

Audit Report No. 7, 2002–2003

Client Service in the Child Support Agency Follow-up Audit

Introduction

Background

4.1 The Child Support Scheme (the scheme) was established in 1988 as a national system for transferring child support payments between separated parents for the benefit of their children. The Child Support Agency (CSA) leads the administration of the scheme. Its main functions are to:

- register and assess cases;
- collect payments if requested;
- enforce child support liabilities; and

- provide information on child support matters.¹
- 4.2 The CSA operates in a complex and sensitive environment. The strong emotions often felt by separated parents and their experiences with other aspects of the separation process can have a serious impact upon their relationship with the CSA.
- 4.3 The CSA administered over 650 000 child support cases as at June 30 2002.² This figure included approximately 330 000 cases for which the CSA was the collection agency, that is, where the CSA collected and disbursed child support payments. Each case has two CSA clients—a payer and a payee—so that the CSA had approximately 1.3 million clients at the time, as well as responsibility for around 990 000 children.
- 4.4 The CSA has been subject to a number of audits and parliamentary reviews during the 1990s. In particular, the 1997–98 ANAO audit of the CSA that examined the administration of the scheme and made 12 recommendations to enhance the CSA’s performance.³ The audit report was further reviewed by the Committee, which reinforced the audit findings with three additional recommendations in *Report 367, Review of Auditor-General’s Reports 1997–98*.

The audit

- 4.5 The objectives of the audit were to:
- assess the CSA’s implementation of the 12 recommendations contained in the previous ANAO audit and 3 recommendations pertaining to it in the Committee’s *Report 367*; and
 - establish whether the CSA had improved the management and delivery of its client service, taking into account the recommendations and findings detailed in the above reports as well as appropriate alternative measures and emerging issues that had affected the agency.
- 4.6 The audit did not assess the impact of the CSA’s redeveloped IT system (CUBA) on client service, as fieldwork was completed before the introduction of the new system in March 2003. Nor did it address policy issues relating to the scheme such as the child support formula, as these issues were outside the audit mandate of the ANAO.

1 Auditor-General, *Audit Report No. 7, 2002–2003, Client Service in the Child Support Agency Follow-up Audit*, Canberra, September 2002, p. 11

2 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 11.

3 Auditor-General, *Audit Report No. 39, 1997–98, Management of Selected Functions of the Child Support Agency*, Canberra, April 1998.

Audit findings

- 4.7 The audit found that the CSA had placed a strong emphasis on addressing the issues and recommendations of the previous ANAO audit and the associated Committee report. The CSA had either fully or substantially implemented almost all of the 15 combined recommendations. This had been achieved in an integrated manner, applying a holistic approach that implemented the recommendations as part of a fundamental restructure of CSA business.⁴
- 4.8 The ANAO also found that the restructure, particularly the Client Service Model and the CSA's new stream structure (comprised of New Clients, Collection Support, and Debt Management Services) had significantly improved the management of its business as had the enhancement of support for staff at the CSA. As a result the ANAO noted an increase in performance since its previous report.⁵
- 4.9 The report also noted areas where improvements could be made in several areas, including:
- the provision of more accurate advice by the CSA to clients;
 - clearer explanation to clients of decisions taken by the Agency;
 - ensuring that obligations made by staff were fulfilled;
 - the application of case-locking rules (whereby the Agency ensures that a client's case issues are referred to one Case Support Officer); and
 - many aspects of the Change of Assessment process.⁶
- 4.10 In addition, the audit report also identified the need for improvement in the management of client debt. The report noted that the magnitude and timeliness of payments remained a problem for many CSA Collect payees, who are owed an average of over \$2100 at 30 June 2001.⁷
- 4.11 The ANAO suggested gains could be made in the following areas:
- reviewing procedures for employer withholding of current payments and employer withholding of arrears;
 - revision of performance measures of debt and collection;
 - refining case selection criteria for Individual Case Management ; and

4 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 12.

5 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 12.

6 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 13.

7 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 13.

- improving the capacity for cases to be referred from the New Clients Stream to the Debt Management Services Stream (referred to as cross stream referral).⁸

4.12 The ANAO report acknowledged the genuine commitment on the part of the CSA to making continual improvements in its processes and recognised the nature of the sensitive environment in which the CSA operated.

The Committee's review

4.13 On 28 March 2003, the Committee held a public hearing to review the progress made by the CSA in relation to the implementation of the ANAO's recommendations.

