors were attributed to ‘Customer error’, ‘Centrelink error’, ‘Centrelink and Customer error’ and a ‘Variation with no error’ category. The latter category included those instances where the variation was caused by changes in customer circumstances within 14 days prior to the review (that is, within the notification period).

Table 2.4**ANAO attribution of error, Age Pension Random Sample Survey 2000–01**

ANAO sources of error	Number of sampled cases in each category	Estimated error rate	Confidence Interval ²¹	Estimate in RSS population ²²	FaCS error rate ²³
Customer Error	219	21.9%	±0.8%	438	12.7%
Centrelink Error	24	1.4%	±0.3%	27	1.4%
Centrelink and Customer error	20	1.4%	±0.3%	27	1.9%
Variation with no error	38	3.5%	±0.7%	70	
Duplicate	1			1	
Missing	17				
Total	319	28.2%		563	27.7%

Source: ANAO analysis.

2.27 Of the four categories that were used by the ANAO in the attribution of error, three were directly comparable with FaCS' Age Pension results in Table 2.2. They were 'Customer error', 'Centrelink error' and 'Centrelink and Customer error'. The 'Variation with no error' category was not directly comparable to the 'Other' category in the RSS. One instance of a case recorded twice was identified and removed from the study, and 17 cases in the sample were not reviewed due to review packages not being available. All instances of reattribution, missing and duplicate cases were appropriately reweighed by the ABS to provide the final estimated error rates.

2.28 The analysis revealed that a significant number of cases could be reattributed. As a result, the proportion of 'Customer error' increased significantly, however 'Centrelink error' changed only minimally. 'Centrelink and Customer error' fell by approximately one-third. Of the 319 cases sampled, 153 cases (another 17 cases were 'missing'), or approximately 48 per cent, were reattributed (see Table 2.5).

²¹ Confidence intervals are symmetrical about the point estimates and are expressed as the percentage point (pp) difference between the point estimate and the confidence bounds. For example, an estimate of 50 per cent (±10pp) of assessments are subject to a particular error means that there is a 95 per cent probability that between 40 per cent and 60 per cent of assessments contain the error.

²² Extrapolation of estimated errors identified in the ANAO study to the population with variations in the Age Pension RSS.

²³ The percentages in this column do not add up to the total since the total FaCS error rate includes an additional 11.7 per cent of cases originally attributed to 'Other'.

Table 2.5**Reattribution of source of error, Age Pension Random Sample Survey 2000–01**

FaCS Attribution		ANAO Attribution						Difference Between ANAO and FaCS Attribution
	Total ANAO sample as attributed by FaCS	Customer error	Centrelink error	Centrelink and Customer error	Variation with no Error	Duplicate	Missing	
Customer Error	100	96	1	1	2			4
Centrelink error	24		17	2	4		1	7
Centrelink and Customer error	37	11	1	16			9	21
Nominee Error	5	5						5
Variation but no Error	60	40			20			40
Other	35	20	1	1	10	1	2	35
Error, No attribution	58	47	4		2		5	58
Total ANAO sample	319	219	24	20	38	1	17	170

Source: FaCS and ANAO analysis

Weaknesses in the attribution of error

2.29 Three main factors account for the difference between FaCS and ANAO attribution of error:

- inconsistent attribution;
- inability of the data collection tools to attribute errors identified as solely Rent Assistance variations; and
- inconsistencies in the data not detected by FaCS' data cleaning.

Inconsistent attribution

2.30 Two types of errors were attributed inconsistently across several error categories.

- instances within the 14 day notification period; and
- cases with property revaluations.

2.31 As noted earlier in this chapter, Centrelink customers have 14 days to report changes in their circumstances. The ANAO found, however, that in half of the cases (30 out of 60) where the review officer attributed the variation as having occurred within the previous 14 days, it had in fact occurred earlier. The inconsistent attribution was primarily due to the reviewer's interpretation of what constituted a 'reasonable' requirement for reporting changes.

2.32 In 10 cases, the variation to the customer's payment was due to revaluation of customers' property. Review officers attributed these cases on some occasions to the customer for not informing of changes to valuations on property prior to the review and on other occasions to Centrelink for not having a review mechanism in place to review the properties more frequently. The ANAO categorised these errors as variations with no error because property valuations continue to represent an area of ambiguity. This ambiguity stems from a lack of clarity on customers' obligation to notify changes to property values over time and in Centrelink's responsibility for these changes.

Rent Assistance

2.33 The design of the RSS did not have the facility to attribute error where the variation was to Rent Assistance payments, rather than the main Age Pension payment. Consequently, 45 instances, or approximately 8 per cent of the total variations detected, did not have an attribution of error associated with the variation. These variations were categorised by FaCS in the 'Other' category of the attribution of error. The ANAO found that most of these errors could be readily attributed to either the customer or Centrelink.

Data cleaning

2.34 As well as assessing the attribution of error in cases of variations to payments, the ANAO conducted a series of tests to detect inconsistencies in the overall population of the Age Pension RSS. These tests identified 24 cases, or approximately 1 per cent of the total population, that were not correctly assessed in the RSS results. These were:

- 11 instances of duplicate records in the overall sample of 2011. Of these duplicate records, one case appeared twice in the population of cases with variation and attribution of error. The ANAO removed the duplicate case from its attribution of error. The remaining 10 duplicate cases in the complete RSS population were compensated for in the calculation of error rates for the entire Age Pension survey sample; and
- a further 13 instances were detected where the records had a variation but no error was attributed. These cases were attributed an error in the ANAO attribution of error.

Other issues with the Random Sample Survey results

2.35 In analysing the attribution of error the ANAO found a number of other issues with the RSS design and results.

Inconsistent approach to debt

2.36 The examination of the sample revealed an inconsistent approach to raising and waiving of debts in the Age Pension RSS. The ANAO identified 50 cases, or nearly 25 per cent, in the 'Customer error' category where an identifiable debt existed and was not raised appropriately, or was raised and waived inappropriately.

Capturing earlier errors

2.37 The RSS methodology required a variation to current payment before it attributed an error. Non-compliance by customers or Centrelink incorrectness that had a potential to impact on past payments but not on the current payment were not recorded, for example where income was earned but not reported from employment that had subsequently ceased. This could have lead to an overpayment, and a debt, but no corresponding error. The ANAO found 10 instances of such non-errors in the overall population of the RSS. These were not included in the ANAO attribution of error.

Data integrity across multiple systems

2.38 Data related to the RSS was recorded in several separate information systems, with different definitions for the attribution of error. The NSRS, for example, does not attribute error but captures a reason for the variation, while the RRRS captures reasons and includes an engine for the attribution of error. DMIS captures a reason for the debt and attributes error to either clerical, system or customer error. Each instance of a variation, debt or attribution of error was recorded separately in at least two of the three non-integrated systems.

2.39 Considerable effort was required to ensure the consistency of the data extracted from these overlapping data sets. One result was the problems with data cleaning noted earlier. All three systems continue to be used for the RSS and extracting a composite result set from these systems introduces opportunities for error and inconsistency.

Development of the RSS since the 2000–01 Age Pension RSS

2.40 The Age Pension RSS methodology represented an early attempt to attribute error in FaCS payments. Since the Age Pension RSS, five further random sample surveys have been undertaken and FaCS and Centrelink have improved the methodology for the attribution of error and quality assurance. Changes include:

- Rent Assistance cases have a source of error attributed;
- data and edit checks to identify inconsistent or incomplete data have been strengthened (by both FaCS and Centrelink);

- data quality standards have been agreed (between FaCS and Centrelink) and tied to payment for the data set;
- program staff, rather than generalist staff, review cases selected for quality assurance; and
- legislation covering the raising of debts has been simplified.

2.41 Some deficiencies remain, however, and need to be addressed in the quality assurance undertaken for the RSS. Much of the improvement in the quality assurance since the Age Pension RSS has been focused on identifying issues in the data related to ensuring correct payment following the survey. There has been limited emphasis on the quality assurance for the attribution of error.

Conclusion

2.42 The ANAO concluded that the proportion of Centrelink error reported by the 2000–01 Age Pension Random Sample Survey, that is 3 per cent, was reliable. However, a substantial proportion of error cases identified by the survey were not attributed correctly. This was a consequence, in part, of some significant weaknesses in the processes of attributing error and assuring the quality of the data.

2.43 By seeking to measure performance based on the source of error in the 2001–04 BPA, FaCS and Centrelink have increased the importance of the RSS as the tool for deriving performance information. The RSS methodology has been significantly improved since 2000–01, but some shortfalls remain, particularly in quality assurance approaches. In view of the importance of the RSS as the source of performance information for payment correctness and integrity of outlays, FaCS and Centrelink should strengthen their quality assurance related to the attribution of error.

Recommendation No.1

2.44 In order to ensure the reliability of performance information obtained through the Random Sample Survey, the ANAO recommends that both FaCS and Centrelink strengthen their quality assurance checks on the attribution of errors identified through the Surveys.

FaCS response

2.45 FaCS agrees. FaCS and Centrelink have improved Random Sample Survey documentation to enable a more detailed examination of where and why errors have occurred.

Centrelink response

2.46 Centrelink agrees. Centrelink and FaCS are working jointly to improve the methodology for the attribution of errors within the Random Sample Surveys.

Business Assurance Framework

2.47 It was noted earlier in this chapter that recent ANAO audits have concluded that the mechanisms used by FaCS and Centrelink to report performance on payment correctness and provide assurance on the integrity of outlays were not adequate. The ANAO has, therefore, recommended that FaCS and Centrelink improve their Business Assurance Framework. These recommendations are listed in Appendix 1.

2.48 In summary, the ANAO has recommended in previous audits that FaCS and Centrelink revise their BAF to include:

- agreed definitions of accuracy;
- reliable performance information; and
- appropriate and attainable standards.

2.49 In addition, in its report reviewing the new Age Pension claims audits, the Joint Committee on Public Accounts and Audit recommended:

that the Department of Family and Community Services (i) finalise as quickly as possible, its strategy to enable independent validation of Centrelink's performance, taking the Auditor-General's recommendations into account; and (ii) provide a copy of this agreed strategy to the Committee.²⁴

2.50 As a result of the ANAO's recommendations, FaCS and Centrelink agreed, in the 2001–2004 BPA, to work together to review their business partnership assurance framework. The ANAO, therefore, examined FaCS' and Centrelink's progress in developing a new BAF to determine whether actions had been planned, implemented or were underway, and whether they were addressing the deficiencies identified in previous ANAO audits.

²⁴ Joint Committee of Public Accounts and Audit 2002, *Review of Auditor-General's Reports 2000–2001 Fourth Quarter*, Report 389.

A revised Business Assurance Framework

2.51 Key components for stage one of the BAF, addressing payment correctness, were agreed between the Secretary of FaCS and the Chief Executive Officer (CEO) of Centrelink on 25 February 2002.²⁵ Subsequently, the agencies were working to implement its components and determine reporting requirements.

2.52 Assurance concerning correctness of payment would be provided through three layers of control, that is, quality control, quality assurance, and external assurance. These layers are summarised as follows:

- Quality control encompasses those processes where assurance would be provided as part of line management accountability for the integrity of the outlays. This includes in-office checks (mainly using QOL) and Area Based Checking (ABC). Development of these tools is discussed in Chapter 5.
- Quality assurance encompasses those processes carried out by Centrelink, but outside line management responsibility, including National Validation surveys and, in particular, rolling RSS. The scope of the random samples would expand to provide annual assurance for all major payments²⁶ and for minor payments over a three-year cycle. These surveys commenced in July 2002 and FaCS proposes to conduct a total of 8750 reviews, sampled on a rolling quarterly basis, in 2002–03.
- External assurance encompasses the processes undertaken by FaCS to provide assurance on the integrity of Centrelink work, such as quality assurance checks on the RSS results.

2.53 These layers, and the tools employed at each point, would be underpinned by agreed definitions and, where appropriate, agreed methodologies, sample sizes and structure. The relationships among the components of the framework are illustrated in Figure 2.1.

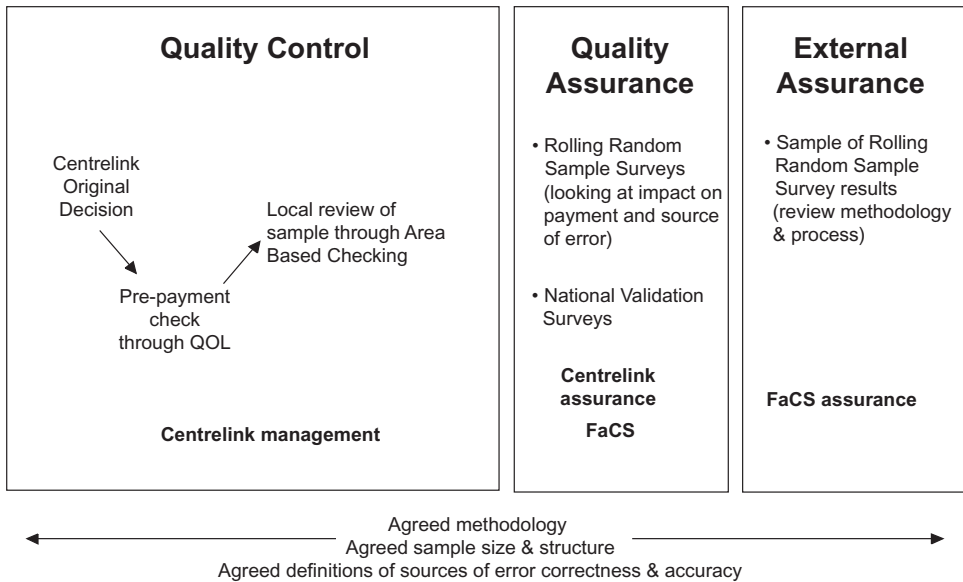
²⁵ Stage 1 of Centrelink's comprehensive Business Assurance Framework incorporates measures to ensure payment correctness and integrity of outlays. The other stages would be:

- stage 2—internal service delivery;
- stage 3—non-income support payment services for FaCS;
- stage 4—payments and services delivered for other agencies;
- stage 5—business support functions, such as information technology performance and costs; and
- stage 6—relationships with other external organizations such as the private sector, NGOs and State/Territory governments.

Centrelink plans to have completed all six stages by the end of 2002–03.

²⁶ Major payments are Age Pension, Youth Allowance, Parenting Payment (Single and Partnered), Disability Support Pension, and Newstart Allowance.

Figure 2.1
Business Assurance Framework



Source: ANAO, based on material provided by Centrelink (Risk and Business Assurance).

Definitions

2.54 The BAF recognises that payment accuracy relies on the three main participants meeting their obligations in a dynamic environment. That is:

- FaCS provides clear, accurate and timely policy advice;
- Centrelink ensures that processes are correctly followed; and
- customers provide full and true details of their circumstances.

Correctness and accuracy

2.55 FaCS and Centrelink have agreed definitions of ‘correctness’ and ‘accuracy’. A payment would be correct if:

- the right person is paid;
- under the right program;
- at the right rate; and
- for the right date(s).

2.56 These four criteria are known as the ‘four pillars’. To determine whether a payment was correct under the four pillars, a customer’s circumstances would be assessed against a series of core process questions. These questions are based

on requirements specified in the *Social Security Law* and were agreed between Centrelink and FaCS for all income support payments in July 2002. Only those steps that can have an effect on the payment would be included. For example, core process questions would ask whether the information about a customers' income was correctly recorded, but not whether tax file numbers were properly removed from documents on file. While the definition of correctness applies across all payment programs, the core process questions are specific to each payment. That is, questions about whether a customer is paid under the 'right program' include the age qualification for eligibility for each program, however these are different between, for example, Age Pension and Youth Allowance. These questions were incorporated into the rolling RSS and QOL as of 1 July 2002.

2.57 Correctness, therefore, relates to decision-making processes within Centrelink's control. However, a payment would be 'accurate' only if:

- the right person is paid;
- under the right program;
- at the right rate;
- for the right date(s); and
- every time a payment is made.

2.58 Accuracy recognises the obligation of the customer to advise of changes in circumstances that may affect rate entitlements over time. The integrity of program outlays is not solely reliant upon correct decision making, because customers may not declare their circumstances fully, or may not notify changes in circumstances.

Source of error

2.59 Where a customer's circumstances are found to be incorrect or inaccurate, the BAF definitions recognise a need to determine the source of the error. FaCS and Centrelink have agreed that incorrect payments would be attributed to either customer error or administrative error.

2.60 Customer error includes:

- mistakes by the customer in providing information;
- instances of one-off omissions or failure to declare changes in circumstances; and
- cases requiring further investigation, that is where there seems to be a pattern of non-disclosure of changes in circumstances, or non-reporting of income.

2.61 Administrative error includes:

- staff error, such as incorrect application of rules or incomplete processing;
- systems-based errors, such as errors caused by incorrect business rules encoded into Centrelink information systems; and
- error caused by conflicting or ambiguous rules, such as guidelines or reference material that are inconsistent or conflict with legislation.

Impact of errors on outlays

2.62 In spite of the fact that the definitions of correctness and accuracy and the core process questions focus only on those processes that can have an effect on payment, it is possible for a customer or Centrelink to make an error but not have an impact on payment. FaCS and Centrelink have therefore also agreed definitions for three types of error. These are:

- errors with no impact on outlays, that is errors that have no effect on the customer's payment;
- errors with an impact on outlays, that is errors that have an immediate effect on the customer's payment; and
- errors with a potential impact on future outlays, that is errors that have no immediate effect on the customer's payment but may in the future.

