

AUDIT REPORT NO. 39, MANAGEMENT OF SELECTED FUNCTIONS OF THE CHILD SUPPORT AGENCY

Introduction

4.1 The main function of the Child Support Agency (CSA) is to assist the transfer of child support payments between separated parents for the benefit of their children. The CSA provides separated parents with information and services. Specifically, the CSA registers, assesses, collects and enforces child support obligations in particular circumstances.

4.2 The audit report noted that the CSA has a key role in administering the Scheme and manages 448 000 child support cases, including 261 000 cases for which it is the collection agency. The CSA's current strategy is to encourage separated parents to make private arrangements for the financial support of their children, with the CSA providing a 'safety net', where these arrangements break down.

4.3 Since its establishment in June 1988, the CSA has operated as part of the Australian Taxation Office. The CSA has its national office in Canberra. Currently, it has a network of 23 branch offices organised into four administrative regions. The CSA employs 2 300 staff. Its program costs were \$164m in 1996-97.

Previous Reviews

4.4 The Australian National Audit Office (ANAO) conducted an audit of the CSA in 1993-94 and identified scope for improvement in the management and administration of the Child Support Scheme. Areas of particular concern then identified were client service, staff training and debt management.

4.5 The Joint Select Committee on Certain Family Law Issues undertook a wide-ranging inquiry into the operation and effectiveness of the Child Support Scheme in 1993-94. In March 1995, the Government provided an interim response to the report and a final response was tabled in December 1997. Some of the Committee's recommendations were addressed in legislation passed in June 1997.

Objective of Present Audit

4.6 The audit's objective was to assess the performance of the CSA in the administration of key aspects of the Child Support Scheme with a focus on:

- the role and functions of the CSA in the Scheme's administration;
- client service and complaints handling;
- human resource development;
- child support review function; and
- debt management and collection operations.

4.7 The audit did not evaluate the specific action the CSA had taken on the recommendations of the 1993-94 report. However, within its terms of reference, the ANAO reviewed the general progress of the CSA in improving performance in its key focus areas and sought to identify further opportunities for improvement where appropriate.

4.8 Policy issues relating to the design of the Child Support Scheme, including the child support assessment formula were not addressed by the audit, because these are outside the ANAO's performance audit mandate.¹

Audit Findings

4.9 The ANAO found that the CSA had made substantial improvements to its operations since the 1993-94

1 The Auditor-General's *Audit Report No. 39, 1997-98, Management of Selected Functions of the Child Support Agency, Australian Taxation Office*, pp. 3-4.

audit and has sought to address concerns in the area of client service; staff development as well as in the significant area of debt management. However, major challenges remain in managing and reducing child support debt.

4.10 In relation to the general administration of the Child Support Scheme. The audit report indicated that there are benefits in the CSA sponsoring joint exercises with relevant government agencies. The purpose of such exercises would be to identify preferred service delivery options as well as delineating and formalising the respective responsibilities of the various agencies. In the area of client relations and service, the CSA introduced a Client Charter and commissioned surveys of parents in addition to extensive consultations with community organisations.

4.11 An initiative linked to the Client Charter is the client complaints service established in July 1996. This initiative aims at providing satisfaction to the CSA's clients and improving the quality of the Agency's operations. However, the audit found that the CSA would benefit from further examining ways to promote its Client Charter more effectively and to address the high level of negative client service perceptions.

4.12 The ANAO report identified child support debt as a significant issue for the CSA and the community because it effects child support entitlements. Since the previous audit conducted in 1993-94 the CSA has produced a national debt management policy in addition to revising procedural guidance. However, the audit concluded that the high level of debt accumulated since the Scheme began in the late 1980s requires considerable effort by the CSA to correct, write-off or recover.²

4.13 In the area of debt collection, the ANAO found that improvements have been introduced by the CSA to its activities. However, the accumulated debt remains high. One method of debt recovery the ANAO has identified is greater use of Employer Withholding arrangements. The ANAO has estimated that within a year \$7m in arrears can be potentially recovered by the CSA, by extending employer withholding arrangements to more debtors.

2 *Audit Report No. 39, Chapters 7 and 8.*

4.14 The ANAO made 12 recommendations aimed at improving the CSA's efficiency and administrative effectiveness. The CSA agreed with the overall direction of the audit report and to all of its recommendations, including three with qualifications.³

The Focus of the Hearing

4.15 At the public hearing the Committee sought elaboration and further comment on the key findings of the audit. These included:

- child support administration;
- client service;
- complaints handling;
- human resource development;
- debt management; and
- debt collection.