4.14 The Committee took evidence on the following issues:

- implementation of previous recommendations;
- complaints handling and performance;
- determination of assessable income; and
- debt management and collection.

Implementation of previous recommendations

4.15 The CSA was the subject of a performance audit by the ANAO in 1997–98. That report, entitled *Management of Selected Functions of the Child Support Agency*, contained 12 recommendations to enhance the CSA's performance. The CSA agreed with all 12 recommendations.

4.16 During 1998, the Committee reviewed *Audit Report No. 39, 1997–98* and concluded that it expected 'further improvement in performance management, through the continued implementation of the ANAO's recommendations'.⁹

4.17 In addition, the Committee strengthened the ANAO's view with three additional recommendations. These recommendations were:

- **Recommendation 2:** ... the [Child Support Agency] should take immediate action to simplify the language and style used in its

⁸ Auditor-General, *Audit Report No. 7, 2002–2003*, p. 13.

⁹ JCPAA, *Report 367, Review of Auditor-General's Reports 1997–98*, Canberra, March 1999, p. 60.

publications and should employ an outside consultant to undertake the task.

- **Recommendation 3:** The Child Support Agency should commission an expert consultant to undertake comprehensive and regular client surveys in order to determine the level of client awareness of the Charter and complaints service.
- **Recommendation 4:** To ensure equitable outcomes are delivered, the CSA should take prompt action to ensure that the setting of levels of Employer Withholding of Arrears reflect the annual income of the client.¹⁰

- 4.18 The 2002–2003 audit report found that the CSA had either ‘fully, substantially or partially implemented all the recommendations of the previous ANAO audit and associated JCPAA report’ or that the CSA had adopted an alternative strategy. The ANAO considered that the CSA had understood and responded to the intent of these external reviews. However, the ANAO noted that some of the recommendations had not been implemented as fully as may have been expected.¹¹
- 4.19 The Committee sought clarification of the extent to which its recommendations had been implemented, particularly focussing on Recommendation 3 (see above).
- 4.20 The Committee expressed concern that although an Executive Minute¹² had been received from the relevant department (Department of Family and Community Services) stating that this recommendation had been implemented, the ANAO report had revealed that the CSA had measured its performance in meeting charter commitments rather than measuring clients awareness of the charter.¹³
- 4.21 The CSA responded that it had implemented the intent of the recommendation while conceding that this was different from implementing the exact recommendation. It considered its position was more meaningful to its clients:

We try and put ourselves in the shoes of our clients. If you ask a client the question, ‘Are you aware of the Child Support Agency’s client service charter?’ I think they will inevitably say, ‘What’s that?’ ... That is because it does not necessarily have any meaning for them ... Rather than ask clients the specific question, ‘Are you

10 JCPAA, *Report 367*, Recommendations 2, 3, 4, pp. 48, 51, 59.

11 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 116.

12 Hon Larry Anthony MP, Minister for Community Services, *Executive Minute on JCPAA Report 367*, 14 October 1999.

13 *Transcript*, 28 March 2003, p. 16.

aware of the charters?’ we asked them, ‘How do you think the agency is performing in relation to [the] objectives [of the charter]?’¹⁴

4.22 However, the Committee considered that the CSA had failed to understand the purpose behind the Committee’s recommendation. Client awareness of the CSA’s charter would include awareness of CSA problem resolution processes. This would increase use of those avenues before dissatisfied clients approached Members of Parliament with problems.¹⁵

4.23 The Committee also noted that the ANAO was dissatisfied with the CSA’s implementation of Recommendation 4 from *Report 367* in spite of assurances from the CSA that the recommendation had been implemented. The recommendation was that:

To ensure that equitable outcomes are delivered, the CSA should take prompt action to ensure that the setting of levels of Employer Withholding of Arrears reflects the annual income of the client.¹⁶

4.24 The ANAO’s view was that the CSA had not successfully addressed the problem referred to in the recommendation. Its analysis showed that much of the estimation of arrears to be withheld was still based on the size of the debt rather than on the capacity to pay or annual income. The audit report stated:

The employer rates applied to debtors under garnishees arrangements did not appear to fully reflect debtor capacity to pay. In February 2002, the average [Employer Withholding of Arrears] deduction for debtors with income of less than \$20 000 was actually higher than for debtors with incomes of more than \$20 000.¹⁷

4.25 A significant issue was the lack of research by the CSA to analyse what, if any, improvement had been made in this area. Analysis would have shown that there was no improvement over time and therefore no effective implementation of Recommendation 4.