Non-verifiable cases

2.63 Where there is insufficient information to determine whether a decision is correct or not, and in some cases therefore whether or not the payment is correct, it would be categorised under the BAF as non-verifiable. Where such cases are detected, they would be deemed to be incorrect and returned for further investigation. The number of such cases would be noted for reporting purposes.

Performance information

2.64 Having established a consistent framework and definitions, the key challenges for FaCS and Centrelink concern measurement and reporting of information.

Measurement

2.65 From 1 July 2002, under the BAF, information about payment correctness and accuracy for the purposes of business assurance would be measured through the program of rolling RSS. QOL and its associated ABC and National Validation processes would measure quality control and quality assurance for Centrelink's internal purposes only. Results from the RSS would also be incorporated into a revised internal Centrelink Balanced Scorecard.

2.66 In terms of business assurance, this is potentially a considerable improvement, since the RSS is both a more complete assessment of the accuracy of customers' payments, and a more independent measurement than the PAC and later QOL systems.

2.67 Under QOL, since no new information was obtained about the customer's circumstances, the system could not determine whether the information in Centrelink's record was up-to-date. The results of the 2000–01 Age Pension RSS, which indicated a large proportion of customer error, suggested that, as a result, QOL could not identify a significant amount of inaccuracy. As well, results of the ANAO's assessment of PERs (see Chapter 3) suggest that, in a significant proportion of cases, QOL, ABC and National Validation may not be able to determine from Centrelink's records whether there is an error in customers' payments and will therefore report substantial numbers of non-verifiable cases. The RSS however, returns to the customer to obtain full and complete information about their actual circumstances. Customer errors would therefore be more readily identifiable and instances of non-verifiable cases should be less frequent. These differences in measurement approach will ensure that, even once QOL and the rolling RSS are fully aligned under the BAF, they will produce different results.

2.68 In terms of independence, QOL was a key part of Centrelink's quality control system. It was, therefore, at least potentially open to be manipulated to produce the desired assurance results. The RSS is a completely separate measurement tool.

2.69 To be fully effective, however, both QOL and the rolling RSS must produce data with a high degree of integrity. While there have been significant improvements to QOL since its introduction in May 2000, including implementing the BAF core process questions, there remain significant doubts about the integrity of the information collected by the system (see Chapter 5). Earlier sections of this chapter also noted issues relating to quality assurance and attribution of error in the previous RSS. FaCS and Centrelink should ensure that the issues raised have been addressed before the integrity of the BAF can be assured.

Reporting

2.70 The results from the rolling RSS will be reported quarterly to the Strategic Partnership Committee, which is composed of the Deputy Secretaries of FaCS and the Deputy Chief Executive Officer of Centrelink. However, at the time of the audit, the details of which components of the data generated by the surveys would be reported as performance information for assurance purposes had not yet been finalised. In developing their agreed approach to reporting, FaCS and Centrelink should desirably take into consideration four issues.

2.71 First, both agencies should be clear about, and document, the performance measures, indicators and targets that are being reported. Descriptions of information provided in the 2001–2004 BPA and Centrelink’s Balanced Scorecard concerning payment accuracy were not sufficiently clear. For example, Centrelink’s descriptor for payment accuracy for FaCS’ programs in the Balanced Scorecard did not state that it was reporting only the results of Expert CSOs. Approximately 20 per cent of all QOL checks are conducted on Learner CSOs, who have 100 per cent of their work checked. Because this work is then determined to be correct, the measure for Experts was under-reporting Centrelink’s total accuracy (bearing in mind the existing doubts about the integrity of the data). Similarly, the 2001–04 BPA indicated that ‘existing Quality On Line reporting’ would continue to be provided by Centrelink to FaCS as management information, but did not indicate what those reports were, that they were on an exception basis, or what an exception basis meant.

2.72 Second, the primary concern of the BAF is to measure payment correctness and accuracy in order to provide assurance about the integrity of outlays. However, errors against the core process questions may not always result in a payment error. Centrelink CSOs can make the same error on several customers’ records but only cause a payment error in some cases. For example, if the CSO fails to record a small change in the amount of income on customers’ files, this will only have an immediate payment effect on those receiving a part rate pension or whose income is near the threshold at which they would cease receiving a full rate pension.

2.73 Whether they have an immediate impact on payment or not, such departures by CSOs from expected practice are important because:

- they represent a risk to outlays;
- they represent an evidentiary risk, since correct procedures are needed to ensure that FaCS and Centrelink can conduct appeals and prosecutions (with consequential impact on outlays);
- they represent a community perception risk, in that correct procedures are needed to ensure that the community perceives that there is accountability for public monies; and
- they can assist in identifying areas where CSOs are experiencing difficulty in applying legislation, policy or procedures, since the cause of the error is the failure of the CSO to apply correct procedures, rather than the impact on outlays.

2.74 FaCS and Centrelink would benefit from obtaining performance information from BAF measurement tools concerning all procedural faults. This information could inform consideration of the costs and benefits of taking action to prevent the faults identified.

2.75 Third, in ensuring the correctness and accuracy of payments, Centrelink and the customer interact in a complex and dynamic manner. While it is useful to determine a source for errors, in order to focus efforts to prevent or correct them, FaCS and Centrelink are responsible for the integrity of outlays as a whole. In this light, the agencies should not interpret their responsibilities narrowly through attributing errors.

2.76 This situation can become particularly acute where both the customer and Centrelink contribute to separate errors within a case. The results of the 2000–01 Age Pension RSS suggest that this may be a significant category. Under the current ‘source of error’ definitions, this may lead to errors being attributed inappropriately to conform to the Framework. BAF reporting may require an additional ‘source of error’ category for cases containing both customer and Centrelink errors.

2.77 Fourth, the definition of administrative error under the BAF includes instances of ambiguous policy. Such errors may lie more within FaCS’ control than Centrelink’s. Types of administrative errors may therefore need to be attributed separately, and may provide a performance indicator for FaCS in meeting its obligations to deliver consistent and timely policy advice to Centrelink.

Standards

2.78 Because of the limitations of QOL and the RSS discussed earlier, FaCS and Centrelink have concluded that information obtained from them in the past is not an adequate basis on which to determine performance standards, or targets, for payment accuracy and the integrity of outlays. The agencies are therefore awaiting results from the first iterations of the BAF-modified RSS to establish baseline performance. This baseline information will then inform discussions of what constitutes acceptable tolerances.

2.79 On its own, however, this information is only partly useful. Full information about appropriate levels of accuracy should include not only information about current performance, but also information about the costs of improving performance. A recent ANAO audit²⁷ concluded that Centrelink was implementing a comprehensive costing system. The need for a fully effective BAF should provide further impetus to complete this activity in a timely manner.

²⁷ Audit Report No.60 2001–02, *Costing of Operational Activities and Services Follow-up Audit*.

Conclusion

2.80 The ANAO concluded that FaCS and Centrelink had made significant progress in developing a new BAF to provide assurance information about the integrity of outlays. The next step was to define the measures to report performance under the new framework. Issues that remained to be resolved included ensuring the integrity of information captured by the measurement tools, ensuring that the full richness of information available was collected and reported appropriately, and ensuring that inappropriate incentives were not created through focusing on the source of error.

2.81 Adequate performance information reported through the independent measurement tools provided by the BAF should allow FaCS to focus on its role as a purchaser of Centrelink's services.

3. Pensioner Entitlement Reviews

This Chapter assesses the correctness of processing of Pensioner Entitlement Reviews and follows up recommendations from Audit Report No.26 2001–02 Management of Fraud and Incorrect Payment in Centrelink concerning compliance reviews.

Introduction

3.1 Under section 68(2) of the *Social Security (Administration) Act 1999* customers are required to disclose information about changes in their personal and financial circumstances that affect their entitlement to income support payments. However, there are risks associated with a reliance on voluntary disclosure as customers can fail to report relevant changes when they occur either through lack of understanding of their obligations, omission, mistake, or deliberately misrepresenting their circumstances. Centrelink, therefore, conducts reviews of customers' circumstances to ensure that the information it holds is correct.

3.2 The level of review activity undertaken by Centrelink in relation to the Age Pension program is agreed with the Department of Family and Community Services (FaCS) and specified in the 2001–04 Business Partnership Agreement (BPA). Under the BPA Centrelink is required to conduct two types of reviews; program reviews and compliance reviews.

3.3 Program reviews are activities to ascertain whether customers are receiving their correct entitlement. Pensioner Entitlement Reviews (PERs) are the primary program review used to ensure that age pensioners are receiving their correct entitlement. PERs are a form-based review. The form is mailed to the customer, who must respond within 28 days or face suspension and ultimately cancellation of the payment. The review seeks information regarding the customer's marital status, accommodation circumstances, income details and assets.

3.4 Compliance reviews examine a customer's circumstances where there is a perceived risk of incorrect payment. The aim of compliance reviews is to detect errors, omissions, misrepresentations or fraud on the part of customers. Compliance reviews for all Centrelink payment types were examined in Audit Report No.26 2001–02, *Management of Fraud and Incorrect Payment in Centrelink*.

3.5 For the current audit, the ANAO examined whether:

- the process for selecting Age Pension customers for a PER was effective;
- PERs were processed correctly based on Centrelink's and FaCS' own definition of correctness; and

- FaCS and Centrelink had taken action in response to Recommendation 5 in Audit Report No.26 2001–02, *Management of Fraud and Incorrect Payment in Centrelink* and whether those actions were correcting the deficiencies identified.

3.6 Each of these is discussed under separate headings below.

3.7 Recommendations 2 and 3 in Audit Report No.26 2001–02 are addressed in Chapter 2. Recommendations 1 and 4 deal with issues of communication and performance indicators (respectively), which are beyond the scope of this audit.

Selecting customers for Pensioner Entitlement Reviews

3.8 Under the 2001–04 BPA, Centrelink is required to undertake 100 000 PERs a year—half randomly selected from the entire population of age pensioners and the other half automatically selected by risk-based algorithms.

3.9 In addition to the PERs mandated by FaCS, Centrelink Customer Service Officers (CSOs) can hand out forms to customers or instruct Centrelink’s information system to send PERs to particular customers.

3.10 The objective of the risk-based reviews is to target those customers who are considered to be more at risk of receiving an incorrect entitlement, that is, those customers whose circumstances are more likely to change. Characteristics that predict a high risk of incorrect payment may vary with time. For example, characteristics that predict a high risk of incorrect payment during a time of high economic growth may be less useful in a time of recession. As a result, periodic review of risk algorithms is essential. The ANAO therefore examined the algorithms to determine whether:

- PERs were targeted adequately; and
- FaCS and/or Centrelink reviewed the algorithms to ensure that PERs continued to be targeted adequately.

3.11 Risk-based reviews have been used for selecting customers for PERs since January 1992. The algorithm strategy was redeveloped in March 1998 with the objective of increasing the efficiency of PERs. The redevelopment sought to target those customers who had a variation of greater than or equal to \$10 (either upwards or downwards) as a result of a PER.

3.12 As a result of the redevelopment process, three algorithms were discontinued and four were introduced. The resulting algorithms used for selecting customers for a PER were as follows:

- all reduced rate single customers with earnings greater than or equal to \$1 (AL²⁸);
- all reduced rate partnered customers with earnings greater than or equal to \$1 (AM);
- all reduced rate single customers with no earnings, but with assessed assets greater than or equal to \$100 000 and within \$1000 of the asset threshold for the customer (AN); and
- all reduced rate partnered customers with no earnings, but with assets greater than or equal to \$100 000 and within \$1000 of the asset threshold for the customer (AQ).

Table 3.1
PER performance for 2000–01

Review type	Reviews completed	Cancellation	Downward variation and average amount	Upward variation and average amount	Overall variation
AL	5 864	0.7%	37.5%	29.0%	66.5%
	5.0%		\$25	\$43	
AM	24 213	0.3%	37.2%	27.3%	64.5%
	20.7%		\$20	\$37	
AN	10 824	1.0%	43.1%	34.2%	77.3%
	9.3%		\$16	\$34	
AQ	22 514	0.3%	25.6%	30.0%	55.6%
	19.2%		\$20	\$23	
Random	53 490	0.4%	25.6%	18.6%	44.2%
	45.8%		\$20	\$32	
Total	116 905	0.4%	33.4%	24.6%	58.0%
			\$20	\$32	

Source: Family and Community Services.

²⁸ AL, AM, AN and AQ are the codes used by FaCS and Centrelink for the specific algorithms used for selecting customers for a PER.

3.13 Table 3.1 indicates that the algorithm strategy was achieving the objective underlying the redevelopment in 1998 in that it was capturing a higher frequency of variation than the random reviews and the average variation was also more than \$10 per fortnight. However, the table also identifies that the randomly selected PERs resulted in a substantial number of payment variations. This was supported by anecdotal evidence from discussions with CSOs that most PERs, both risk-based and randomly selected, contained some changes. It may also be a reflection of the increasing number of age pensioners with complex financial arrangements.

3.14 This result suggested that a further review of the algorithm strategy would identify other risk groups that are at present not captured by the current strategy. Such a review has recently begun through Centrelink's Service Profiling initiative.

Service Profiling

3.15 An initiative to implement service profiling of all Centrelink customers was announced as part of the 'Compliance Package—Prevention' in the 2001–02 Budget. This initiative would ultimately lead to Centrelink identifying the most appropriate pattern of contact, based on the associated risk.

3.16 The initial priority of the service profiling initiative for the Age Pension program was to develop preliminary risk profiles that identified risks to achieving payment accuracy for age pensioners. The initiative intends to supplement findings from experiences with program risk assessments and the Random Sample Surveys (RSS).

3.17 Once these profiles have been identified, the next step would be to determine the most appropriate intervention models, that is, the most effective way to interact with the customer considering their circumstances and risk profile. An intervention model would determine the frequency of contact, the duration of contact, the scope and content of the contact and the preferred channel for contact.

3.18 Centrelink and FaCS envisage that service profiling will change the way Centrelink manages its ongoing relationship with customers, including possible changes to the existing program review strategy. These changes could include revisions to the review form, changing the number of customers who receive a PER, or replacing PERs with a different review mechanism altogether.

3.19 In addition, a desirable outcome of the service profiling initiative would be that both FaCS and Centrelink have a greater understanding of the sources and incidences of risks to the Age Pension program. If, as a result of the service profiling initiative, information was also generated on the costs and effectiveness of the possible interventions to control those risks, FaCS and Centrelink could assess the level of risk they are prepared to accept based on the cost of controlling it.

Conclusion

3.20 The ANAO concluded that the current risk-based strategy for selecting customers for a PER was achieving its objective of capturing a higher frequency of variation than the randomly selected reviews. However, the high frequency of changes found by random reviews suggested that a further review of the strategy was overdue. Such a review had recently begun through Centrelink's Service Profiling initiative. It is expected to enhance the targeting mechanism for selecting Age Pension and other Centrelink customers for appropriate reviews and other intervention strategies.

Processing Pensioner Entitlement Reviews

3.21 Processing PERs involves consideration of many factors, including the age pensioner's income, assets and accommodation details. As a result, the complexity of individual reviews varies considerably. In the opinion of many of the CSOs interviewed by the ANAO, the trend to date has been for more complex customer circumstances, due to the interaction of increased targeting of benefits and the deregulation of financial markets. This impacts directly on Centrelink's CSOs who must deal with such complexity on a daily basis and it may contribute to incorrect assessments.

3.22 The ANAO assessed whether PER processing was conducted correctly in accordance with legislation and guidelines. The ANAO therefore:

- examined a random sample of PERs from the total population of reviews; and
- conducted audit interviews with staff from the Centrelink network.

The sample

3.23 The ANAO contracted the Australian Bureau of Statistics (ABS) to design a sampling strategy that would enable the reliable estimation of processing error rates in the PER population. The sample was selected in a way that would allow fieldwork visits to Centrelink Areas with diverse customer bases. As noted in Chapter 1, the ANAO visited five Area Support Offices (ASOs) and 15 Customer Service Centres (CSCs).

3.24 To facilitate the CSC and ASO interview process, the ANAO specified that the sample contain 10 PERs, where possible, from each of the 15 CSCs.²⁹ The remainder were drawn from the rest of the Centrelink network. A total of 400 PERs were reviewed from the total population of 39 704 PERs processed during the period 1 November 2001 to 31 January 2002.

²⁹ This was not always possible because not all CSCs processed 10 PERs in the 3 month period.

3.25 The sample data was re-weighted by the ABS to convert the error rates in the sample into unbiased estimates of the error rates in the total population of PERs processed during the period 1 November 2001 to 31 January 2002, within confidence intervals.

PER processing errors

3.26 Errors identified in the sample PERs were classified according to the definitions in the new FaCS-Centrelink Business Assurance Framework (BAF) described in Chapter 2. The BAF classifies errors by their impact on outlays and by the source of the error. The Framework also includes a categorisation of errors as non-verifiable where there is insufficient information to determine whether a decision is correct or not, whether it has an impact on outlays, or the source of error.

3.27 The ANAO found that:

- 10 per cent of PERs in the sample contained an administrative error that had an immediate impact on outlays;
- 15 per cent were non-verifiable;
- 11 per cent contained an administrative error with a potential impact on outlays;
- 15 per cent contained a customer error; and
- 15 per cent contained an error that had no impact on outlays.³⁰

3.28 The non-verifiable cases found in the sample reviewed by the ANAO required further information from the customer to establish whether they were being paid their correct entitlement. They reflected situations where CSOs did not obtain adequate information at the time of processing or did not adequately document their decision.

3.29 Non-verifiable cases may also have reflected a failure to comply with section 48 of the *Financial Management and Accountability Act 1997*. The section requires agency accounts and records to meet the requirements of the *Financial Management and Accountability Orders 1997*. The orders require Chief Executives to ensure that records of their agency properly record and explain the agency's transactions.