Child Support Administration

4.16 The Child Support Scheme is a national system, introduced in the late 1980s to replace the court-based system. The court-based system was widely regarded as not providing adequate and equitable child maintenance and contributing to poverty among sole parent families and increased government expenditure on social security benefits.⁴

4.17 The current administrative arrangements of the scheme is undertaken by the CSA, DSS, Centrelink, the Attorney-General's Department and the Family Court of Australia. The role of the CSA is to assist the transfer of child support payments between separated parents.⁵

3 *Audit Report No. 39*, p. xiii.

4 *Audit Report No. 39*, p. 6.

5 *Audit Report No. 39*, p. 9.

4.18 Under the Scheme, the CSA administers two basic types of cases. Stage 1 cases involve court-based maintenance liabilities registered with the CSA and Stage 2 cases involve child support liabilities assessed by the CSA.

4.19 The arrangements under Stage 2 apply to parents who separate or have a child born on or after 1 October 1989. For these, the CSA has the power to make administrative assessments of child support obligations using a formula based on the taxable income of the parent who pays child support.⁶

4.20 In her opening statement, Ms Catherine Argall, the CSA Deputy Registrar, informed the Committee that after 10 years in operation almost one million clients use the CSA. The CSA recognises that over this period, the environment has changed. As a result, the CSA has commenced working with other government agencies and community organisations to enhance support provided to separating parents.⁷

4.21 The Committee is encouraged by the CSA's efforts to improve the administration of the Child Support Scheme. However, the Committee is of the view that the CSA's efforts to enhance client understanding of the Scheme's arrangements fall short of community expectations. The Committee notes that the CSA's own research has shown that clients are confused about many aspects of the Scheme. For example, some parents who provide child support and some who have custody of their children, equally perceive the Scheme as treating them unfairly.

4.22 The Committee agrees with the ANAO's view that it is potentially beneficial for client service delivery, and financially for the CSA, to work together with other agencies in administering the Child Support Scheme. The Committee notes that the CSA "is already moving in that strategic direction"⁸ and supports the ANAO's recommendation aimed at achieving this end.

6 *Audit Report No. 39*, p. 7. See Chapter 2, for details of the Child Support Scheme caseloads.

7 Transcript, PA. 4.

8 *Audit Report No. 39*, p. 12.

Client Service

4.23 The audit report notes that the CSA has taken action to improve its client service and relations, an area identified by the ANAO as requiring priority attention. The CSA has introduced a Client Charter, commissioned surveys of relevant clients and consulted with community organisations through national and regional advisory panels.⁹

4.24 Internal management structures have also been given a strong client focus. The CSA has enhanced its telephone inquiry services and has been trialing extended operating hours. Another plan is to reduce the time taken to register new applications for child support through electronic transfer of relevant client details from Centrelink.¹⁰

4.25 In the ANAO's opening statement to the inquiry Mr Ian McPhee suggested that the CSA could further enhance its client support focus through closer liaison and cooperation with other agencies that administer the Child Support Scheme. In particular, the CSA could consider service delivery options such as registration and counselling services and seek to enhance client recognition of its Charter. At the time of the audit only 13 per cent of clients were aware of the Charter. The ANAO further suggested that the CSA could encourage clients to lodge complaints with the Agency in the first instance.¹¹

4.26 Other suggestions put forward by the ANAO include improving client information and developing more responsive services. For example by:

- making CSA forms, standard letters and publications more user-friendly;
- clarifying the status, role and function of the child support review office; and
- improving the management and collection of debts.¹²

9 *Audit Report No. 39*, p. xv.

10 *Audit Report No. 39*, p. xv.