4.26 The CSA responded by assuring the Committee that it had again reviewed guidance to staff making assessment of Employer Withholding of Arrears (EWA). It conceded that previous guidelines for staff had been too vague and that since the ANAO report, the CSA had implemented more detailed

14 Ms Catherine Argall, *Transcript*, 28 March 2003, p. 16.

15 *Transcript*, 28 March 2003, p. 17.

16 JCPAA, *Report 367*, p. 59.

17 Auditor-General, *Audit Report No. 7, 2002-2003*, p. 22.

guidelines for assessing the level of EWA. These guidelines included a 'ready reckoner' as a tool for staff making such judgements.

- 4.27 The CSA indicated that it was very concerned with assessing clients accurately in relation to the EWA to be applied and that it was committed to providing more training and development to the staff making these decisions. The CSA believed progress had already been made in this area and the ANAO endorsed the new guidelines as having 'clearer criteria for capacity to pay decisions for allocating debt repayments.'¹⁸

Committee comment

- 4.28 The Committee notes that the CSA has no separate process, outside of ongoing business arrangements, for monitoring the implementation of recommendations from external reviews.
- 4.29 The Committee is concerned by the tendency of the CSA to re-interpret the recommendations of both the JCPAA and the ANAO. This may have led to delays in improving the system, which in turn meant a less fair and efficient system for CSA clients. The Committee considers that its recommendations and those of the ANAO are sufficiently well-thought out and considered to warrant full implementation.
- 4.30 If the CSA disagrees with the recommendations of external reviewers it should make its concerns explicit to both its Minister and those reviewers. To do otherwise potentially misleads its Minister and (when Committee recommendations are involved) the Parliament.
- 4.31 To achieve the improvement necessary to ensure an equitable application of EWAs, the Committee considers that the CSA will need to be vigilant regarding the application of criteria used by staff to determine EWAs. Such vigilance could be achieved through the CSA's internal audit mechanism.

Recommendation 3

- 4.32 **The Child Support Agency should advise the Joint Committee of Public Accounts and Audit of the Agency's progress towards implementing the recommendations directed to it in *Report 367, Review of Auditor-General's Reports 1997-98, Third Quarter*.**

18 Mr Andrew Morris, *Transcript*, 28 March 2003, p. 18.

Complaints handling and performance

- 4.33 The complaints process within the CSA has long been a problematic area for the agency. The audit report examined the efficacy of the implementation of Recommendation 3 in relation to client awareness of the complaints process as well as measuring the performance of the complaints process itself.
- 4.34 The Committee sought further explanation of how the CSA measured client awareness of the complaints service, as this was an area in Recommendation 3 in which there was dispute over the full implementation.
- 4.35 The CSA acknowledged that its internal surveys did not actually measure the level of client awareness of the complaints process. It continued with clarification of how it promoted awareness of the complaints process.
- 4.36 The CSA suggested that its promotion of the complaints process was quite comprehensive. The agency used various strategies to ensure that clients and the general public knew of the complaints process available to them. These included:
- the issuing of an information kit to all new clients which contained a pamphlet about the complaints process;
 - the inclusion of the same pamphlet with all new assessment notices, issued every 12-15 months;
 - use of the CSA website to explain and promote the complaints process; and
 - a separate listing in the *Telstra White Pages* for CSA Complaints service.¹⁹
- 4.37 The CSA added that it comprehensively monitored complaints received either directly or through external agencies. It considered that one measure of complaints process awareness was the number of complaints coming direct to the agency. As this figure had increased since the previous ANAO report, the CSA concluded that it was improving client awareness of the complaints service.²⁰
- 4.38 The CSA detailed the process involved when it addressed complaints. This was a three stage process, where clients began with their own case
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19 Ms Sheila Bird, *Transcript*, 28 March 2003, p. 19.

20 Ms Sheila Bird, *Transcript*, 28 March 2003, p. 19.

officer, then progressed to the team leader for that officer. If the complaint remained unresolved, a client had the option of utilising the services of an independent complaints officer. The agency noted that, in all complaints cases it tried 'to identify the broader systemic issues' and address these in its staff training.²¹

- 4.39 The CSA advised that the percentage of upheld complaints was between 17 and 20 per cent, while also noting that not all upheld complaints resulted in a change to child support. However, the CSA emphasised that complaints might result in an apology or compensation or in a significant change to the system.²²
- 4.40 The CSA acknowledged that complaints were an ongoing issue for the agency but indicated the nature of the work meant that this was inevitable:

This is an area, you will appreciate, that no matter how well we deliver a child support service there will continue to be those parents who are unhappy with the service. Our research suggests that as many as 15 per cent of the overall case load may well be a group of clients that we will fail to satisfy regardless of what we do.²³

- 4.41 The CSA also noted that approximately 90 per cent of all separated parents currently use the CSA to assess their child support. Of that 90 per cent, about 50 per cent of parents had an annual assessment and completed the financial transfer directly between themselves. The agency made the point that as the parents who were able to manage their own payments were removed from the CSA client pool, the agency was left with a group of parents who 'are the ones who cannot agree.'²⁴

Committee comment

- 4.42 The Committee is pleased to note that the CSA has demonstrated a genuine determination to improve the awareness of its complaints service, as well as monitoring how effective the agency was in receiving complaints directly from clients rather than via an external agency. That progress is being made is supported by findings in the ANAO report that

21 Ms Catherine Argall, *Transcript*, 28 March 2003, p. 26.

22 Ms Sheila Bird, *Transcript*, 28 March 2003, pp. 25–6.

23 Ms Catherine Argall, *Transcript*, 28 March 2003, p. 19.

24 *Transcript*, 28 March 2003, p. 20.

complaints through the Commonwealth Ombudsman and Members of Parliament had declined substantially between 1997–98 and 2000–01.²⁵

- 4.43 The Committee acknowledges the sensitivity of the environment within which the CSA operates and acknowledges the efforts at improving systems and staff support since the previous audit report in 1997–98.
- 4.44 However, the Committee notes that in dealing with an area as sensitive as parental separation and child support, the agency must maintain high levels of vigilance and be continually seeking ways of improving its performance.

Determination of assessable income

- 4.45 The Committee focused on the determination of assessable income in cases where non-custodial parents hide assets, for example by structuring their finances to reduce their assessable income or by moving assets offshore and having offshore bank accounts.
- 4.46 Committee members noted that this was an issue of serious contention among their constituents and one about which they regularly received representations.
- 4.47 The CSA explained that in circumstances where the parent in receipt of child support (the payee parent) believed that the assessment for the paying parent was not commensurate with their capacity to pay, there was the option of requesting a change of assessment. In this instance payee parents were able to seek a determination of child support that was not based on the standard formula but was more reflective of the paying parent's capacity to pay.
- 4.48 This process arose from a legislative power that came into force in 1999, called a registrar initiated change of assessment.²⁶ The CSA explained the benefits of the power:

This is where the registrar initiated change of assessments is an extraordinarily beneficial power ... we explore all of the information where information from a payee and/or other source indicates that there are assets which seem to have disappeared ... we can track some of the information, include it in affidavits that we build then take those cases to a court, enabling a judge to look

25 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 68.

26 Ms Catherine Argall, *Transcript*, 28 March 2003, p. 20.

at the overall circumstances of a particular client and then make a judgement about whether in fact this person has a capacity to pay that is not currently reflected and whether there should be an enforcement summons.²⁷

4.49 The CSA reported that the registrar initiated change of assessment had been a very successful tool for use in situations where there were disputes about capacity to pay. The agency added that part of the reason was that 'the court does not have to have 100 per cent proof that the person has assets overseas to make a particular order'.²⁸ Allowing this discretion in determination of assessment provided a limited safeguard for payee parents who were being disadvantaged by the application of a standard formula of assessment.

4.50 The ANAO report referred generally to the change of assessment function and stated:

By its nature, a contentious atmosphere surrounds the change of assessment function, with much of the client satisfaction related to broader child support scheme issues and outcomes.²⁹

4.51 The audit report also noted the high cost involved in any change of assessment process as well as the heavy workloads and tight timelines within which the CSA had to research, determine and finalise cases.

Committee comment

4.52 The Committee recognises that many custodial and non-custodial parents face financial difficulties, especially after starting new families. Unfortunately, the CSA from time to time has to deal with cases where its clients may not always be completely reliable. The Committee considers that while the CSA has undertaken to develop procedures to investigate cases of discrepancy between actual and apparent capacity to pay, it is incumbent upon the agency to ensure that its clients understand the options of determining a new assessment.