³⁰ The remaining 34 per cent of sample PERs did not contain any errors, under the BAF definitions, that could be identified by the ANAO.

3.30 The non-verifiable cases were returned to Centrelink for follow-up action to correct the customer's record where necessary and to determine the resulting change in rate. Centrelink reviewed the errors and found that approximately one-third were errors with an actual or potential impact on outlays.

3.31 The ANAO also provided the sample data to the ABS to obtain unbiased estimates of error rates for the total population. Therefore the true error proportions were as follows:

- 14 per cent (± 4 pp) contained an administrative error that had an immediate impact on outlays;
- 14 per cent (± 4 pp) contained an administrative error with a potential impact on outlays;
- 12 per cent (± 4 pp) contained a customer error; and
- 21 per cent (± 5 pp) contained an error that had no impact on outlays.

Impact on outlays

3.32 For all cases that contained an administrative error with an immediate impact on outlays, Centrelink determined the impact of that error on the customers' payment rate. For the sample cases as a whole, the total upward variation (that is, the total amount that customers' fortnightly payments should be increased) was \$695.44 per fortnight, and the total downward variation (that is, the total amount that customers' fortnightly payments should be decreased) was \$1318.77.

3.33 Extrapolating these amounts to the population, the ANAO estimated that, in the population of 39 704 customers subjected to a PER between 1 November 2001 and 31 January 2002, there were:

- underpayments of Age Pension totalling \$69000 per fortnight; and
- overpayments of Age Pension totalling \$131000 per fortnight.

3.34 These amounts represent slightly less than 2 per cent of total fortnightly payments (\$11 million) for the 39704 customers, who, in turn, represent only 6 per cent of the total of 1.8 million age pensioners. The small proportion of variation is a consequence of most errors being only a small proportion of the average fortnightly pension payment for those customers of \$288 (see Table 3.2).

Table 3.2**Distribution of payment variation in sample customer records**

Range of variation (per fortnight)	Proportion in sample
Less than \$10	64%
\$10–\$100	29%
More than \$100	7%
Total	100%

Source: ANAO analysis.

Administrative error

3.35 Under the BAF, the right rate is paid to an age pensioner when the following criteria have been assessed correctly:

- marital status;
- accommodation details;
- income details;
- assets details; and
- dependents.

3.36 All of these criteria are reviewed through the PER process. If the information provided by the customer is assessed correctly the customer should be paid the right rate and consequently there should be no error causing an impact on outlays.

Immediate impact on outlays

3.37 In the sample reviewed there were three main causes for the 14 per cent (± 4 pp) of administrative error with an immediate impact on outlays:

- the CSO incorrectly processed the information provided by the customer;
- the CSO did not process the information provided by the customer; and
- the CSO used an incorrect date when processing the information provided by the customer.

3.38 The most common administrative error in the sample examined was the CSO incorrectly processing the information provided on the PER. This may be caused by the CSO incorrectly applying the rules governing the Age Pension or incorrectly recording the information provided by the customer.

3.39 Table 3.3 outlines those questions that were answered most frequently in the PERs reviewed, and the proportions of each that were correctly or incorrectly processed. Individual cases may have had more than one error, so the percentages of incorrectly processed cases cannot be added together.

Table 3.3**Processing of frequently answered PER questions**

Pensioner Entitlement Review Question	ANAO Assessment					
	Question answered		Correctly processed		Incorrectly processed	
	No.	% ⁺	No.	% [*]	No.	% [*]
Does the customer or partner have any money in a bank, building society, credit union etc?	400	100%	283	70.7%	117	29.3%
Does the customer or partner have any listed shares, options, rights, convertible notes or securities (company, number of shares, country)?	166	41.5%	113	68.1%	53	31.9%
Does the customer or partner have any managed investments?	132	33.0%	87	65.9%	45	34.1%
Does the customer or partner have any income from income streams?	140	35.0%	94	67.1%	46	32.9%
Does the customer or partner have any other income?	69	17.3%	49	71.0%	20	29.0%
Does the customer or partner receive any employment income?	50	12.5%	38	76.0%	12	24.0%
What is the net value of the customer's and partner's household contents and personal effects?	371	92.7%	299	80.6%	72	19.4%
What is the value of the customer's or partner's property etc?	68	17.0%	32	47.1%	36	52.9%
What is the surrender value on life insurance for the customer or partner?	42	10.5%	24	57.1%	18	42.9%
What is the net value of the customer's or partner's motor vehicle, boat or caravan etc?	313	78.2%	244	78.0%	69	22.0%

⁺ Percentage of total population reviewed

^{*} Percentage of the population where the question was answered

Source: ANAO analysis.

3.40 Table 3.3 shows that there was a high proportion of errors in relation to questions concerning certain types of income and assets. In particular, more than half of the cases reviewed containing property were processed incorrectly. This suggests that there was a general lack of understanding amongst CSOs on how to accurately assess income and assets. This was also reflected in the second Age Pension Learning Needs Analysis (LNA) where assets were found to be an area of relative weakness generally for CSOs.³¹

3.41 The second most frequent administrative error occurred when the CSO neglected to update Centrelink's system with all the information provided on the PER. This type of error occurred in three per cent of sample PERs. In these cases, insufficient care was taken in processing the PER.

3.42 The third main type of administrative error occurred when the CSO used the wrong date when processing the customer's PER. The ANAO found that in two per cent of sample PERs, errors with an immediate effect on payment were caused by the CSO using the wrong date when processing the review.

3.43 When processing PERs, the CSO is required to record on the customer's record that the customer's PER form has been returned. Administratively this is important as it ensures that a reminder letter is not sent to the customer when they have already returned the form. In addition, it is essential that the form be registered as returned on the correct date because, in certain circumstances, the date that the form was returned is the date from which a change in payment should be calculated and paid. Consequently, if the wrong receipt date for the PER is used the customer is at risk of having a debt or payment rate change calculated from the wrong date.

Potential impact on future outlays

3.44 The ANAO found that 14 per cent (± 4 pp) of PERs over the sample period contained an error that could result in a potential impact on future outlays. This means that if the error is not amended there is a risk that a future change in circumstance that should change the customer's entitlement does not because the earlier information was not correctly assessed.

3.45 An error causing a potential impact on future outlays generally occurred when the customer was receiving the maximum Age Pension entitlement and the CSO neglected to update all the information provided on the customer's PER. For example, if a customer receiving the maximum Age Pension entitlement commenced a part-time job and the income was not registered on the system, the administrative error would not have caused an immediate rate variation if

³¹ The Learning Needs Analysis (LNA) was a Tier 1 LNA meaning that the CSOs, in answering the questions, did not have access to reference material (see Chapter 5).

the job paid less than the allowable amount under the income test to receive the maximum Age Pension. However, if the customer began another part-time job, and the total income of the two jobs totalled greater than the allowable amount for the customer to receive the maximum entitlement, then the error of not coding the first income would become an error with an impact on payment. Hence the initial error was a potential payment error.

3.46 An error with a potential impact on outlays may never impact on actual outlays, as it is possible that the error may be captured at a later stage. However, the case is still defined as an error under the BAF.

Comparing PER administrative errors to Random Sample Survey Centrelink errors

3.47 It was noted in Chapter 2 that 3 per cent of customer records reviewed by the 2000–01 Age Pension RSS contained an error attributable in whole or part to incorrect processing by Centrelink.³² However, the equivalent error rate for PERs, that is administrative errors with a payment effect, was 14 per cent.

3.48 Because the RSS was conducted in 2000–01 while the PERs examined were from 2001–02, it is not possible to conduct a direct analysis to understand the reasons for the difference. However, three factors probably contributed.

3.49 First, complex processing tasks such as PERs are only undertaken on a small proportion (approximately 6 per cent) of the Age Pension customer population in any given year. As a result, PERs could only contribute a small proportion of errors attributable to Centrelink in the RSS.

3.50 Second, neither the RSS nor PERs fully reflect the dynamic nature of customers' circumstances. The analysis of the results of random PERs in Table 3.1 showed that 44 per cent of customers' circumstances could be expected to have changed at any given time. Errors in PERs could therefore be masked by a subsequent change in customers' circumstances. This masking effect could occur in two ways. If Centrelink had been notified about the further change in the customers' circumstances before the customer was reviewed by the RSS, then the error could have been corrected when the customers' circumstances were updated. If Centrelink had not been notified, then the record would have been considered a customer error, even if the PER error was still on the record, since only the most recent error was attributed in the RSS.

³² Centrelink error rate of 1.4 per cent plus Centrelink and customer error rate of 1.4 per cent, rounded up.

3.51 Third, in addition to PERs, Centrelink conducts a range of other processing tasks on customers' circumstances. An error on a customer's record made during PER processing might be identified and corrected in the course of subsequent Centrelink processing before the customer was reviewed by the RSS. Detecting and correcting a relatively high level of administrative error is, however, inefficient.

Customer error

3.52 The customer is sent the PER form for completion on the anniversary of their grant of the Age Pension. The form indicates that the customer must complete all questions on the form and, where necessary, provide Centrelink with supporting documentation. From the sample reviewed, the ANAO found that 12 per cent (\pm /- 4pp) of forms returned contained unanswered questions that were not followed up by the CSO.³³

3.53 Payment errors resulting from failure to complete the form are considered customer errors under the BAF. However, because of the way the questions are worded on the PER form, unanswered questions lead to ambiguous information. If the CSO does not follow-up the unanswered questions with the customer, then they are, in effect, making an assumption about the customer's circumstances and there is a risk that the assumption they make is incorrect.

No impact on outlays

3.54 An additional 21 per cent (\pm 5pp) of PERs contained an administrative error that had no impact on outlays. The most common reason for these errors, or procedural faults, was that the CSO neglected to register the PER form on the correct date, but it had no impact because the customer was receiving the maximum entitlement and other changes in their circumstances did not affect this entitlement (for example, the customer's income was reduced).

3.55 While these procedural faults did not affect the integrity of outlays, as noted in Chapter 2 they were important because they reflected situations where the actions of the CSO could have had an impact on outlays if the customer's circumstances were different. For example, if the CSO registered the form on the wrong date and the customer's income was reduced as in the example above, but the customer was receiving a partial rather than a full entitlement, his/her rate would be increased from the wrong date, leading to a payment error. Such departures by CSOs from expected practice when processing PERs therefore represented a risk to outlays.

³³ Note that failure to complete the form is only one source of customer error. Customers could also provide inaccurate information. The ANAO could not systematically identify instances of customers providing inaccurate information. The estimate of customer error is likely therefore to be a minimum.

3.56 Procedural faults were also important because they may contribute to risks identified by the Rules Simplification Taskforce established by the Minister of Family and Community Services to simplify administration for Centrelink customers (see Chapter 5), that is:

- evidentiary risks—correct procedures are needed to ensure that FaCS and Centrelink can conduct appeals and prosecutions (with consequential impact on outlays); and
- community perception risks—correct procedures are needed to ensure that the community perceives that there is accountability for public monies.

Managing risk

3.57 The *Guide to the Social Security Law* states that CSOs should, ‘to ensure reasonable care is taken when issuing advice... ensure they obtain and understand all relevant facts’.

3.58 However, the results from the analysis of PER errors indicated that Centrelink CSOs did not always make use of all the information they were provided with, nor obtain full information. A common source of administrative error was a failure to update the customer’s record with information provided on the PER. This had an immediate impact on outlays in some cases, and created a risk to future outlays in others. As well, CSOs made decisions based on ambiguous information when they did not follow up a customer’s failure to answer a question, which also created a risk to outlays.

3.59 Centrelink explained that decisions not to update information or to follow up unanswered questions reflected risk management at the operational level. If the impact of not updating or following up in some circumstances is limited, then leaving CSOs to make judgements based on their perception of the risk may be appropriate. However, the ANAO found that FaCS and Centrelink had not examined, and did not know, the degree of risk to which they were exposed by this approach. Moreover, updating information on hand and following up unanswered questions may represent a low cost approach to minimising the risk of some kinds of incorrect payments.

3.60 Centrelink indicated that explicit instructions had not been provided to CSOs on how to manage risk in these circumstances. Moreover, recent guidance for the processing of PERs issued in March 2002 reduced the level of discretion of CSOs, at least with regard to following up unanswered questions. The guidance stated that the CSO should ‘check [the] Income and Asset Review has been fully completed’³⁴, and if it was not, take action to follow up.

³⁴ Centrelink Retirement Service Integration Shop, 2002, Income and Assets Review (PERs) Guide to Processing, CentreNet, 23 May.

Conclusion

3.61 The ANAO concluded that PERs processed during the audit assessment period demonstrated a substantial level of administrative error with an immediate or potential impact on outlays. However, the immediate material impact was low. As well, in significant numbers of cases, CSOs had made administrative errors, or procedural faults, which had no impact on outlays.

3.62 The most common causes of immediate payment impacts were failures to correctly process information about income streams and certain types of assets, particularly property and life insurance. Centrelink should consider improving the technical assessment skills of CSO in these areas.

3.63 The ANAO also concluded that Centrelink had, until recently, adopted an informal risk management approach at the operational level by allowing CSOs to use their judgement when deciding whether to update customers' circumstances or follow up unanswered questions. In March 2002, Centrelink adopted a more prescriptive approach requiring CSOs to follow up unanswered questions.

Recommendation No.2

3.64 The ANAO recommends that Centrelink monitors and assesses the effect of the revised Pensioner Entitlement Review (PER) guidelines and the requirement to follow up on unanswered questions. Based on this assessment, Centrelink should determine whether Customer Service Officers require more explicit instructions or guidelines to process PERs.

FaCS response

3.65 FaCS agrees. From 1 January 2003 the current customer review process will be replaced by service profiling. Service profiling will better target reviews of customer circumstances according to profiling principles, and produce more streamlined review processes. FaCS is aware that Centrelink has issued PER guidelines and made computer system changes that determine the specific actions and checks to be done based on the customer's profile.

Centrelink response

3.66 Centrelink agrees. As of 1 January 2003 the service profiling tool will be used to better target reviews of customer circumstances. PER guidelines were issued in February 2002 and updated in August 2002. Centrelink will continue to monitor and update guidelines as required.

Improving Pensioner Entitlement Review processing

3.67 Centrelink has recognised that PER processing can be complicated due to the complexity of the rules governing the Age Pension and also the complexity of customers' circumstances. The agency had therefore recently developed some tools to assist CSOs in processing the reviews. These were:

- quality checking;
- the Guide to Processing; and
- a PER script.

3.68 Each of these is discussed under separate headings below.

Quality Checking

3.69 QOL is the main quality control mechanism used by Centrelink to determine the correctness of Centrelink processing. QOL selects approximately 20 per cent³⁵ of continuation activity for checking and PERs are one activity included as a continuation activity.³⁶

3.70 In addition to QOL, some ASO and CSCs have undertaken further quality checking of PERs. In one of the ASOs visited during the audit a secondary checking procedure of PERs had recently been completed. The quality assurance exercise aimed to identify the types of errors being made by CSOs and the action to be taken to correct them. The checking process involved checking a random sample of PERs from each CSC. The sample included some that had been subject to a QOL check but most had been finalised without a check. The exercise identified similar issues to the ANAO's review, that is, difficulty processing certain income and assets and procedures involved for updating them.

The Guide to Processing

3.71 On 25 March 2002 Centrelink introduced the Income and Asset Review (PERs) Guide to Processing. The PER Guide was an on-line tool available on the Retirements Homepage on the Centrelink Intranet. The Guide provided:

- a list of activities to be undertaken by the CSO in processing a PER; and
- hot links to reference materials in either e-Reference or in the *Guide to The Social Security Law* to assist with each activity.

³⁵ QOL selects 100% of Learner CSO continuation activities and 5% of Expert CSO continuation activities for checking. This equates to a total of approximately 20% of continuation activities.

³⁶ QOL reporting mainly distinguishes between new claims and continuation activity, with PERs considered a continuation. Continuations include all reassessments to a customer's record.

3.72 If the review form was incomplete, the Guide instructed CSOs to:

- issue a duplicate with a supporting letter stating that it was incomplete;
- contact the customer using a form that requests responses to the incomplete questions; or
- contact the customer by phone and confirm and record details of the phone conversation.

3.73 The ANAO asked the CSOs interviewed in the 15 CSCs visited during the audit how they dealt with unanswered questions. All CSOs interviewed stated that they used one of the methods listed above to follow up missing information, which suggested that they were aware of the revised PER guidelines and the requirement to follow up unanswered questions. Because the guidance was issued after the period from which the sample of PERs was drawn, the ANAO was unable to determine whether the revised guidance had had an impact on the correctness of PER processing or on the degree to which unanswered questions were followed up.

3.74 However, CSOs interviewed were generally positive about the PER Guide and expected their accuracy to improve as a result. Most thought that it was very useful, in particular, to have links to all the relevant reference material in one place.

PER Script

3.75 Centrelink has recently developed a script for processing PERs. The script was designed to guide CSOs through the form and aimed to ensure that all aspects of a customer's record were checked during processing.

3.76 The script checked the customer's record, looking for any information on the record that corresponded to questions on the form. If information was found on the system relating to a question on the form, the relevant screens would be selected for examination. The CSO would then be directed to select any other questions answered by the customer. The script prompted the CSO to add new details, update details or make a note that more information was required.

3.77 Once the CSO had completed the updates, the script checked whether any information was missing and, if so, it prompted the CSO to follow-up missing information and set up a reminder for the PER to be completed at a later date.

3.78 Finally the script completed the activity and created a Getting It Right compliant online document listing the income and assets that were checked or updated.