11 Transcript, PA. 5.

12 Mr Ian McPhee, Transcript, PA. 5.

4.27 Ms Argall informed the Committee that the CSA has already instituted processes to address a number of these issues. For example, the CSA is increasingly working with community based organisations in order to provide appropriate support to parents across all of the issues they are facing. Ms Argall said that providing parents with support can actually improve their emotional situation and also enhance the payment of future child support.¹³

4.28 In its Submission to the Committee, the CSA stated that after extensive consultations with clients and the community, the Agency is envisaging the introduction of a range of services which aim to:

- improve the quality of parenting for those affected by separation; and
- assist parents to meet their child support responsibilities.¹⁴

4.29 In response to Committee questions as to whether these expanded services were extending the scope of the Agency's mandate, Ms Argall informed the Committee that the CSA had not expanded its activities into the area of counselling. Under the present arrangement, the CSA works with other government organisations and community based mediation services, contracted by the CSA on a pilot arrangement, for clients who agree to participate.¹⁵

4.30 Ms Argall added that she would not describe the current directions being pursued by the CSA as an extension of their role. She said that the CSA is recognising that following separation, parents have a variety of needs to be met.

*We can attempt to deal with those issues on the telephone and go around and around in circles with our clients. Alternatively, we can refer our clients to appropriate community based organisations who can help them.*¹⁶

13 Transcript, PA. 4.

14 Submission No. 1, p. 2.

15 Transcript, PA. 6.

16 Transcript, p. 7.

4.31 Two additional new services being developed are 'Self-Help' and 'Education and Support'. The 'Self-Help' initiative is designed to provide information and resources to parents in managing their child support responsibilities. According to the CSA, 'Self-Help' will assist parents to choose support options best suited to their children's needs.

4.32 The 'Education and Support' service aims to assist separated parents to access suitable community services. Access will be provided by 'client and community bridging seminars', community information database' and re-partnering education.¹⁷

4.33 The Committee sought assurances from the CSA that these extra activities were not contributing to reported long delays in accessing CSA staff by telephone. Ms Argall replied that the CSA is aiming continuously to improve its telephone response time and does not believe that the CSA's current activities are preventing staff from responding quickly to telephone queries.

4.34 Turning to the issue of the complexity of standard letters and forms. Ms Argall informed the Committee that the CSA had "vastly simplified" and reduced the number and types of letters being produced. Ms Argall said that:

*One of the limitations we have at the moment is that we have legislation in the parliament so there is a bit of a chicken and egg situation. Our letters have been drafted based on the revised legislation so, before we can issue the first stage of the total reform of letters, forms and statements, we need the new legislation to pass through parliament or, alternatively, we have to make a judgment that we revise based on the existing legislation.*¹⁸

4.35 Ms Argall added that the CSA would be upgrading its systems by December 1998. The new system would introduce a major transformation of the system support and integrate the improvements made to existing letters. These changes should enable staff to provide a better client service.¹⁹

17 Submission No. 1, pp. 2-3.

18 Transcript, PA. 9. See also PA.15.

19 Transcript, PA. 9.

4.36 In responding to the CSA's comments about the introduction of improvements to its present public documents, Mr McPhee, ANAO, said that despite the complexities relating to the design of the letter system, it would be expected that there are benefits in taking early action on letters and on form design generally.²⁰

4.37 The Committee understands that a major concern to CSA clients is the complex nature of CSA letters and documents and expressed its concerns to the CSA at the public hearing. The Committee agreed with the ANAO that the CSA should take early action to simplify its forms and letters in order to ensure the language is understood by all of its clients.

4.38 The Committee understands from the ANAO audit that the high level of dissatisfaction is influenced by a variety of factors including the circumstances of parental separation. To this end, the Committee agrees with the ANAO's recommendation that the CSA should improve communication with clients and stakeholders regarding the Child Support Scheme.

4.39 The Committee notes that the CSA has identified the need to form closer relationships with other governmental agencies in its 1997-98 National Business Plan. The Committee looks forward to the CSA taking action to implement its business strategies.

4.40 The Committee is concerned, however, that the complexity of standard letters and forms is the cause of major concern amongst CSA clients. The Committee believes that the CSA should take immediate action to further simplify and reduce the number and types of letters and forms it sends to its clients. The Committee does not accept the CSA's argument that the Agency is under some limitation until new legislation is passed by Parliament.

20 Transcript, PA. 21.

4.41 **Recommendation 2**

In order to ensure that all the Child Support Agency's clients are able to understand their letters and forms, the Agency should take immediate action to simplify the language and style used in its publications and should employ an outside consultant to undertake the task.