4.53 The Committee notes that Members of Parliament still receive a great many complaints about the CSA and in particular about the potential for paying parents to hide income to influence the child support liability assessment, and on the other hand about the financial hardships faced by non-custodial paying parents. The Committee urges the CSA to examine

27 Ms Catherine Argall, *Transcript*, 28 March 2003, p. 21.

28 Ms Sheila Bird, *Transcript*, 28 March 2003, p. 22.

29 Auditor-General, *Audit Report No. 7, 2002-2003*, p. 83.

some of the opportunities for improving the change of assessment process as detailed in the ANAO report.³⁰

Debt management

4.54 Child support debts are incurred whenever liable parents do not meet their obligations. The ANAO report noted that:

Such debt is a significant issue for the Commonwealth and the community because it means that children have not received the child support entitlements and parents have not met their share of the cost of supporting their children. Child support debt also tends to undermine the confidence of carer parents in the operation of the scheme.³¹

4.55 The Committee was concerned at the ANAO's opinion that the magnitude of arrears and timeliness of payments remained a problem for the CSA. The Committee sought clarification from the CSA about strategies taken by the agency to 'manage debt at an early stage before it starts to escalate'.³²

4.56 The CSA agreed that debt management was of major concern to the agency. It explained that the recent increase in debt arose from the introduction in 1999 of a minimum annual child support payment of \$260. The introduction of this payment had caused many CSA Collect payers to have small debts. This evidence was supported by the findings of the audit report which noted that:

The effect of the minimum-liability legislation was to sharply increase the number of cases with small ongoing liabilities and small debts. The percentage of payers with child support debts of under \$500 rose from 22 per cent in June 1999 to 38 per cent in June 2001. Largely as a result of this, the overall percentage of payers who had debts rose from 56 per cent in June 1997 to 74 per cent in June 2001.³³

4.57 In spite of this, CSA also acknowledged that there were a small percentage of clients, around five per cent, with very large debts of more than \$10 000. The ANAO report noted that these debts were very likely to be

30 Auditor-General, *Audit Report No. 7, 2002–2003*, pp. 81–2.

31 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 84.

32 *Transcript*, 28 March 2003, p. 26.

33 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 85.

‘unrecoverable because of the size and age and the limited financial capacity of many debtors.’³⁴

- 4.58 The CSA explained some of its strategies to improve debt management. These included a new organisational structure under which CSA Collect clients were grouped and serviced.
- 4.59 In the new structure a New Clients Services stream focused on building the capacity of parents to manage their child support arrangements. Triggers for agency concern had also been introduced. These included first time default reports, and the capacity to refer for priority attention, clients who appeared likely to become non-compliant and therefore likely to accumulate debt.
- 4.60 The Committee also canvassed the interplay between Centrelink and the CSA in the debt management process, expressing concern that in receiving arrears the payee may unwittingly incur a family tax benefit debt.
- 4.61 The CSA explained the legislative relationship whereby Centrelink may share information with the CSA where that information is necessary for the CSA to fulfil its functions:
- Some of the core data around a child support case is relevant to both CSA and Centrelink in that, after we collect child support, and even when we make an assessment of child support, we actually send electronic files to Centrelink so they can make the necessary adjustments to the family tax benefit.³⁵
- 4.62 However, CSA conceded that when people received a large amount of child support arrears, the agency could do little more than suggest that the client contact Centrelink to discuss the implications. There was no capacity for spreading the arrears over a period of time as legislation demanded immediate disbursement by the CSA.
- 4.63 The ANAO report noted the increase in difficulty faced by the CSA in managing clients with debts problems due to the increase in the proportion of private collection arrangements. This increase meant that ‘the remaining pool of CSA Collect cases has on average become more difficult to manage and more likely to be non-compliant and have child support debt.’³⁶

34 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 86.

35 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 22–3.

36 Auditor-General, *Audit Report No. 7, 2002–2003*, p. 86.

Committee comment

- 4.64 The Committee acknowledges the ANAO's finding that the CSA had improved debt management since the previous audit in 1997–98.
- 4.65 The Committee's view is that debt management is an issue with broad financial and social implications. Child support debt means that CSA resources are required to pursue debt. As well, there is a potential impact on social security payments for carer benefits. The social impact of child support debt means that children are not being adequately supported by their parents, which may have implications for the health, housing and education of these children.
- 4.66 The Committee is pleased to note that since the implementation of CUBA, the CSA's redeveloped IT system, the agency has seen improvements in all areas of debt management and collection. The Committee looks forward to seeing a general trend of refining processes to achieve the most efficient, effective and equitable outcomes for all stakeholders.

Recommendation 4

- 4.67 **The Committee recommends that the Child Support Agency make a detailed report to the Committee on progress made in implementing new strategies to address debt management for clients of the Child Support Agency.**