3.79 During the ANAO's visits to the network, the PER script was being piloted in 8 CSCs.³⁷ Discussions with CSOs using the script suggested that the script would be a useful tool for processing PERs. The PER script was subsequently released to the entire Centrelink network for use.

3.80 The script should reduce the incidence of error. In addition the script should assist in improving the standard and consistency of online documents produced as a result of PER processing (see Chapter 5).

Recommendation No.3

3.81 The ANAO recommends that Centrelink assess the contribution of recently introduced decision-making tools designed to assist Customer Service Officers (CSOs) to improve the correctness of payment. Based on this assessment, Centrelink should determine the value of these tools and whether additional technical training is required by its CSOs in order to reduce the degree of administrative error in processing Pensioner Entitlement Reviews.

FaCS response

3.82 FaCS agrees. FaCS notes that Centrelink is reviewing the support provided to staff and improvements are in progress.

Centrelink response

3.83 Centrelink agrees.

Fraud and incorrect payment follow-up

3.84 Audit Report No.26 2001–02, *Management of Fraud and Incorrect Payment in Centrelink* examined the effectiveness of compliance reviews used to detect fraud and incorrect payment. In particular, the audit examined:

- data-matching;
- community tip-offs;
- inter-agency compliance review initiatives; and
- the Enhanced Investigation Initiative.

3.85 The audit concluded that Centrelink's compliance activities would detect a significant proportion of fraud and error when it occurs. The audit also concluded that Centrelink had actively sought to identify additional opportunities to strengthen the coverage of its data-matching and had developed

³⁷ Elizabeth, Norwood, Gawler, Kadina, Marion, Kilkeny, Noarlunga and Nelson Bay.

a number of strategies to manage residual risks. The audit's recommendations therefore focused mainly on issues of information and quality control. In that regard, Recommendations Nos.2 and 3 are discussed in Chapter 2, while Recommendations Nos.1 and 4 dealt with issues that were beyond the scope of this audit.

Preventive effect of compliance activities

3.86 The remaining issue discussed in Audit Report No.26 2001–02, therefore, was the adequacy of Centrelink's information system for delivering, controlling, measuring and reporting compliance review activity. At the time of the audit that system was the National Selective Review System (NSRS). The NSRS delivered review selections and contained comprehensive information on each review conducted, including adjustments and debts raised as a result of the review and information regarding the source and nature of the review activity.

3.87 The ANAO found that there was limited capability within NSRS to record adjustments and results attributable to voluntary disclosures due to an impending review. The ANAO noted that to allow Centrelink to assess the effectiveness of reviews in encouraging voluntary compliance, improvements should be made in the availability of information for measuring changes in the level of voluntary compliance. This would provide information on the broader deterrent effect of the compliance activities over time.

Recommendation No.5 of Audit Report No.26, 2001–02

The ANAO recommends that Centrelink, in collaboration with its client agencies, assess the cost effectiveness of developing its business systems to record and report on the preventive effect of compliance activities and their impact on voluntary disclosures, initially assessing whether the National Selective Review System (NSRS), or its replacement system could record whether payment adjustments were attributable to voluntary disclosures due to an impending review.

Findings of the follow-up

3.88 Centrelink was pursuing the Compliance Systems Re-engineering Project to replace the NSRS. The project was intended to integrate several existing compliance systems into an Integrated Review System (IRS). The new system was intended to improve the accuracy of compliance and program review recording and integrate review activity by customer. Under the proposed development, the IRS would reduce duplication of the review process by

allowing the review officer to combine several review activities into one. It would also automate manual processes and integrate the compliance systems into Centrelink's mainframe information technology architecture.

3.89 Under the proposed phased implementation, the IRS would initially record the activities and follow-up from each review allowing for greater coherence in tracking customers' review history and workflow management.

3.90 From September 2002, IRS will include a capability for compliance staff to manually attribute any of the activities carried out on a customer's record between the start and finalisation dates of a review to that review, that is, any change to a customer's payment during that period that is considered to be an effect of that review could be attributed to it. This facility will initially be implemented on a trial basis during the period September to December 2002. Following the trial, an assessment will be made as to the scope for automating the attribution process, or elements of it, using business rules programmed into IRS. This capability would support the attribution to a review of any voluntary disclosure due to an initial review contact.

Conclusion

3.91 The ANAO concluded that there has been significant progress in addressing Recommendation 5 of Audit Report No.26 2001-02.

4. Customer Initiated Reassessments and Automated Updates

This chapter assesses the correctness of processing of customer initiated reassessments and automated updates.

Introduction

4.1 The rate of payment of the Age Pension depends on the rate set by *Social Security Law* and on recipients' income and assets, all of which are subject to change. The pension rate and income and assets test limits are adjusted for inflation periodically. Recipient's income may change, for example if they take on or leave work, or if the rate of payment of a foreign pension they are receiving changes. The value of recipients' assets, such as real estate or shares, may also change.

4.2 Age pensioners have an obligation to inform Centrelink about changes in their circumstances. Based on these changes, Centrelink conducts a reassessment of a customer's circumstances, which can lead to a variation in the rate of payment a customer receives, or in some cases to cancellation of payment. This process of updating a customer's details on the advice of the customer is known as a customer initiated reassessment (CIR). As well, Centrelink routinely takes actions to update some aspects of customers' circumstances automatically.

4.3 The ANAO therefore examined whether Centrelink correctly processed:

- Age Pension customer initiated reassessments; and
- automated updates of share values, listed investments and consumer price indexations.

4.4 Each of these is discussed under separate headings below.

Customer initiated reassessments

4.5 In 2001, Centrelink carried out approximately 80 000 CIRs for Age Pension customers. The majority of these were processed by Customer Service Officers (CSOs) located at Centrelink Call Centres or Customer Service Centres (CSCs). A customer initiates a reassessment by contacting Centrelink to advise of a change of details. The contact can be made by telephoning a Call Centre, in person at a CSC, by mail or by facsimile.

4.6 The CSO must first establish the customer's identity. When a customer contacts a Call Centre, the CSO asks the customer some questions relating to personal information held on the customer's record. When the customer visits a CSC, their identity is verified by viewing personal documents such as a driver's licence, or if the customer has no identification, by asking them questions relating to their personal record. If the customer is known to the CSO, then the CSO is not required to establish the customer's identity.

4.7 Once the customer's identity has been established, the CSO processes the reassessment. The complexity of the processing can vary from relatively simple changes to the customer's details such as new bank account numbers, to far more complex revisions, such as adjustments to investments and income levels. Underpinning the quality of the processing is the skill of the CSO in determining what details need to be changed, and what effect these changes will have on the customer's eligibility to receive the Age Pension.

Assessment of CIR compliance

4.8 In order to assess the correctness of CIRs, the ANAO selected a sample of 426 customer contacts drawn from the population of approximately 15 800 CIRs completed between 1 November 2001 and 31 January 2002. The methodology for the sample selection was provided by the Australian Bureau of Statistics' (ABS) Statistical Consultancy Unit. The sample design was based on a stratified sample (with a systematic selection of reassessments), according to the number of reassessments per CSC. This sampling method allowed the ANAO to select a representative sample from the data set provided by Centrelink.

4.9 Customer records were assessed by three Centrelink employees with experience in the processing and administration of the Age Pension program, seconded to the ANAO. The secondees assessed the correctness and administration of the sampled CIRs against a test sheet developed by the ANAO, in consultation with Centrelink. The test sheet tested correctness against the definition agreed between FaCS and Centrelink in the new Business Assurance Framework (BAF) described in Chapter 2.

4.10 The ANAO found that:

- 1 per cent (± 1 pp) of CIRs contained administrative errors with an immediate impact on outlays; and
- 1 per cent (± 1 pp) contained administrative errors that had no impact on outlays.

4.11 For all cases that contained an administrative error with an immediate impact on outlays, Centrelink determined the impact of that error on the customers' payment rate. For the sample cases, the total upward variation (that is, the total amount that customers' fortnightly payments should be increased) was \$5.88 per fortnight. There were no downward variations to current payment, but in some cases a debt or arrear payment was identified.

4.12 Because of the sample selection process for CIRs, the dollar impact amounts could not be extrapolated to the population. However, the proportion of CIRs with an administrative error with an impact on payment is small, and the proportion of each payment in error is very small. Therefore, the risk that the dollar value of incorrect payments across the population of CIRs exceeded the materiality threshold of 5 per cent of outlays was very small.

4.13 The above assessment of compliance provides a level of assurance limited to the actions undertaken by CSOs in processing the sample of CIRs, measured against the agreed FaCS/Centrelink definition of correctness. It does not provide assurance that the end result of the CIR was accurate. In the majority of cases, the customer was not required to produce documentation when initiating the CIR. Consequently, the ANAO was only able to assess the actions undertaken by the CSO after the customer had contacted Centrelink, and was unable to assess whether the final result of the CIR was actually compliant with what the customer requested. However, Centrelink advised the ANAO that after a CIR is completed, a letter is sent to the customer to confirm the update(s) that have occurred. The onus is on the customer to advise Centrelink if the information contained in this letter is incorrect.

Conclusion

4.14 The ANAO concluded that Centrelink was able to achieve a high degree of correctness in processing CIRs. However, the ANAO notes that CIRs often do not require CSOs to correctly update customer records from information contained in documents, or to assess customers' income and assets.

Timeliness

4.15 As well as examining the correctness of CIRs, the ANAO also assessed whether CIRs were processed in a timely manner.

4.16 The length of time taken to process a CIR not only contributes to the quality of customer service provided by Centrelink, but also contributes to the integrity of outlays, by ensuring that a customer receives the correct payment on the correct date. If a CIR is not completed in a timely manner, it can lead to an overpayment or underpayment and create an unnecessary debt or arrear.

4.17 The ANAO assessed the time taken to process the 426 CIRs examined for correctness in the previous sections of this chapter. Centrelink and FaCS do not have in place any timeliness standards for reassessments as part of their Business Partnership Agreement. Therefore, when determining what was an acceptable length of time to complete the CIRs, the ANAO took into account the complexity and urgency of the required transactions, and considered whether the actual time taken to complete the required tasks was reasonable.

4.18 The ANAO found that, generally, customers' details were updated promptly, and any decisions being made by Centrelink relating to these updates were also being made promptly. The ANAO found that 92 per cent of the CIRs were completed within one to seven days, depending on their complexity and the need for follow up work.

4.19 For the other 8 per cent of CIRs, the average time for completion was between 60 and 70 days. In almost all of these cases, the extra time taken was the result of a technical change to Centrelink's payment processes that did not negatively affect the customer or their rate of payment. In only one case could the delay in processing be considered unreasonable.

Automated reassessments

4.20 As well as manual updates of customers' records, Centrelink also conducts automatic updates (automated reassessments) through its information systems. Centrelink conducts four main bulk updates per year of all customer records that meet the criteria of the bulk update. Bulk updates serve three main purposes:

- to adjust customers' payment rates in line with the Consumer Price Index (CPI);
- to adjust the value of customers' investments held in financial institutions operating in Australia; and
- to adjust the value of shares held by customers that are listed on the Australian Stock Exchange.

4.21 Automated reassessments are a legislative requirement under section 1084a of the *Social Security Act 1991*. The process begins with FaCS formulating directions for the proposed update. This includes the data³⁸ that is to be applied to customers' records by the bulk update. These directions are passed on to the Centrelink information & technology (IT) section responsible for bulk updates. Once the data has been entered into the update program, it undergoes a series

³⁸ In the case of data relating to listed shares and investments, FaCS provides Centrelink with data obtained from the *Morning Star* consultancy, which contains a listing of the values of shares and investments relevant to the prospective bulk update.

of test runs in test environments. These test environments are removed from the main Centrelink database but contain actual copies of customer records, providing a realistic environment in which the testing can be carried out. The results of the test run on the customers' records are then assessed to ensure that they are having the intended effect.

4.22 Once the testing officers are satisfied that the bulk update can be applied to the Centrelink database, it is sent to the clearance section for final testing and sign off by the Clearance Manager. The bulk update is then applied to the database.

4.23 The ANAO conducted a limited examination of the correctness of automated reassessments applied to Age Pension customers. An analysis of a randomly selected sample of 50 automated reassessments from the 20 March 2002 bulk update was undertaken. The ANAO examined two aspects of this bulk update:

- the correctness of the Consumer Price Index (CPI) adjustment to customers' records; and
- the correctness of the adjustments to customers records containing managed investments.

4.24 Specifically, for managed investments, the ANAO examined whether the data used on the bulk update was consistent with what was applied to the sample Age Pension customer's record, where the customer possessed investments included in the bulk update. In order to undertake this comparison, the ANAO obtained a download of the share and investment data used in the update. The ANAO also examined whether the CPI adjustment relevant to this update was correctly applied to the sample of customers, by conducting a manual rate calculation of the customers' pension for before and after the update.

Table 4.1**Automated reassessment compliance**

Analysis	Count
Number of Age Pension customers sampled	50
Total number of sampled customers holding managed investments ³⁹	18
Total number of managed investments located on the Centrelink database held by the sampled customers that were compliant with values listed in the update	35
Total number of managed investments located on the Centrelink database held by the sampled customers that were not compliant with values listed in the update	0
Number of sampled customers with compliant CPI adjustments applied on the 20 March 2002 update	50

Source: ANAO analysis.

4.25 Table 4.1 illustrates the findings of the ANAO's analysis of the 20 March 2002 bulk update. A total of 18 Age Pension customers of the sampled 50 were found to possess managed investments that should have been updated with the bulk update. These customers owned a total of 35 managed investments subject to adjustment by the 20 March update. All of the 35 managed investments were found to have values on the customers' records that matched the values on the Centrelink dataset for the 20 March update, thus rendering them compliant.

4.26 The ANAO found that the CPI adjustment contained in the 20 March bulk update had also been correctly applied to all of the sampled customers records.

Conclusion

4.27 The ANAO concluded that adjustments to the values of managed investments held by customers, as well as to the rate of payment based on the CPI, undertaken in the 20 March 2002 periodic update, were correctly applied to a limited sample of customers. While this result cannot be extrapolated statistically to all automated updates of age pensioners' circumstances, it suggests that these reassessments are a low risk as a source of incorrectness.

³⁹ A number of customers held multiple investments.

5. Improving Preventive Controls

This chapter examines initiatives underway in the Department of Family and Community Services and Centrelink to improve correctness of processing. In particular it assesses progress in implementing the recommendations of Audit Report No.34 2000–01 Assessment of New Claims for the Age Pension by Centrelink concerning preventive controls, including training, quality control and guidance and support.

Introduction

5.1 Centrelink's preventive controls over processing of the Age Pension program were the focus of Audit Report No.34 2000–2001, *Assessment of New Claims for the Age Pension by Centrelink*. The objective of the audit was to assess the extent to which new claims for the Age Pension had been assessed in compliance with the *Social Security Law*, the *Guide to the Social Security Law* prepared by the Department of Family and Community Services (FaCS) and other relevant guidelines developed by Centrelink, and whether Centrelink employed appropriate mechanisms to help ensure such compliance.

5.2 By focusing on new claims, the scope of the audit was on preventive controls and was consistent with the priorities in the 1999–2001 and 2000–2001 FaCS-Centrelink Business Partnership Agreements (BPA) that were in force at the time of the audit. The audit concluded that neither Centrelink's tools for measuring the correctness of payments, nor the agency's other preventive controls—staff skills and decision-support systems—were fully effective in preventing or measuring errors in claim processing. Under the 2001–2004 BPA, prevention continues to be Centrelink's priority for maximising correct payments.

5.3 These preventive controls are also relevant to correct processing of customers' circumstances after the new claims stage. Centrelink uses the same quality control tool (Quality On-Line) to measure correctness of all processing actions, whether new claim or post-claim. When customers' circumstances change after claim, the impact of these changes is adjudicated mainly on the basis of the same legislation, policy and guidelines as the original claim. Customer Service Officers (CSOs) must make decisions about the impact of any changes based on the same knowledge of the program and skills in using Centrelink systems, or by accessing the same decision support systems.

5.4 The ANAO therefore examined Centrelink's, and where relevant FaCS', actions in response to the recommendations in the new Age Pension claims audit in relation to:

- Centrelink's Getting It Right strategy, in particular online documentation;
- Centrelink's quality control tools (Recommendations 6, 7 and 8);

- staff skilling (Recommendations 5 and 9);
- systems to support staff decision-making (Recommendations 2, 9 and 10);
- the necessity of existing policy and guidelines, given the legislative underpinnings of the Age Pension program (Recommendation 1); and
- job redesign.

5.5 In each of these areas, the ANAO determined whether actions had been planned, implemented or were underway, and whether they were correcting the deficiencies identified in the new Age Pension claims audit. Each of these is discussed under separate headings below.

5.6 Recommendations 3 and 4 of the new Age Pension claims audit addressed issues relating to business assurance and performance information for the Age Pension program. These issues are discussed in Chapter 2. Recommendation 11 proposed changes to Centrelink's Balanced Scorecard. The Balanced Scorecard was the subject of a separate ANAO audit.⁴⁰

Getting It Right

5.7 The Getting It Right strategy was announced in November 2000 during the conduct of the new Age Pension claims audit. The purpose of the strategy was to set a framework for improving accuracy and accountability. The first phase was the establishment of mandatory minimum standards in six key areas. The six areas were:

- correct procedures for establishing and documenting Proof of Identity;
- correct procedures for examining, storing and retrieving customer records and documents;
- correct procedures for the establishment and use of online documentation;
- the maintenance and enhancement of the network's technical skills;
- correct procedures for the recording of decisions; and
- establishment of Check the Checking (CtC) processes.