Complaints Handling

4.42 According to the ANAO audit the CSA had shown its commitment to client service by establishing a system of complaints handling in July 1996. The ANAO found, however, that the CSA should seek to enhance client awareness of this service.²¹

4.43 In 1996-97, 58 per cent of complaints were upheld in favour of clients. According to the ANAO, this figure demonstrates the value to clients of the CSA complaints service, but also indicates that performance could be improved and better outcomes delivered.

4.44 The ANAO suggested that every complaint should be recorded by the CSA. This procedure could be achieved by incorporating appropriate facilities in the CSA's replacement computer system which is currently being developed. A closer analysis of complaints data would assist the CSA to improve its focus on areas of weakness.²²

4.45 In reporting the composition of complaints recorded by the CSA, the ANAO indicated that while 56 per cent of complaints are made directly to the CSA, 34 per cent are channelled through the offices of parliamentarians and 10 per cent through the Ombudsman.

4.46 The Committee raised with the CSA the high level of complaints made directly to the offices of Members of Parliament. The Committee suggested that the high figure recorded in the audit report demonstrated either a lack of awareness about the CSA's client services or that clients are

21 *Audit Report No. 39*, p. xv.

22 *Audit Report No. 39*, p. xvi.

forced to leave messages on answering machines while at the same time experiencing delays of over two-minutes.

4.47 Ms Argall replied by saying that at the present time 90 per cent of calls are answered within two minutes and 80 per cent within 30 seconds. Ms Argall also observed that the CSA is continuously trying to improve its response times and is exploring appropriate benchmarking with other organisations including the private sector. Ms Argall added, that the CSA is using advanced telephone technology to improve responses to client inquiries.²³

4.48 A related area of concern to the Committee was the CSA's inability to adequately record complaints data. In replying to the Committee's questions, Ms Argall said that the CSA records all the complaints they receive, but acknowledged that there had been inconsistencies in the classification of some. Ms Argall indicated that the CSA had resolved this problem as part of its organisation redesign and pointed out that the complaints service will become a nationally driven function. She believed that this direction should improve the consistency of classifying data.²⁴

4.49 Ms Argall further observed that the CSA does not analyse all of its complaints on the basis of subject matter. If particular issues are raised they are resolved by way of a three-level complaint system within the team and the branch. At the national level, the CSA identifies the consistent themes that come through the complaints system. This information is used to make administrative reforms aimed at improving the CSA's performance.²⁵

4.50 While acknowledging the CSA works in a highly sensitive environment, the Committee was nevertheless concerned at the extent of general dissatisfaction with the level of service being provided by the Agency. The ANAO noted in its report the results of a CSA commissioned survey which showed that 49 per cent of parents who pay child support and 32 per cent of parents who have custody of their children were dissatisfied or very dissatisfied with the CSA service. According to the ANAO the high level of

23 Transcript, PA. 8.

24 Transcript, PA. 11.

25 Transcript, PA. 11.

dissatisfaction is influenced by a variety of factors including the circumstances of parental separation.²⁶

4.51 Ms Argall admitted that the CSA is aware that a great deal of community criticism exists of the Scheme and of the CSA itself. However, she does not believe that the criticism is entirely justified, particularly as the Child Support Scheme and the CSA have been “demonstrably successful” in achieving the Scheme’s aims.²⁷

4.52 The Committee asked the CSA to explain how their clients were being informed about their right to make a complaint when only 13 per cent recognised the existence of a Client Charter. Ms Argall replied that informing clients of their right to complain is part of CSA’s service. In addition, clients who register a complaint with the CSA, are advised of the three-level complaints service and are encouraged to use it.²⁸

4.53 Ms Argall admitted that problems associated with clients acknowledging the existence of a Charter related to the language used by the CSA. Ms Argall pondered whether the word ‘charter’ is something that is actually understood more broadly in the community.²⁹ Because of these reservations, the CSA had market tested the Charter by seeking comments from the community regarding appropriate language before it is reissued.³⁰

4.54 Ms Argall acknowledged that while their material may be readily understood by CSA officers, the general public find it complex. Ms Argall stressed that the CSA’s aim is to provide language and implement service standards that are appropriate from a community perspective. To this end the CSA was maintaining links with other relevant agencies in order to learn from their experiences.³¹

4.55 According to the ANAO audit the CSA would find value in evaluating the impact of the Client Charter in a more

26 *Audit Report No. 39*, p. xiv.

