



*fac*s making a difference

**EXECUTIVE MINUTE**  
on  
**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT REPORT [No. 389]**  
*[Review of Auditor Generals reports 2000-2001 Fourth Quarter]*

**General comments**

FaCS and Centrelink have agreed both the Business Assurance and the Outcome and Output Frameworks which form the foundation of the business arrangements between the two organisations.

The Business Assurance Framework will provide confidence that Centrelink are managing the key risks to FaCS payments and services through a range of quality control mechanisms. Assurance on those quality controls will be provided through Area Support Offices and National Support Office checking and Centrelink internal audits. Quality Assurance will also include the ongoing Random Sample Surveys.

The recently agreed Outcome and Output Framework reflects Centrelink's contribution to a number of shared outcomes, via a set of Key Performance Indicators that will inform both agencies that the outcomes are being achieved through the delivery of agreed outputs. Having reached agreement on this framework FaCS and Centrelink are now in the process of transition from the current KPIs to the new performance management framework.

The interaction of the two frameworks will mean that FaCS will have confidence that performance expectations will be met and will be able to directly measure that via the new performance framework. Most of the work to date has focused on ensuring the integrity of outlays as reported in FaCS annual financial statements and the assurance and performance information underlying those statements. Future work will focus on the delivery of other outcomes such as the economic and social participation of customers.

External validation will be undertaken by FaCS, including additional sampling from random sample surveys to check for correct process, integrity of reported results and an assessment of system accuracy for both assurance and performance information.

## Response to the recommendations

### **Recommendation No 4 paragraph 3.62**

The Committee recommended that FaCS:

- i. Finalise its strategy to enable independent validation of Centrelink's performance, taking the Auditor General's recommendations into account; and
- ii. Provide a copy of the agreed strategy to the committee.

The following processes have been agreed with Centrelink in relation to the validation of information relating to the integrity of outlays and the accuracy of payments.

In order to check that all necessary processes have been undertaken and relevant information collected in order to determine the accuracy of payment, the validation will rely on an agreed set of core questions corresponding to the requirements of the Social Security Law. The questions are grouped according to the four pillars of; right person; right program; right rate and right date, which underlie the agreed framework for accuracy of payment. These core questions have been developed jointly and agreed with Centrelink

Attribution of error will also be checked during this validation process. This will allow FaCS to identify areas of concern and request additional assurance from Centrelink

To validate the integrity of the random sample review result, FaCS will refer directly to legislation and policy guidelines to determine whether the decision in relation to the person's payment arising from the review, eg a debt or arrears payment or a change to the rate of payment, was correct. This validation will require FaCS to examine the original sources of information used by review officers to arrive at their decision. Once validated this information will form the basis of performance assessment.

All assurance, performance assessment, and validation for accuracy of payment will be based on random sampling methods which have been designed to be statistically valid. Random sample surveys results will provide a new monitoring system for these activities external to mainframe data.

The table below summarises the response to each of the Auditor General's recommendations:

Recommendation	Response
<p>To assure itself that performance information produced by Centrelink in relation to new Age Pension claim assessment compliance with the <i>Social Security Law</i> and the <i>Guide to the Social Security Law</i> is accurate, The ANAO recommends that FaCS undertakes periodic, independent (of Centrelink) validation of this information.</p>	<p>FaCS will undertake its own validation of Centrelink's performance information using a sampling methodology to ensure confidence in the overall data provided.</p>
<p>To assure itself that Centrelink is taking appropriate measures to achieve 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 uses targeted process monitoring as a control strategy.</p>	<p>The data provided from the random sample surveys will include the reason for errors which have been identified. This will allow analysis of the effectiveness of controls and provide the basis for requests on further assurance from Centrelink on particular controls.</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>, the ANAO recommends that FaCS, in consultation with Centrelink, clearly defines standards to be used by Centrelink for assessing compliance.</p>	<p>Measurement of accuracy and correctness will be according to a set of core questions which correspond to the requirements of the <i>Social Security Law</i>. These core questions have been agreed with Centrelink and will also be used in the validation of performance data.</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"> <li>• an approach to implementing a reliable compliance monitoring system;</li> <li>• a strategy to attain the Business Partnership Agreement (BPA) accuracy standards, including setting challenging but attainable intermediate targets; and</li> <li>• a process for investigating the merit of setting individual targets for different assessment activities within the Age Pension.</li> </ul>	<p>Performance monitoring will no longer rely on mainframe data but will be based on random sample survey results.</p> <p>Benchmarks for accuracy and correctness of payment will be set following the analysis of data from the current rolling random sample survey. It is expected that new benchmarks will be in place for the 2003-04 BPA. These benchmarks may vary across payments</p>
<p>In view of the very high rate of administrative error in Age Pension assessments, the ANAO recommends that FaCS, in consultation with Centrelink, reviews the necessity for certain administrative guidelines and their legislative underpinnings for Age Pension to ensure that all are warranted in terms of the risks that they address compared with the costs that they incur.</p>	<p>In order to ensure that administrative processes which have no effect on a persons payment are kept to a minimum, a number of simplification initiatives have now been implemented, including simplified new claims processes for Age Pensions, and the simplification function has now been incorporated into the ongoing business of the department.</p>