5.8 Progress in implementing CtC and enhancing the network's technical skills are discussed in more detail in later sections.

⁴⁰ Audit Report No.9 2002–03, *Centrelink's Balanced Scorecard*.

Findings of the follow-up

5.9 The mandatory minimum standards were a set of short-term priorities agreed by Centrelink's Guiding Coalition⁴¹ in October 2000. At the same time, medium and longer-term priorities were under consideration by the Getting It Right Steering Committee. Business cases for a number of projects to progress these medium and longer-term priorities were approved by the Business Improvement Committee in mid-2001. Progress on these projects is discussed later in the chapter. Funding was provided for:

- Learning Needs Analyses (see Staff skilling);
- enhancements to e-Reference (see Decision support);
- National Accuracy Validation (see Quality control);
- a Useability lab and training database (see Staff skilling); and
- a National Induction Training package (see Staff skilling).

5.10 Guiding Coalition reviewed overall progress with the Getting It Right strategy in December 2001. As a result, in March 2002, the Getting It Right Steering Committee promulgated the Getting It Right Stage II Action Plan. This plan draws together a larger collection of business improvement activities aiming at improving accountability and accuracy (see Appendix 4). Importantly, progress on the plan is to be monitored quarterly by the Getting It Right Steering Committee, and reported to Guiding Coalition.

5.11 While the Stage II Action Plan is being progressed, the minimum standards remain in force. Centrelink has been gathering information, through the National Accuracy Validation process described later in this chapter, on the degree to which four of the minimum standards (that is, proof of identity, storage of documents, the quality of online documentation (DOCs) and correct procedures for recording decisions) were being met for new claims. Some Area Support Offices (ASOs) have also included measures of the minimum standards in their Area Based Checking (ABC) processes, but they are not consistent across Centrelink's network. The agency has indicated that it plans to conduct an evaluation of the effectiveness of minimum standards in 2002–03.

5.12 While collection of data on minimum standards began in August 2001, at the time of the audit only preliminary results from National Accuracy Validation checks of new claims were available. The results indicated that significant

⁴¹ Guiding Coalition is a committee composed of all Senior Executive Service officers of Centrelink. Its role is to guide the organisation, set direction and lead change, and communicate decisions. The Business Improvement Committee is a sub-committee of Guiding Coalition with the role of ensuring the most efficient and effective use of project funds within Centrelink. The Getting It Right Steering Committee is an *ad hoc* committee of Guiding Coalition responsible for managing and monitoring the Getting It Right action plan.

numbers of CSOs were not adhering to the minimum standards. The ANAO assessed whether DOCs for reassessments met Getting It Right minimum standards.

Online document recording

5.13 The online document recording system forms part of Centrelink's record management framework. When a CSO performs a function relating to a customer's record, the CSO is required to document what process has taken place and, if a decision has been made, the justification for this decision. This not only aids accountability, but also allows other CSOs undertaking work on that customer's record to track the history of the customer, which in turn aids them in making decisions. Appendix 2 details the structure of an online document.

5.14 Centrelink staff informed the ANAO that great importance was being placed on ensuring that online documents were compliant. During the fieldwork stage of the audit, the importance of maintaining compliant online documents when processing a change in a customer's details was emphasised to the ANAO by CSOs, QOL checkers and ASO level Quality Managers. As well, Centrelink relaunched the Getting It Right strategy in February 2002 to reinforce the minimum standards to Centrelink staff. This relaunch occurred after the ANAO's sampling period.

5.15 Centrelink also reiterated the importance of documenting decisions during the April 2002 sittings of the Joint Committee of Public Accounts and Audit. Centrelink stated that 'a lot of times we have not been adequately recording why we have taken a certain decision'. The agency had started to:

focus very heavily on what we call minimum standards...one of those minimum standards was that we must document the decisions that we make. There is evidence of that having an impact. Our [Automated Data Processing] system which we use to hold those decisions is about to break. We are now holding so much information about why we are making certain decisions and commentary about what staff are finding when they talk to customers that we really now have another problem, which is that we have to revise and rebuild this to have adequate space and a robust system.⁴²

5.16 In order to determine whether DOCs were meeting the Getting It Right guidelines, the ANAO assessed the documents associated with the 400 Pensioner Entitlement Reviews (PERs) examined in Chapter 3 and the 426 customer-initiated reassessments (CIRs) examined in Chapter 4. Cases with non-compliant online documents were returned to Centrelink for review.

⁴² Joint Committee of Public Accounts and Audit 2002, *Review of Auditor-General's Reports, 2000–01 fourth quarter*, 30 April.

5.17 Centrelink considered that about one-quarter of cases returned to it did not contain sufficient documentation, that is, in approximately 10 per cent of CIR cases and 20 per cent of PERs, the online document was either missing or not compliant with the minimum standards.⁴³

5.18 The Getting It Right minimum standards for online documents require specific information to be provided by the CSO when completing an online document. Online documents were assessed as being non compliant by the ANAO if they lacked at least some of this required information. However, the fact that Centrelink's National Support Office (NSO) disagreed with the ANAO's assessment in the majority of cases suggests that there is significant ambiguity in the guidelines for online documentation.

5.19 Data from Centrelink's information systems indicated that the frequency with which online documents were prepared by Centrelink staff doubled between early 2001 and mid-2002. However, while Centrelink was storing an increasing amount of information on its online recording system, it is the quality, rather than the volume of this information that is important. Lengthy online records that do not adequately justify, or describe, the CSO's actions do not meet expected standards.

5.20 Centrelink advised the ANAO that, as part of its current operational strategy, it plans to implement a structured text format to its online document recording system. The aim of this format is to control what information is entered into the online document by a CSO. When completing an online document, CSOs will have to follow a template that will guide them through the task. The structured text format also aims to significantly minimise the inputted text, requiring only the relevant information as per the minimum standards to be entered.

5.21 While the ANAO did detect a significant number of non-compliant online documents, instances of better practice were also observed, particularly the use of scripts⁴⁴ when processing CIRs. Through scripts, some complex processing tasks can be made easier and therefore less subject to error. Scripts featured prominently in the proportion of online documents found to be compliant with Centrelink's minimum standards.

5.22 However, the ANAO found that the script relating to portability transactions, while requiring the CSO to enter a significant amount of

⁴³ The ANAO initial estimate was that 37 per cent of CIR and 81 per cent of PER online documents did not meet the minimum standards. The most common difference was the circumstances in which references to the Act under which a decision was made were required.

⁴⁴ A script is a series of simple computer programs that assists the CSO to identify and record information relevant to the task on hand onto various Centrelink information systems, including the online document recording system. Centrelink also uses other similar decision support tools called 'macros' and 'sprites'.

information, did not require a reference to *Social Security Law*. While this may not be necessary in all cases, as a result of the absence of an Act reference the ANAO was in some cases unable to find the justification for a decision relating to portability. This script was developed before the introduction of the Getting It Right minimum standards and Centrelink advised the ANAO that it would be updated to comply with those standards.

Conclusion

5.23 The ANAO concluded that failure to establish a monitoring mechanism at the time the Getting It Right minimum standards strategy was promulgated caused difficulty in ensuring improved processing. Measurement mechanisms established later have only recently begun to produce information that indicates significant non-compliance with the minimum standards. In particular, the ANAO concluded that online documentation of processing undertaken on customers' records is still not adequate.

5.24 At the same time, however, the Getting It Right Stage II Action Plan is a useful mechanism for consolidating a broad range of Centrelink business improvement initiatives. Moreover it includes a monitoring mechanism, which should help ensure that progress continues to be made.

Quality control

5.25 It was noted earlier that indications at the time of the new Age Pension claims audit were that QOL was not producing reliable data. The new Age Pension claims audit therefore made recommendations in two main areas:

- issues to be addressed before Centrelink's data on payment correctness could be relied upon (Recommendations 6 and 8); and
- implementation of a framework to provide assurance that payment correctness data was accurate (Recommendation 7).

5.26 Centrelink has taken action in two areas to address these recommendations:

- improvements to QOL processes; and
- introduction of ABC processes.

5.27 Each of these is discussed under separate headings below.

Quality On-Line

5.28 QOL is an information system that selects activities for checking after the CSO has completed them, but before they are actioned by the income support

information system. A checking officer then reviews the source documents and screens actioned by the CSO and assesses them against a series of questions. At the end of the check, the checker either passes the activity, in which case it is processed by the Centrelink mainframe and changes applied to the customer's record, or fails it, in which case it is returned to the original CSO for correction. QOL selects work for checking based on the CSO's profile, which is one of two sampling rates. Learners have 100 per cent of their work checked, while Experts have 5 per cent of their work checked. CSOs advance from Learner to Expert by demonstrating that they are capable of achieving a 95 per cent accuracy rate for an average of their work over a period of a number of weeks.⁴⁵ QOL results are aggregated and reported through a system called QOLStat which can be configured to report results by individual and organisation, and by types of errors.

5.29 The new Age Pension claims audit concluded that there were problems with the QOL sampling regime.

Recommendation No.6 of Audit Report No.34, 2000–01

To reduce the load of checking the assessment activity of Learners, the ANAO recommends that Centrelink, in consultation with FaCS, considers refining the Quality On-Line (QOL) sampling regime to:

- allow staff to attain Expert status for identifiable assessment activities; and
- require 100% checking only for those assessment activities for which they have not yet attained an agreed level of accuracy.

Recommendation No.8 of Audit Report No.34, 2000–01

To minimise the cost of Quality On-Line (QOL) checking activity while ensuring an appropriate level of statistical precision, the ANAO recommends that Centrelink, in consultation with FaCS, reviews the entire compliance monitoring sampling regime to consider such factors as:

- the frequency of population estimates;
- the number of sampling strata;
- the proportions sampled from new claims and reassessments;
- targeted sampling across different benefit types; and
- targeted sampling for decisions of non-experts.

⁴⁵ The duration of the testing period to move from Learner to Expert varies across CSCs.

Findings of the follow-up

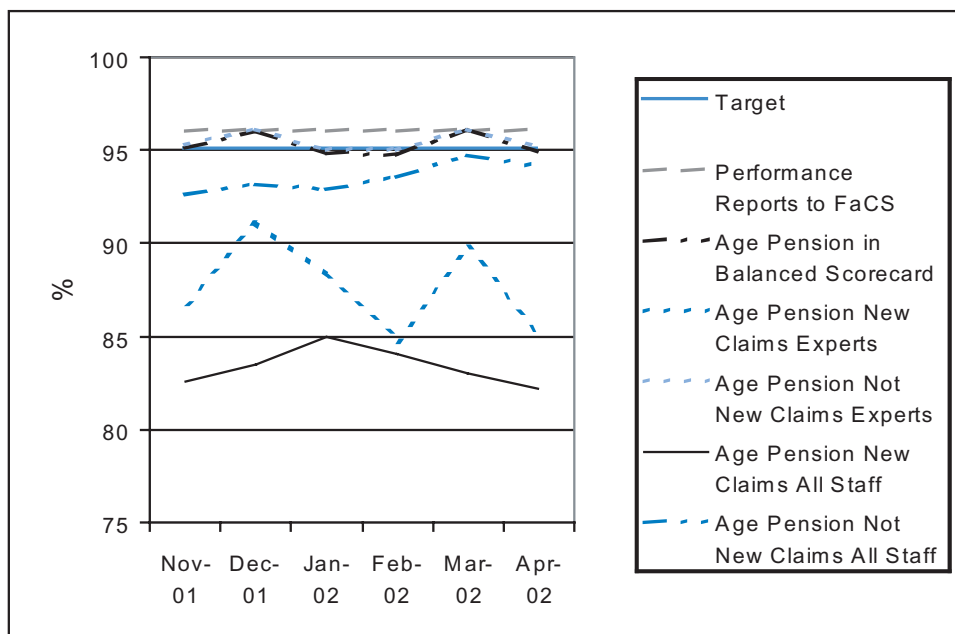
5.30 As a result of the new Age Pension claims audit, FaCS and Centrelink agreed that QOL was not an effective tool for reporting performance. QOL data would therefore no longer be the source of performance information for correctness of payment under the BPA. Under the 2001–04 BPA, correctness of payment would be measured through a program of Random Sample Surveys. The surveys are discussed in more detail in Chapter 2.

5.31 Under the BPA, for 2001–02 QOL data would be considered management information, that is supplementary information for monitoring purposes, rather than performance information against which Centrelink would be held accountable. QOL management information was provided to FaCS quarterly. QOL remained the source of accuracy data within Centrelink's Balanced Scorecard, which is the agency's primary internal tool for communicating and understanding performance, and for providing the information necessary to focus future performance improvement efforts. As discussed in Chapter 2, as of 1 July 2002, QOL has been refocused on measuring correctness as defined in the Business Assurance Framework (BAF).

5.32 If QOL data is going to be useful as management and internal performance data, it must be reliable and provide meaningful information. While aggregated QOL reports continued to suggest high accuracy rates, ANAO results from the assessment of PERs, and results from ABC and National Accuracy Validation checks discussed below, suggested that, at the time of the audit, there were continuing problems with the accuracy of QOL data. Centrelink acknowledged that there were continuing problems with the validity of the data.

5.33 QOL data can be separated into a small number of components. These components also show significantly different results, including substantial declines in reported accuracy levels (see Figure 5.1). Coupled with the results from the assessment of PERs and CIRs provided in earlier chapters, this suggests that there are significant differences in the accuracy rates for different types of assessment activity. This, in turn, reinforces the direction of recommendations 6 and 8 from the new Age Pension claims audit towards providing a finer level of detail and more targeting of QOL reporting and sampling.

Figure 5.1
QOL accuracy rates



Source: Centrelink.

5.34 A number of changes in this direction have been made to QOL since the new Age Pension claims audit, and more are planned. In March 2001, QOL was changed to allow the designation of CSOs as Learners or Experts for different payment types, and separately for new claims and general reassessments (that is, processing activities other than new claims).

5.35 QOL has also been used for some targeted accuracy checks. Assessments of private trusts and companies were initially subject to 100 per cent checking, even though they were completed by Complex Assessment Officers. Also, the process of raising debts has been checked at the 100 per cent sampling rate in some ASOs.

5.36 At the time of the audit fieldwork, Centrelink was planning to make additional changes to the QOL sampling regime. The agency was planning to further disaggregate assessable activities by creating sub-categories of general reassessment. This might involve, for example, making it possible to separate results for simpler reassessments, such as a change of address, from more complex ones, such as changes to income and assets.

5.37 Introduction of a third, intermediate, level of checking, and the role of QOL results in CSO advancement were being considered in negotiations for a new Centrelink Development Agreement (CDA). Negotiations were aimed at ensuring that QOL results were not the determining factor for advancement, but one of many factors that would represent the range of work undertaken by the CSO. Negotiations on a new CDA were still underway in July 2002. In addition, Centrelink was considering changes to its Balanced Scorecard to reflect changes made to QOL.

Conclusion

5.38 Recommendations Nos.6 and 8 in Audit Report No.34 2000–01 have been partly implemented in that staff QOL profiles can now be disaggregated across payments, and between new claims and general reassessments. Further refinement of the sampling regime is planned.

5.39 In spite of the changes made to QOL, Centrelink has acknowledged that, at the time of the audit, its results were still not accurate. Achieving improved accuracy is important not only because of the value of better compliance information, but also because it would improve efficiency by permitting a reduction in the additional quality assurance that has been layered on top of QOL, discussed in the next section.

Area Based Checking and National Accuracy Validation

5.40 It was noted earlier that the new Age Pension claims audit concluded that Centrelink's compliance monitoring systems did not reliably measure the accuracy of claim assessments. The audit further concluded that a framework to ensure that compliance data was accurate would require:

- a system of independently validating data to ensure that accuracy checks are being consistently and correctly conducted across the network; and
- clear lines of accountability for the accuracy of the data.

Recommendation No.7 of Audit Report No.34, 2000–01

To improve the validity and consistency of compliance monitoring data gathered across the Centrelink network, the ANAO recommends that Centrelink:

- assigns responsibility to Area managers for implementing a system of accuracy checks within their Area and be accountable for the accuracy of those checks; and
- implements a system of regular Quality On-Line (QOL) validation checks, administered independently of Area managers.

Findings of the follow-up

5.41 Implementation of a mechanism to verify QOL results, called Check the Checking) was one of the six minimum standards required by Stage 1 of the November 2000 Getting It Right strategy. CtC essentially included three components:

- training for Managers and Team Leaders in using the QOLStat system;
- a requirement for ASOs to establish a validation mechanism which rechecked a sample of QOL checks undertaken in the ASO (known as Area Based Checking); and
- a separate validation mechanism where a sample of QOL checks, from across the network as a whole, were rechecked (known as National Accuracy Validation).

5.42 The ANAO found that QOLStat training was delivered through the Centrelink Education Network (CEN). Training information and workbooks were available on-line on Centrelink's intranet (known as Centrenet). All CSC Managers and Team Leaders at the 15 CSCs visited during fieldwork for the audit were familiar with QOLStat and used QOL data in discussions with staff concerning short term technical training needs.

5.43 ASOs chose to meet their validation and assurance obligations by conducting rechecks on a sample of QOL-checked records, though this approach was not specifically mandated by the Getting It Right strategy. However, in terms of how the rechecks were actually conducted, ASOs had adopted a range of models (see Table 5.1), and the results were not reported to NSO (though some ASOs reported the data on their Centrenet homepages that were accessible from NSO). This was consistent with the concept of ABC as being a tool for Area Managers to meet their accountability obligations for the accuracy of QOL data.

Table 5.1**Area Based Checking models of ASOs visited by the ANAO**

	Area A	Area B	Area C	Area D	Area E
Sample size	5% of new claims No checking of reassessments	One new claim per staff member per month No checking of reassessments	2% of new claims and reassessments	New claims and reassessments	5-8% of new claims and reassessments
Checkers	Depends on cluster: one uses a separate team; another uses Team Leaders.	Team Leaders, Quality Managers and/or CSC Managers	ASO-based Verifiers check new claims CSC-based Verifiers check reassessments	Separate ASO team	ASO team of Learning Facilitators
Frequency	Monthly	Monthly	Monthly	Every 2 months for most CSCs Every 6 months for Country CSCs	Monthly

5.44 National Accuracy Validation began in August 2001. The checks were conducted by staff in the lead ASOs for each payment type, and were undertaken on a rolling basis, which aimed to check each payment once a quarter. The sample size was approximately 10 per cent of relevant QOL checks in the previous month. NSO considered that the total annual sample would be statistically valid within acceptable confidence intervals.

5.45 As of July 2002, however, some ASOs and National Validation were only checking new claims. In the case of National Validation, this approach was taken to ensure that checks were conducted on a more consistent sample. However, since new claims account for only approximately 5 per cent of work subject to QOL, those ASOs and NSO were obtaining assurance about only a very small proportion of the work. And as Chapter 3 indicated, reassessments are not necessarily a low risk of being incorrect. Centrelink is considering expanding National Validation to other activities in 2002–03. Also, at the time of the audit, the questions asked by ABC checkers varied from ASO to ASO, but were generally consistent with the points suggested for checking by NSO. National Accuracy Validation checks were different again.

5.46 With the introduction of checker certification, discussed under Staff skilling below, and the revised BAF, discussed in Chapter 2, ABC and National Validation assessments and sampling are expected to become more consistent across ASOs.

5.47 Because of the different checking models used in the ASOs, and the fact that the questions asked were not consistent across ASOs and with the National Validation checks, the results are not strictly comparable. However, initial

National Validation results were consistent with ABC results in that they suggested that, at the time of the audit, QOL checking was not recording all payment correctness errors.⁴⁶

5.48 Centrelink staff at NSO and at some CSCs visited during the audit suggested that time and client service pressures at CSCs may be an important factor that may explain why ABC and National Validation processes are able to find significant errors in QOL-checked records. They noted that ABC checkers and particularly National Validation checkers generally have more time to devote to checking each record than is available to QOL-checkers in the CSC. As well, particularly where they are not themselves working in a CSC, which is the case with National Validation checkers, there are fewer distractions that may divert attention from the checking task.

Conclusion

5.49 The ANAO concluded that Recommendation No.7 had been mostly implemented. ASOs have implemented systems of accuracy checks, and national checks independent of managers have recently begun. However, validation checks should be conducted on all work subject to QOL, not just new claims.

5.50 Once QOL and validation mechanisms are aligned through the BAF, and producing accurate data, Centrelink may wish to review whether it is necessary to retain both levels of validation.

Staff skilling

Customer Service Officers

5.51 The new Age Pension claims audit concluded that there were a number of topics in the processing of Age Pension where, at the time of the audit, the knowledge of CSOs was generally deficient. These included assessing business structures and income streams, and certain administrative issues.

5.52 The audit noted that the planning and delivery of training was decentralised across the Centrelink network. As a result, the priority accorded to training, the methods for determining the need for training and the quality of delivery could vary significantly from one ASO to another. Centrelink was developing a number of tools to address the problems of inconsistency and technical skills deficiency, particularly Learning Needs Analysis (LNAs) and CEN. However, CSOs interviewed for the new claims audit commented that they did not have sufficient time to take necessary training.

⁴⁶ In ASOs visited by the ANAO during fieldwork for the audit, ABC results were indicating that between 10 and 25 per cent of files passed by QOL continued to contain errors.

5.53 The new claims audit noted that the ANAO was conducting a separate audit that would explore issues of CSO training more fully. Audit Report No.9 2000–01, *Learning for Skills and Knowledge-Customer Service Officers*, tabled in August 2001, recommended that Centrelink:

- develop a standardised format for operational learning plans;
- establish monitoring, review and assessment mechanisms for its Training Needs Analysis; and
- deliver technical training in a timely, comprehensive and consistent manner.

5.54 Recommendations in these areas were consistent with Recommendation No.9 in the new claims audit and the results of the follow-up therefore have relevance to the CSO Skills audit.

Recommendation No.9 of Audit Report No.34, 2000–01

In view of the complexity of many Age Pension assessments and the positive impact of expert advice on the accuracy of complex assessments, the ANAO recommends that Centrelink take action to ensure that all Customer Service Officers (CSOs):

- possess sufficient technical assessment skills; and
- have sufficient access to expert advice.

Findings of the follow-up

5.55 Interviews with ASO and CSC training staff, CSC managers and CSOs indicated that training processes remain highly decentralised. Learning plans continue to be developed using a variety of formats, and on the basis of various information sources, including information from QOL and ABC, various skills inventories, and a range of self- and peer-assessment tools. At the same time, however, NSO has expanded or developed its tools that can be expected to improve consistency in the planning and delivery of technical training.

5.56 With regard to planning, Centrelink:

- continued to develop the LNA; and
- plans to implement a Learning Management System (LMS).

5.57 The LNA is an assessment of technical knowledge made available nationwide over CEN (discussed later in the chapter). It therefore provides a consistent assessment of technical knowledge across the Centrelink network.

5.58 A pilot assessment based on Retirements issues was conducted in August 2000. It achieved relatively low results but was evaluated as having a number of problems. In particular, the LNA included a number of questions for which the time-limited multiple-choice format was considered inappropriate. Subsequently, LNAs have been structured into three ‘Tiers’:

- Tier 1 is a series of multiple-choice questions that must be answered in a short timeframe. This is designed to test what CSOs know from memory;
- Tier 2 is a series of questions that may or may not be multiple choice, but where the CSO is expected to research the answer and specify the authority for the decision and the reference tools used; and
- Tier 3 is a series of questions where the CSO must indicate which issues are to be referred to specialists.

5.59 At the time of the audit, Centrelink had only conducted a Tier 1 LNA for the Age Pension program (in February 2002). Since CSOs are not necessarily expected to be able to assess customers’ circumstances without using reference material, the results of Tier 1 LNAs are most useful in identifying information that CSOs think they know but in fact know incorrectly.

5.60 Participation in the Tier 1 LNA was voluntary, but almost all CSOs interviewed by the ANAO indicated that they had participated, and there were a total of approximately 1500 participants nationwide. Results were provided to each individual who participated and at CSC, ASO and National levels. National results are listed in Table 5.2.

Table 5.2
Retirements Tier 1 LNA results February 2002

Topic	Percentage of correct answers
New Claims	85.9
Assets	77.9
Income	83.4
Pension Bonus Scheme	92.6
Commonwealth Seniors Health Card	76.9
Gifting	87.9
Investments	84.9
Advances	94.0
Total	84.5

Source: Centrelink.

5.61 The Tier 1 LNA did not include any questions about assessing business structures or income streams, the areas identified as particularly deficient in the new Age Pension claims audit. This is because CSOs are not expected to assess those issues without using research tools and referrals. As such, CSO knowledge would be assessed more appropriately through the Tier 2 and 3 LNAs. Given that business structures and income streams were problem areas, Centrelink should conduct Tier 2 and 3 LNAs for Retirements as soon as possible to determine what large-scale training needs continue to exist. Centrelink plans to conduct an LNA at each Tier annually.

5.62 Consistency in identifying and meeting technical training needs will also be improved once Centrelink has fully implemented its LMS. According to the Request for Tender released in 2001, the system was intended to hold individual learning plans for all Centrelink staff (in a standard format), display training options, allow on-line enrolment on courses, record the results of training assessments and other information concerning training completed, and permit on-line approvals and sign-offs as required. It would allow managers to access information on the training needs of staff, training undertaken and training results at various levels, including Centrelink-wide, and over time. As of July 2002, Centrelink was evaluating responses to the Request for Tender. Rollout of the first phase of the project was planned for 1 January 2003.

5.63 However, in the first phase, it was intended that the LMS would only support accredited learning, that is training leading to a formal national qualification such as Certificate IV. It is envisaged that the LMS will be extended to technical training at a later date. Requirements in the Request for Tender were nonetheless generic with regard to the type of training to be managed.

5.64 With regard to delivery, Centrelink:

- continued to develop CEN; and
- developed a national induction program.

5.65 CEN is an interactive broadcast system in all CSCs that combines digital television with 'real time' interactivity. At the time of the new Age Pension claims audit, CEN had only recently been introduced and was still experiencing technical and production teething problems.

5.66 In late 2001, Centrelink conducted a formal review of CEN implementation which made the following main points:

- CEN broadcasts were very inexpensive in comparison with face-to-face delivery of training, though effectiveness depended on the nature of the material presented and on the learning styles of the staff targeted;
- use of the system had increased steadily but considerably since introduction;

- technical reliability had improved, but diversity of equipment remained a problem;
- program quality and content had improved, but further quality control measures were needed; and
- scheduling needed to take into account operational impact and audience size.

5.67 CSOs interviewed were positive about CEN but reinforced many of the issues set out in the review, particularly scheduling. Even though CEN programs were normally repeated a number of times and at different times of the day, scheduling remained a problem, particularly outside the Australian Eastern Standard Timezone. Staff in Central and Western Australian timezones often taped programs to watch at more convenient times. This meant, however, that they could not make use of CEN's interactivity features or be automatically recorded as having attended.

5.68 As well as being delivered through CEN, documentation for many training modules—including the trainer manual, guide, workbook and overhead transparencies—was available on Centrelink's intranet.

5.69 At the time of the new Age Pension claims audit, Centrelink provided only on-the-job training to new CSOs in CSCs. Subsequently, ASOs developed induction programs which included varying degrees of formal technical training before they assumed their duties. As of 1 July 2002, however, NSO had implemented a National Induction Program. The national program included modules of generic technical training, incorporating knowledge and skills common to all payment streams (such as proof of identity or change of address), and technical training specific to the payment stream where the trainee would begin working.

5.70 During interviews with CSOs, the ANAO asked whether they experienced problems finding sufficient time for training. The great majority indicated that they could find or 'make' time to take structured training, with the support of their Team Leaders and CSC Managers. Most also indicated that they were allocated a half-day per week for team meetings and individual updating and training, thereby meeting the provisions of the CDA 1999–2002 for Learning and Development Time.⁴⁷ CSOs did, however, acknowledge that it could be difficult to gain the full benefit from their learning and development time in their normal working environment, because of the possibility of interruption from colleagues or customers, and that they did not always have alternative, quieter spaces available.

⁴⁷ The Agreement specifies that CSOs in CSCs should receive at least 12 hours of Learning and Development Time per four week period (clause 38.6).

Conclusion

5.71 The ANAO concluded that Centrelink has made satisfactory progress in improving its ability to assess the technical training needs of staff and in delivering training consistently.

5.72 A number of initiatives remain incomplete or in the planning stages. Centrelink should continue to work towards full implementation of Tier 2 and 3 LNAs, particularly because they are likely to address areas where CSO skills were most deficient. The agency should implement a LMS that includes technical training to ensure that consistent, national information is available efficiently on training needs and outcomes. Making training time available for staff will likely remain a challenge and should be monitored, taking into account the Learning and Development Time provisions of the new CDA.

Quality Control Staff

5.73 The new Age Pension claims audit noted that the effectiveness of Centrelink's quality control mechanisms relied on the ability of checking officers to detect assessment errors accurately. The results of that audit, and the previous ANAO audit of Special Benefit,⁴⁸ which demonstrated a significant difference between reported and actual error rates, suggested that checking officers may not have had sufficient skills and knowledge. At the time of the introduction of QOL, Centrelink's NSO attempted to address this issue in part by proposing that CSC managers should designate a limited number of QOL-checkers in their CSCs. During the new Age Pension claims audit, Centrelink advised the ANAO that because of industrial relations concerns, Centrelink was not able to adopt this approach systematically, and, as a result, it was not clear at that time on what basis checkers were selected.

Recommendation No.5 of Audit Report No.34, 2000–01

To improve the validity of its assessment accuracy data, the ANAO recommends that Centrelink:

- implements measures to ensure that all Quality On-Line (QOL) checking officers have sufficient skills and knowledge to identify assessment errors reliably; and
- reconsiders the requirement that QOL accuracy checks be completed before finalising the assessment, to ensure that checking officers are not pressured to clear the assessment with undue haste.

⁴⁸ Audit Report No.20, 1999–2000, *Special Benefit*.

Findings of the follow-up

5.74 The Getting It Right Stage II Action Plan included a strategy to introduce accredited, dedicated checking experts which includes actions to:

- specify QOL checking as an identifiable position attained through selection on merit; and
- develop training for specialist QOL checkers.

5.75 Through specifying QOL checking as an identifiable position, it is also intended to reduce their numbers. This was already happening in the ASOs and CSCs visited by the ANAO, using a number of models.

5.76 More specialised QOL-checkers will be considered Senior Practitioners under the Job Redesign structure discussed later in this Chapter. They will be experts in the subject matter, and in providing feedback and on-the-job training. They will be certified, which will involve meeting an agreed accuracy level and undertaking training or demonstrating competence in the QOL tool, the QOLStat performance measurement tool, and in providing feedback. Again, more rigorous selection and certification approaches have already been introduced in some ASOs. It is also planned that QOL checkers will undergo re-certification every six months.

5.77 Because development of these specialist QOL positions has implications for job classification, performance management and advancement, implementation of these actions depends on the outcome of negotiations for the CDA 2002–2004, which were still underway as of July 2002.

5.78 As of July 2002, Centrelink's Virtual College was developing a formal training program for QOL-checkers. It consisted of two parts, technical training on the QOL tool and how to do a proper check for correctness, and training in giving and receiving feedback. Some of this training was aligned to national competencies and standards. General training on QOL and QOLStat continued to be delivered periodically through CEN. As well, task cards and other instructional material were available on Centrenet.

5.79 The new Age Pension claims audit noted that, at that time, some CSC managers were not willing to restrict QOL checking to a limited number of staff because customer service could be disrupted if activities were selected for QOL checking and a checker was not available. Because Age Pension customers tend to require fewer interventions by Centrelink staff, even though their absolute numbers are large, the Retirements Team in most CSCs is small. Often it is combined with the Disabilities Team with a total team size of eight or fewer. In teams of this size, there might only be a single certified QOL-checker. If that person was not available when a check needed to be done, this could delay action on a customer's circumstances.

5.80 However, in CSCs visited by the ANAO where the numbers of QOL checkers had already been reduced, this problem was often addressed by giving authority to conduct QOL checks to other members of the team, who were not necessarily certified, or by having the checks conducted by the QOL-checkers of other teams, who were not necessarily expert in Age Pension processing. Despite these individuals' best efforts, it is reasonable to expect that the quality of their QOL-checking would not be as high as that of the dedicated checker. Centrelink's quality assurance mechanisms should ensure that the extent and impact of this risk is identified and managed so that the integrity of QOL results is not compromised.

Conclusion

5.81 The ANAO concluded that Recommendation No.5 was partly implemented. Reducing the numbers of QOL-checkers while identifying them through skill-based assessments and providing dedicated training should improve their skills and knowledge. Some action had been taken in this regard and more was planned.

5.82 Action to reduce the number of QOL-checkers in relatively small teams such as Retirements creates a risk that expert checkers may not always be available when needed. Centrelink should manage this risk through its quality assurance mechanisms.

Decision support

5.83 It was noted earlier that Centrelink administers thousands of rules to deliver programs on behalf of FaCS. Even the most skilled CSO must therefore have access to sources of expert assistance and advice when assessing customers' circumstances and making decisions. CSOs interviewed by the ANAO identified several sources of expert advice for Age Pension processing, including:

- e-Reference (Centrelink's on-line reference tool, discussed below);
- ASO and NSO intranet homepages;
- policy, system and specialist telephone help desks;
- experts (Complex Assessment Officers, Financial Information Services Officers, Authorised Review Officers, Subject Matter Experts); and
- newsletters.

5.84 The new Age Pension claims audit made specific recommendations concerning two sources of expert advice: Complex Assessment Officers; and written guidance material available on Centrelink's intranet. Progress in implementing recommendations concerning each of these is discussed under separate headings below.

Complex Assessment Officers

5.85 Complex Assessment Officers (CAOs) are policy officers who specialise in applying the income and assets tests to complex financial arrangements such as business structures. The ANAO's findings in the new claims audit suggested that the input of specialists could significantly improve the accuracy of assessment. However, CSOs were concerned about the accessibility of CAO advice. At the time of the new Age Pension claims audit, Centrelink had 42 CAOs distributed unevenly across ASOs, to service its network of 330 CSCs and Call Centres.

Recommendation No.2 of Audit Report No.34, 2000–01

To improve the accuracy of assessment decisions on new Age Pension claims involving business structures and/or complicated income sources, the ANAO recommends that Centrelink in consultation with FaCS, reviews its existing procedures to consider the costs and benefits of referring all such complex new claims to specialist assessment officers.

Findings of the follow-up

5.86 As of May 2002, the number of CAOs had increased to 172. A comparison of CAO numbers with the situation at the time of the new Age Pension claims audit is provided in Table 5.3.

Table 5.3**Complex Assessment Officer Numbers and Distribution**

ASO	Number of CAOs (Full time equivalents)	
	May 2001	May 2002
NSW—South Metro	1.0	6.0
NSW—Pacific Central	4.0	15.5
NSW—South West	4.0	12.0
NSW—West	2.0	6.0
NSW—Hunter	3.8	14.0
NSW—East Coast	4.0	11.0
VIC—South East	6.0	20.0
VIC—North Central	0.0	11.5
VIC—West	4.0	18.0
QLD—Central & Northern	1.0	12.0
QLD—Brisbane	3.8	15.0
North Australia	0.8	3.0
South Australia	3.0	12.0
Tasmania	2.0	5.0
Western Australia	3.0	11.0
Total	42.4	172.0

Source: Centrelink.

5.87 This increase was largely the result of the 2000–2001 FaCS budget measure to change the means test treatment of private trusts and private companies. To implement this measure, 366 additional specialist assessment officers were employed to review the circumstances of all Centrelink customers involved in private trusts and private companies. These CAOs were also given the delegation to make the determinations for customers with trusts and companies.

5.88 Once the initial assessment of current customers was completed, Centrelink decided to retain one third of the additional CAOs to support all assessment processes, and also maintained their delegation to make determinations in trusts and companies cases. Centrelink has developed a list of assessment activities that must be referred to CAOs and a separate list of assessments that may be referred. However, the list of referred activities was not considered a definition of ‘complex work’. Centrelink was working to develop such a definition under the sponsorship of Guiding Coalition. As a result, it was not possible to determine whether all complex assessments were being referred to specialist assessment officers. CSOs interviewed by the ANAO indicated that they did refer all assessments involving trusts and companies to CAOs, as required, but differed on the other circumstances that would routinely be referred to CAOs. Many CSOs indicated that a key factor was their own level of skill and confidence.

5.89 The greater availability of CAOs appears to have allayed some of the specific concerns of CSOs expressed in the new Age Pension claims audit. For example, many CSOs interviewed for the new claims audit considered that they needed a CAO on site, rather than sharing with other CSCs. However, even with more CAOs available, some ASOs have grouped their CAOs into teams of three or four located at a single CSC and providing support to several nearby CSCs. CSOs interviewed in these ASOs were generally satisfied with this arrangement.

5.90 One impact of referring more cases to CAOs is that the timeliness of processing is no longer entirely within the CSO's and CSC's control. All major Centrelink payments had timeliness standards for the processing of claims, which in the case of Age Pension was that 80 per cent of claims be processed within 28 days of lodgement. In visits to ASOs and CSCs, the ANAO noted that, in reviewing performance, more emphasis was placed on timeliness results than on accuracy. Some local performance reports did not include information on accuracy. There were, however, no performance standards concerning how quickly CAOs were expected to process records referred to them to ensure that the overall timeliness standards were met.

5.91 With more complex customer circumstances, and more referrals to CAOs, it is likely that timeliness results will fall, and this has been the trend at national level over the past two years. CSOs interviewed during the audit also noted that referrals can have an impact on their ability to meet timeliness standards. However, if it means that customers' circumstances, particularly complex ones, are more often assessed accurately, then the overall outcome may be an improvement. Centrelink has recognised, in its Getting It Right Stage II Action Plan, the need to reconsider the balance between timeliness and accuracy. In doing so, the impact of CAOs will need to be taken into account.

Conclusion

5.92 The ANAO concluded that Centrelink was making satisfactory progress in implementing Recommendation No.2 of Audit Report No.34, 2000-01.

5.93 The role of CAOs was continuing to develop in accordance with the recommendation. In December 2001, Centrelink's Guiding Coalition endorsed the recommendations of a Taskforce on the CAO Function. The recommendations included adopting a formal definition of 'complex work' and the referral requirements for the work, and development of a longer-term strategy for handling complex assessments in the context of Job Redesign and other Centrelink improvement projects.

Written guidance on-line

5.94 The new Age Pension claims audit noted that CSOs had ready access to a range of reference materials through the Centrelink Reference Suite (CRS) homepages on the Centrelink intranet. However, CSOs interviewed indicated that they were unsure which reference sources should be considered authoritative, and that different sources sometimes gave inconsistent advice. They suggested that cross-referencing among information sources and search engines could be improved.

Recommendation No.10 of Audit Report No.34, 2000–01

To improve the usefulness of the current written guidance material issued by Centrelink, the ANAO recommends that Centrelink:

- ensures that all reference material on the online resource Centrelink Reference Suite (CRS) provide consistent advice;
- investigates the scope to enhance the search engines and cross-referencing within CRS materials; and
- ensures that all staff are adequately trained on how to locate information in CRS.

Findings of the follow-up

5.95 Between February 2001 and May 2002, many of the separate materials held on the CRS were consolidated into a single reference tool called e-Reference. The new tool consolidated approximately 170 existing information products into a single suite organised by life events. The life event relevant to the Age Pension program—‘Are you planning or needing help in retirement?’—was released on 18 February 2002.

5.96 Features of e-Reference included:

- a standard layout for all life events;
- simplified table of contents, indexing and search facility;
- cross-referencing to then *Social Security Law* and *Guide to the Social Security Law*;
- dedicated maintenance staff and standard authoring style; and
- reuse of material common across payments.

5.97 Training on e-Reference has been ongoing since roll-out began in February 2001. A training package was also available on the Centrelink intranet.

5.98 CSOs interviewed for the current audit were asked whether they found the Age Pension-focused component of e-Reference to be up-to-date and easy to use. Almost all indicated that the product was up-to-date, though their views must be considered anecdotal and cannot be extrapolated statistically to the population of CSOs. A range of opinions was expressed concerning how user-friendly the product was, but the majority agreed that it was easy to use. While difficult to measure, the degree of comfort of CSOs with using e-Reference appeared to depend on their overall level of comfort with using on-line tools. Also, many CSOs commented that the more they used the tool, the easier they found it to use.

5.99 A number of CSOs commented that they still had some difficulty finding information, partly because information often moved during updating processes. In part this reflected the relative immaturity of the tool and of the life events model as authors tried to identify the best way to organise information. This situation reinforces the importance of providing complete and readily accessible information about updates.

Conclusion

5.100 The ANAO concluded that Recommendation No.10 was implemented. The e-Reference tool had addressed the problem of determining the authoritative source of advice. Centrelink continued to face the challenge of encouraging staff to make use of the tool. Once staff begin to use the tool, they are likely to find it easier to use and use it more often.

Legislation, policy and guidelines

5.101 Earlier chapters have noted that processing Age Pension entitlements is a complex process undertaken in an increasingly complex environment. Centrelink estimates that it must administer 30 000 rules to deliver Australia's highly targeted social security system. The new Age Pension claims audit provided an indication of how difficult it is for CSOs to administer such a large body of rules correctly. The audit found that, as well as 52 per cent of claim assessments containing at least one actionable assessment error,⁴⁹ 96 per cent contained at least one administrative error.⁵⁰

⁴⁹ An actionable assessment error occurred when a claim assessment did not comply with one or more of the eight major core audit criteria in Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*. Actionable errors included instances of incorrect payment, but also included instances where there was a potential for incorrect payment when important information was not provided by the customer. They therefore required follow-up action by Centrelink.

⁵⁰ An administrative error occurred when a claim assessment did not follow all required administrative procedures. These errors did not usually affect customers directly.

5.102 The rules reflect a combination of the requirements contained in legislation or government policy, for which FaCS is largely responsible, and sound administrative practice and procedure, where Centrelink plays an important role. Proposals for change would therefore require consideration by both agencies and, as a result, virtually identical recommendations were included in both the FaCS and Centrelink new Age Pension claims audit reports.⁵¹

Recommendation No.1 of Audit Report No.34, 2000–01

In view of the very high rate of administrative error amongst Age Pension assessments, the ANAO recommends that Centrelink, in consultation with FaCS, reviews the necessity for certain administrative guidelines and any legislative underpinnings for Age Pension to ensure that all are warranted in terms of the risks that they address compared with the costs that they incur.

Findings of the follow-up

5.103 On 28 February 2001, the Minister for Family and Community Services announced the establishment of a Taskforce to simplify administration for Centrelink customers. The Rules Simplification Taskforce included members from both FaCS and Centrelink, and was supported by a reference group including members from the two agencies and the (then) Department of Employment, Workplace Relations and Small Business (DEWRSB). The Taskforce undertook consultations with FaCS and Centrelink national office staff, Centrelink network staff, peak organisations, other Commonwealth agencies, the private sector and customers.

5.104 The terms of reference of the review were to:

Examine the existing procedural requirements and make recommendations on simplifying existing administrative guidelines and arrangements, having regard to:

- (a) reducing complexity for new customers, employers and Commonwealth agencies;
- (b) Centrelink's responsibility to the Department of Family and Community Services under the Business Partnership Agreement;
- (c) the legal and legislative basis of the existing requirement and procedures;

⁵¹ Recommendation No.5 of Audit Report No.35 2000–01, *Family and Community Services' Oversight of Centrelink's Assessment of New Claims for the Age Pension* states, 'In view of the very high rate of administrative error amongst new Age Pension claim assessments, the ANAO recommends that FaCS, in consultation with Centrelink, reconsiders the legislative requirements and guidelines applying to Age Pension assessments to ensure that all administrative rules are warranted in terms of the risks that they address compared with the costs that they incur.'

- (d) the supporting administrative systems, including IT;
- (e) an ongoing capacity to fine tune and update procedural arrangements; and
- (f) the effectiveness and necessity of existing requirements and processes to meet stated objective.

5.105 The Taskforce focused on rules and processes for Age Pension and Newstart Allowance.

5.106 The Taskforce reported to the Minister in August 2001 and made 20 recommendations. At the time of the audit, a number of recommendations had been implemented. A number of other recommendations depended on progress in other projects associated with the Australians Working Together, Business Transitions and Getting It Right Stage II initiatives. The status and planned implementation date of recommendations related to Age Pension are listed in Table 5.4.

Table 5.4

**Status of Recommendations of the Rules Simplification Taskforce
Relating to Age Pension**

No.	Recommendation	Status at June 2002	Planned implementation
1	FaCS, DEWRSB and Centrelink will adopt a Simplification Framework for developing policy and service delivery across programs.	Framework adopted by FaCS and Centrelink.	Implemented.
2	Reduce duplication of processes and achieve a more tailored service delivery to Centrelink customers.	Incorporated into service profiling project.	First stage July 2002.
3	Clarify administrative guidelines.	Implementation of e-Reference has provided more consistency of sound processes and procedures.	Updates to e-Reference and the <i>Guide to the Social Security Law</i> ongoing.
5	Further investigate the use of new technology to verify customers' incomes.	Trials conducted; small scale secure electronic file transfer commenced.	July 2004.
6	Improve risk-based guidelines for verifying customers' assets.	Verification guidelines for income and assets under review.	September 2002.
7	Simplify the age pension claim process to make claiming quicker and easier.	Shortened claim form and processes being tested.	October 2002.
8	Streamline the transfer of customers on income support payments to Age Pension.	Customers required only to check information already held by Centrelink.	Implemented.
16	Offer streamlined applications by phone for customers seeking advance payments or to change debt repayments.	Written applications no longer be required.	Implemented.
17	Introduce a Centrelink Account that brings together information for each customer.	New ways of viewing and updating data held on customers being tested and piloted.	July 2003.
18	Make it easier for employers to verify earnings information.	Trials conducted; small scale secure electronic file transfer commenced.	September 2002.
20	An interim report on possible simplification of policy will be provided to the Minister for Family and Community Services in February 2002, with a final report in July 2002.	Working groups established in several areas of possible simplification.	Implementation depends on opportunities identified by working groups.

Source: Centrelink.

5.107 Progress on recommendations 3 and 20 is particularly important. It was noted in Chapter 3 that CSOs continued to have difficulty correctly following core processes required under current legislation and policy. As well, there were the actions required to ensure procedural integrity for evidentiary and other purposes. As the Minister for Family and Community Services recognised by establishing the Rules Simplification Taskforce, it is reasonable to expect that payment correctness, and therefore the integrity of outlays, will be improved if the number of procedures required to process payments can be reduced to the minimum consistent with meeting the Government's outcomes.

Conclusion

5.108 The ANAO concluded that FaCS and Centrelink have addressed the recommendation by conducting a review of administrative guidelines. However, the report of the Rules Simplification Taskforce established a lengthy agenda of actions that should be implemented to simplify Centrelink's procedures.

5.109 More broadly, FaCS and Centrelink must ensure that ongoing change does not contribute unnecessarily to complexity in delivering income support payments. It is therefore important that future policy and service delivery proposals be developed within the simplification framework recommended by the Taskforce and agreed to by both agencies.

Job redesign

5.110 In addition to the various initiatives described earlier in this chapter to strengthen the preventive controls over Age Pension payment processing, at the time of the audit, Centrelink was in the early stages of implementing a more fundamental change to its work processes. The initiative, called Job Redesign, involved a new business model that shifted the focus away from a program based business structure, and focused on how Centrelink delivers its services to customers.

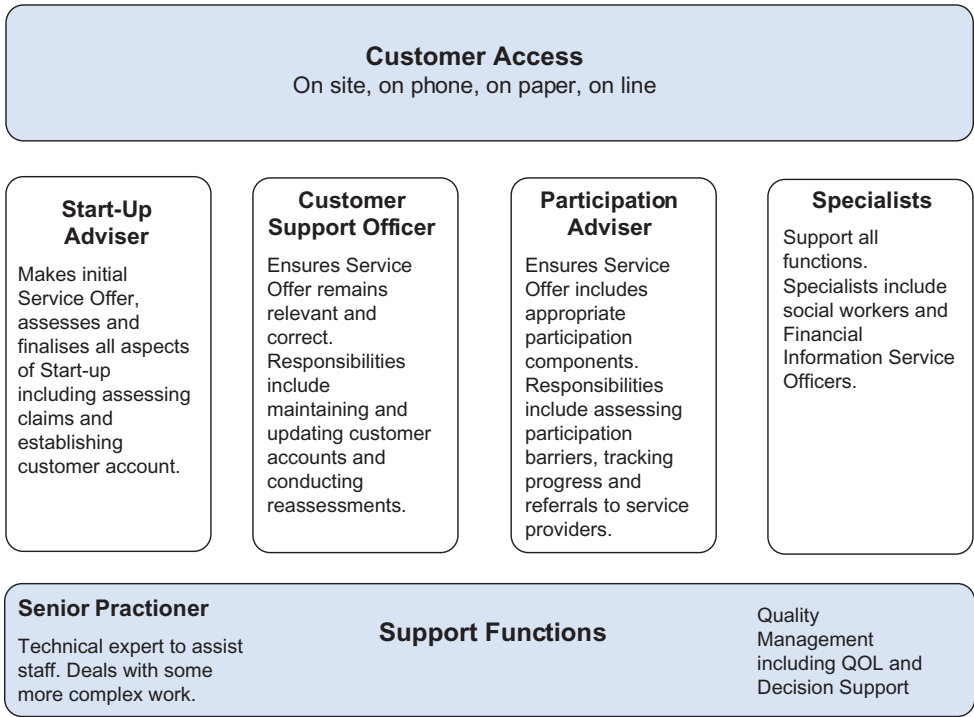
5.111 Under the new business model, individual CSOs would be responsible for a particular phase of the customer lifecycle, rather than trying to do everything for a particular payment. By enabling the CSO to focus on fewer activities, in which they can therefore become more expert, the possibility of incorrectness should also be reduced.

5.112 Centrelink work will be organised into three core functions:

- start up;
- customer support; and
- participation.

5.113 Within these core functions, common elements of Centrelink’s work would be drawn together, with specific skill sets and support arrangements being developed to support each function. Figure 5.2 illustrates the new business model.

Figure 5.2
Job Redesign Model



Source: Centrelink

5.114 The start up function aims to build upon the current skills required of CSOs to process and finalise claims for income support payments. This function will incorporate the role of a Start Up Advisor, who will have a number of roles including assessing and processing customers’ claims, applying customer profiles, making referrals when required and ensuring a smooth handover to the participation and support functions of the business model.

5.115 The customer support function is focused on ensuring that the customer receives the correct entitlements and has access to any required services. Customers with special needs or who have been identified at higher risk will be managed on a one to one basis. Staff working within this business function will maintain customer accounts, raise and finalise debts and provide referrals to other services when appropriate.

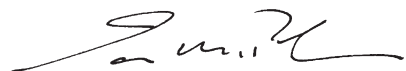
5.116 The participation function is linked heavily to the introduction of the Australians Working Together initiative.⁵² It incorporates the role of the Personal Advisor, as well as existing resources such as Centrelink Disability Officers and Migrant Services Officers. This function will assess barriers to economic and social participation, develop participation plans with customers, manage mutual obligations and provide the appropriate referrals to other services.

5.117 The participation function mainly relates to customers of work force age, rather than age pensioners. It focuses more on providing an entry path into the workforce.

5.118 Under the structure of this new model, staff would no longer focus on delivering all functions of the particular payment, but on one of the above functions. Under the new business model, when a customer contacts Centrelink, they would deal with either a Personal Adviser, or a CSO specifically trained in delivering one of the three functions discussed above.

5.119 Centrelink argues that the reorganisation of work into the new business model will also provide more clearly defined jobs, and greater career opportunities for its staff. As well, there will be greater accountability at the individual and team level. Because, at the time of the audit, Job Redesign had not yet been implemented, the ANAO did not assess its effectiveness in contributing to the delivery of the Age Pension program.

Canberra ACT
5 November 2002



Ian McPhee
Acting Auditor-General

⁵² The Australians Working Together initiative is the Government's response to the recommendations of the McClure Report on welfare reform, completed in August 2000. The report identified a need for extensive reform of the social security system, with an emphasis on paid employment to combat the cycle of joblessness in welfare-dependent families. The initiative aims to guide welfare recipients of workforce age away from welfare dependency and into active participation in training and employment.

Appendices

Appendix 1

ANAO Recommendations on the FaCS-Centrelink Business Assurance Framework

Audit Report No.34, 2000–01, Assessment of New Claims for the Age Pension by Centrelink	Audit Report No.35, 2000–01, Family and Community Services' Oversight of Centrelink's Assessment of New Claims for the Age Pension	Audit Report No.26, 2001–02, Management of Fraud and Incorrect Payment in Centrelink
<p>Recommendation No. 3</p> <p>To help ensure that reliable and valid new Age Pension claim assessment accuracy information is collected, the ANAO recommends that Centrelink confers with FaCS to more clearly define assessment accuracy for the purposes of measuring Centrelink's performance under the Business Partnership Agreement (BPA).</p>	<p>Recommendation No. 3</p> <p>To help ensure that reliable and valid information on new Age Pension claim assessment compliance with the <i>Social Security Law</i> and the <i>Guide to the Social Security Law</i> is reported to FaCS by Centrelink, the ANAO recommends that FaCS, in consultation with Centrelink, clearly defines standards to be used by Centrelink in assessing compliance.</p>	<p>Recommendation No. 2</p> <p>The ANAO recommends that Centrelink quickly conclude its current negotiations, with its client agencies, aimed at obtaining an improved Business Assurance Framework, to help ensure that all reviews meet established standards and provide the best possible results.</p>
<p>Recommendation No. 4</p> <p>To improve the monitoring and control of Age Pension assessment accuracy, the ANAO recommends that Centrelink negotiates with FaCS to establish:</p> <ul style="list-style-type: none"> • an approach to implementing a reliable compliance monitoring system; • a strategy to attain the Business Partnership Agreement (BPA) accuracy standards, including setting challenging but attainable intermediate performance targets; and • a process for investigating the merit of setting individual targets for different assessment activities within the Age Pension. 	<p>Recommendation No. 4</p> <p>To improve the monitoring and control of new Age Pension claim assessment compliance with the <i>Social Security Law</i> and the <i>Guide to the Social Security Law</i>, the ANAO recommends that FaCS negotiates with Centrelink to establish:</p> <ul style="list-style-type: none"> • an approach to implementing a reliable compliance monitoring system; • a strategy to attain the Business Partnership Agreement (BPA) accuracy standards, including setting challenging but attainable intermediate performance targets; and • a process for investigating the merit of setting individual targets for different assessment activities within the Age Pension. 	<p>Recommendation No. 3</p> <p>The ANAO recommends that Centrelink, in collaboration with FaCS as client agency, quickly conclude the current negotiations aimed at an improved Business Assurance Framework, to provide an estimate of losses from fraud and error by income support payment type in order to better assess the impact of compliance activities on the level of losses from fraud and error. The estimates should distinguish between losses from Centrelink error and those resulting from customer error and fraud.</p>

Appendix 2

Online document structures based on Centrelink's *Getting It Right* guidelines

1. Distinguish if a DOC⁵³ needs to be created.

A DOC must be recorded when ever a CSO:

- makes a decision—for any activity;
 - provides specific information to a customer or receives information from them that may affect their existing payment or future eligibility entitlement; and
 - receives mail, claim forms or other forms—that are not going to be processed on the day of receipt.
2. Record a summary line which contains:
 - who made the contact—customer, nominee, partner etc;
 - type of contact—phone, fax, e-mail, counter, etc;
 - the key word of the update being made—address, earnings etc; and
 - date of event for the related change, if appropriate.
 3. Record text which contains:

The text should be more than just a repeat of the summary line. It is used to document any further information the customer has provided or action you have taken that may need to be assessed in the future, and should include:

- details of any forms or modules that have been issued;
- if appointments have been made and CAS was not used;
- the information has come from a third party, including the full name and contact number of the third party;
- any reviews that have been coded and why they have been coded; and
- if a decision is being made in relation to granting, rejecting, suspending cancelling, debts or breaches, then the relevant section of the relevant Act must be included.

Source: Centrelink, 24 January 2001, *Getting it Right Manager's Kit*, Commonwealth of Australia.

⁵³ Online Document.

Appendix 3

Summary of Centrelink's progress in implementing recommendations in Audit Report No.34, 2000–01

No.	Summary	Findings
1	In view of the very high rate of administrative error amongst Age Pension assessments, the ANAO recommends that Centrelink, in consultation with FaCS, reviews the necessity for certain administrative guidelines and any legislative underpinnings for Age Pension to ensure that all are warranted in terms of the risks that they address compared with the costs that they incur.	Partly implemented. A review has been conducted which has identified a substantial agenda for further action, which is underway.
2	To improve the accuracy of assessment decisions on new Age Pension claims involving business structures and / or complicated income sources, the ANAO recommends that Centrelink in consultation with FaCS, reviews its existing procedures to consider the costs and benefits of referring all such complex new claims to specialist assessment officers.	Partly implemented. Progress satisfactory.
5	To improve the validity of its assessment accuracy data, the ANAO recommends that Centrelink: <ul style="list-style-type: none"> implements measures to ensure that all Quality On-Line (QOL) checking officers have sufficient skills and knowledge to identify assessment errors reliably; and reconsiders the requirement that QOL accuracy checks be completed before finalising the assessment, to ensure that checking officers are not pressured to clear the assessment with undue haste. 	Partly implemented. Further action is planned to restrict QOL-checking to appropriately skilled staff.
6	To reduce the load of checking the assessment activity of Learners, the ANAO recommends that Centrelink, in consultation with FaCS, considers refining the Quality On-Line (QOL) sampling regime to: <ul style="list-style-type: none"> allow staff to attain Expert status for identifiable assessment activities; and require 100% checking only for those assessment activities for which they have not yet attained an agreed level of accuracy. 	Implemented.
7	To improve the validity and consistency of compliance monitoring data gathered across the Centrelink network, the ANAO recommends that Centrelink: <ul style="list-style-type: none"> assigns responsibility to Area managers for implementing a system of accuracy checks within their Area and be accountable for the accuracy of those checks; and implements a system of regular Quality On-Line (QOL) validation checks, administered independently of Area managers. 	Mostly implemented. Validation checks should include reassessments as well as new claims. The validation model should also be reviewed once the Business Assurance Framework is in place.

No.	Summary	Findings
8	<p>To minimise the cost of Quality On-Line (QOL) checking activity while ensuring an appropriate level of statistical precision, the ANAO recommends that Centrelink, in consultation with FaCS, reviews the entire compliance monitoring sampling regime to consider such factors as:</p> <ul style="list-style-type: none"> the frequency of population estimates; the number of sampling strata; the proportions sampled from new claims and reassessments; targeted sampling across different benefit types; and targeted sampling for decisions of non-experts. 	<p>Partly implemented.</p> <p>Progress satisfactory.</p> <p>The QOL sampling regime has been refined and further discrimination is planned, subject to the outcome of negotiations for a new Centrelink Development Agreement.</p>
9	<p>In view of the complexity of many Age Pension assessments and the positive impact of expert advice on the accuracy of complex assessments, the ANAO recommends that Centrelink take action to ensure that all Customer Service Officers (CSOs):</p> <ul style="list-style-type: none"> possess sufficient technical assessment skills; and have sufficient access to expert advice. 	<p>Partly implemented.</p> <p>Progress satisfactory.</p> <p>Centrelink is developing a range of tools to improve the consistency of technical skills assessment and training delivery.</p> <p>Access to expert advice has improved, and Centrelink is developing more guidance on the role of Complex Assessment Officers.</p>
10	<p>To improve the usefulness of the current written guidance material issued by Centrelink, the ANAO recommends that Centrelink:</p> <ul style="list-style-type: none"> ensures that all reference materials on the online resource Centrelink Reference Suite (CRS) provide consistent advice; investigates the scope to enhance the search engines and cross-referencing within CRS materials; and ensures that all staff are adequately trained on how to locate information on CRS. 	<p>Implemented.</p>

Appendix 4

Centrelink's Getting It Right Stage II Action Plan

KEY AREA 1—Staff/Management Support and Accountability		Target date for completion
Strategy 1—Clarify roles, responsibilities and performance expectations		
Establish competency standards and performance links for different levels in relation to improving correctness in the new CDA together with a description of the roles of Centrelink staff in so far as they are responsible for achieving improved correctness (including current CSO work, new roles under AWT, specialists, team leaders, technical experts, and managers).		In line with CDA process
Subject to refinements that may emerge in evaluation, promulgate the principles of work processes that are built into the Job Redesign trials.		3rd Qtr 2002
Review the roles of 'experts' and CAOs so they provide a source of technical advice and expertise for staff.		2nd Qtr 2002
Introduce competency-based advancement at all levels as part of 1-2-3 job redesign exercise.		3rd Qtr 2002
Strategy 2—Revise performance management and reporting processes		
Enable managers, team leaders and checkers to use all management information relating to individual ODMs' [Original Decision Makers] ability to achieve correct and accurate results for performance assessment and training purposes. (This has CDA implications).		2nd Qtr 2002
Revise KPIs [Key Performance Indicators] to reflect appropriate balance between timeliness and accuracy.		3rd Qtr 2002
Implement a program for quality control of checkers under the Business Assurance Framework and ensure they have access to necessary training.		2nd Qtr 2002 & continuing
Provide AMs [Area Managers] with data that enables them to target staff not meeting the required standards (eg. compliance with POI [Proof of Identity] requirements, possibly use ACM-type [Accelerated Claimant Matching] matching as a POI validation mechanism).		2nd Qtr 2002
Incorporate debt prevention and raising processing in performance reporting.		1st Qtr 2002
Strategy 3—Progress Workload management		
Introduce work scheduling/job redesign to increase attention on correct payment outcomes and timely access to checkers and expertise.		3rd Qtr 2002

Reinforce the message that achieving accuracy by ODMs and through checking is part of customer service and must be achieved even if timeliness suffers.	Ongoing
Introduce customer communication management with redesigned jobs.	3rd Qtr 2002
Strategy 4—Update and simplify e-Reference	
Complete e-Reference to cover all life events.	2nd Qtr 2002
Commence authoring on the new e-Reference technical platform.	3rd Qtr 2002
Review, refine and develop training on the use of e-Reference. Incorporate this in AWT training.	2nd Qtr 2002 and ongoing
Review e-Reference and other communications to the network to ensure that elements of administration that are common across programs are expressed in the same style and terms.	2nd Qtr 2002 and ongoing
Review e-Reference and other communications to the network to ensure that tightly defined rules generally relate to the Four Pillars while other material is identified as better practice.	1st-2nd Qtr 2002
Identify non-users of e-Reference and provide them with training and support.	Ongoing
Maintain currency of e-Reference including updates to align with impacts of major IT releases.	1st Qtr 2002 and ongoing
Strategy 5—Enhance technical skills particularly in decision-making as it affects payment accuracy	
Finalise the National Induction Training Program which includes technical skills on use of e-Reference, then implement.	2nd Qtr 2002
Finalise model for technical training products to be based on AWT training. Some basic training around the four pillars to be incorporated in AWT training.	1st Qtr 2002
Use the model for technical training to review all technical training packages. Ensure training packages sufficiently cover the exercise of discretion in decision making.	Commence 1st Qtr 2002
Provide maintenance training.	Ongoing
Continue the implementation of Learning Needs Analysis for all payments/services.	Ongoing
Strategy 6—Introduce accredited, dedicated checking experts	
Specify QOL checking as an identifiable position access to which is through merit selection only. (This has CDA implications).	2nd Qtr 2002

Use QOL to test technical competence and ensure that this is one of the basic qualifications for advancement of ODM staff to C2.5. (This has CDA implications).	2nd Qtr 2002
Develop training for specialist QOL checkers, including giving and receiving feedback, coaching and mentoring.	2nd Qtr 2002
Develop the role of technical experts as coaches/mentors for ODMs in technical matters.	3rd Qtr 2002
Give more formalisation and structure to the QOL feedback process.	2nd Qtr 2002
Strategy 7—Implement a communication strategy which contextualises Getting it Right for staff and the cultural change required to implement it fully	
The Guiding Coalition Expectations Statement about Social Security Payments to be made the centrepiece of the communication strategy.	1st Qtr 2002
Area Managers and National Managers will implement, in the context of their Business Improvement Plans, the national Getting it Right strategy and take local leadership in delivering these key messages: <ul style="list-style-type: none"> ✓ culture change; ✓ all elements of Centrelink have roles; ✓ the cost of rework; ✓ the business assurance framework we have with client departments; and ✓ encouraging staff to participate in Getting it Right broadcasts. 	1st Qtr 2002 and ongoing
Use Business TV and publications to promote Getting it Right. <ul style="list-style-type: none"> ✓ Document and publish the work done on Getting it Right to date. ✓ An early broadcast will focus on POI and proper standards for DOCS. ✓ The Getting it Right Steering Committee to continue to develop the program of broadcasts, using the results of November/December 2001 survey in developing this strategy. ✓ Messages to staff to include recognition of problems/issues and what is being done to address these—eg. understanding the limits of QOL, recognition of good news stories. ✓ Include discussion on the nature and form of errors relating to the Four Pillars being identified by audits and other reviews. ✓ Update Getting it Right Managers' Kit. 	1st Qtr 2002 and ongoing

Brief CPSU [Community and Public Sector Union] on key Getting it Right messages.	1st Qtr 2002
Document and publish achievements to date.	1st Qtr 2002
KEY AREA 2—Policy Product and Process Improvement	
Strategy 1—Reduce the complexity of business processes.	
Examine current processes and remove those without a legislative/policy basis and those that are otherwise redundant: <ul style="list-style-type: none"> • Special and emergency payments project. • Rules simplification. • E-business options. 	Ongoing
Examine the feasibility of using automated real time data matching with other agencies for POI purposes.	2nd Qtr 2002
Advise FaCS of current issues with currency of the <i>Guide to the Social Security Act</i> .	3rd Qtr 2002
Strategy 2—Policy and rules simplification	
Community Segments are to ensure focus on policy simplification and integration. This is to be reflected in all network communications.	1st Qtr 2002
Develop and promulgate a standard framework for validation and verification.	1st-2nd Qtr 2002
Review operation of new POI procedures.	1st Qtr 2002
Strategy 3—Strengthen and target Quality Control and Quality Assurance processes and tools	
Finalise and implement the Business Assurance Framework, including review of sampling regime, accreditation of checkers, redevelopment of reporting mechanisms, clear delineation between correctness of payment outcomes and service delivery issues.	1st-2nd Qtr 2002
Redesign and align QOL, Area-Based Checking, National Validation and Random Sample Survey questions to reflect the requirements of the Business Assurance Framework, and taking into account: <ul style="list-style-type: none"> • options for rates of checking; • QOL questions to support legislation; • alignment of QOL questions across programs; • simplification of questions; 	1st-2nd Qtr 2002

<ul style="list-style-type: none"> whether some QOL questions can be checked off line; and the proportion sampled from new claims and reassessments. 	
Investigate the appropriateness of taking QOL checks out of 'real time'.	1st Qtr 2002
Strategy 4—Drive letters reduction	
<p>Give greater attention to letters reduction and content simplification to reduce unnecessary customer contact:</p> <ul style="list-style-type: none"> Joint Steering Committee with FaCS. Customer profiling. Customer account. Expressed as ratio of increased functionality. 	Ongoing
KEY AREA 3—SYSTEMS ISSUES	
Strategy 1—Address systems issues that inhibit Getting it Right.	
Identify, research, document and prioritise contributing systemic causes of problems linked to IT issues for consideration in long term strategy.	Ongoing
Ensure that IT receives complete Business Requirements/specifications for all requested work in a timely manner to maximise control of lead times and facilitate capacity planning.	Ongoing
Analyse and fix specific systems problems identified by Areas. The Area reports are being analysed to separate policy/legislative issues from systems issues.	Ongoing
<ul style="list-style-type: none"> Policy/legislative issues will be referred to the relevant business owners for resolution. Systems issues will be matched to the relevant AIMS/QUANTUM entries and fixes will be scheduled for release. 	
Analyse AIMS/QUANTUM problems to determine those which are having an impact on correctness. Senior systems staff to spend time in network offices to identify the more important problems particularly those that lead to workarounds.	2nd Qtr 2002
Develop and implement strategy to correct data irregularities on our databases.	3rd Qtr 2002
Take action in relation to scripts:	
<ul style="list-style-type: none"> Awaiting conversion of 16bit to 32bit. This will enable the security required to implement the accreditation process nationally. 	2nd Qtr 2002 and ongoing

<ul style="list-style-type: none"> Enterprise Architecture with Script Development group published guidelines on the development and use of scripts. Accreditation paper for script developers to be promulgated after sign off. Script Development group to become more involved in the workflow discussions regarding system. 	
Allocate resources to enable 10% of each systems release to address priority issues that will support staff in Getting it Right.	Quarterly
Review arrangements for notifying systems issues that will enable timely fixes.	1st Qtr 2002
Review whether systems design can be simplified where business owners can identify especially complex areas.	Ongoing
Identify system streamlining priorities that will also reduce the need for workarounds.	2nd Qtr
Implement a learning and education program for IT Teams to ensure understanding of Centrelink business directions and priorities.	2nd Qtr 2002
Automate debt raising processes.	1st-2nd Qtr 2002
Strategy 2—Improve Records Management	
Revise business rules for records management.	1st Qtr 2002
Review and upgrade DOCs system.	3rd Qtr 2002
Strategy 3—Redevelop QOL to reflect Business Assurance Framework	1st-2nd Qtr 2002
Review all QOL questions and include business assurance questions into QOL.	2nd Qtr 2002
Update QOL Stat to provide correctness results against the Business Assurance Framework.	2nd Qtr 2002

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