27 Transcript, PA. 3.

28 Transcript, PA. 12.

29 Transcript, PA. 11.

30 Transcript, PA. 12.

31 Transcript, PA. 12.

systematic manner. This will allow the Agency to determine the impact of its Client Charter and assess the extent to which it has been effective in creating a client service culture.

4.56 In evidence, Mr Ian McPhee added that the ANAO fully appreciated this difficult area of public administration and recognises that improvements had already been made by the CSA. However, the ANAO believes that a determined effort continues to be necessary in order to address the problems raised in the audit report more fully.³²

4.57 The Committee accepts the difficult environment within which the CSA's activities are undertaken. However, the various statistics cited above, particularly the high level of complaints directed to the offices of parliamentarians indicate that the Agency's service provisions are not meeting client expectations.

4.58 The Committee notes that while the CSA has established a complaints handling system, most clients are unaware that the service exists. This reflects a lack of awareness of the Client Charter in which the complaints process is highlighted.

4.59 The Committee acknowledges the efforts made by the CSA to improve client awareness of their rights under the Charter. The Committee encourages the CSA to continue improving the language used in the Charter and urges the Agency to maintain a watching brief to ensure the level of client consciousness is maintained.

4.60 **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.

Human Resource Development

4.61 Human resource development (HRD) training enhances the skills and knowledge of staff allowing them to improve the support they provide to an agency.³³

4.62 The ANAO audit found that the CSA had made a significant investment in HRD programs for staff, particularly technical and client contact skills training. The ANAO suggested, however, that the CSA could improve its ability to analyse, report and evaluate all training activities by upgrading its information technology facilities and by adopting a formal HRD evaluation tool.³⁴

4.63 The Committee asked the CSA to comment about the professional capacity of its staff, particularly those who have a strong client contact, for example, those involved in the review process. In reply Ms Argall said that the government recently announced two reviews to be undertaken of the departure process. One of these would examine the qualifications, skills and capabilities of the review officers.³⁵

4.64 Ms Argall also observed that the CSA is seeking to improve its client service by ensuring that, as part of staff training practices, staff are aware of the requirement to advise clients of their rights to complain.³⁶

Debt Management and Collection

4.65 The audit report indicates that child support debts are incurred whenever parents who are liable to pay child support neglect to pay their obligatory child support on the due date each month.

4.66 The ANAO audit found that child support debt is a major issue of concern for both the CSA and the community because some children would be unable to receive their

33 *Audit Report No. 39*, p. 37.

34 *Audit Report No. 39*, p. xvi.

35 Transcript, PA. 23.

36 Transcript, PA. 12.

entitlements and defaulting parents would not have met their assessed share of the cost of child support. In addition, child support debt tends to undermine the confidence of those parents who have custody of their children in the management of the Child Support Scheme, particularly its 'safety net' features.³⁷

4.67 As at 30 June 1997, approximately 146 000 parents liable to pay child support owed a total of \$517m.³⁸ Key factors identified by the ANAO audit which are affecting the CSA's ability to reduce the total value of debt include the age of the debt and the default history and income levels of debtors.³⁹

4.68 In replying to questions from the Committee regarding the general management of debt collection, Ms Argall said that almost 70 per cent of parents met their child support or maintenance responsibilities and more than 40 per cent were making private payments between themselves. Ms Argall said that the CSA was working "very hard" assisting parents to make private payment arrangements. However, there is an important role for the CSA to provide a "safety net" where cooperation between parents broke down.⁴⁰

4.69 The audit report acknowledged that the CSA has in place a national debt management policy which covers the CSA's method of dealing with debtors and the type of action it may take to collect debts. The ANAO noted, however, that the CSA's policy statement has not yet been aligned to the CSA's current business strategy of encouraging separated parents to move towards self-administration and of providing a "safety net" when these arrangements breakdown.⁴¹

4.70 The ANAO also found that key debt collection concepts such as 'compliance' and 'enforcement' have not been clearly defined in the CSA's policy statement. In addition, the broad legislative, policy and procedural framework for debt collection and enforcement is not described. The Committee has noted that the CSA agreed to the ANAO recommendation to produce a debt collection management guide and to align

37 *Audit Report No. 39*, p. 45.

38 *Audit Report No. 39*, p. xvii.

39 *Audit Report No. 39*, p.47.

40 Transcript, PA. 4.

41 *Audit Report No. 39*, p. 54.

the collection and enforcement policy more closely to the Agency's business strategy.⁴²

4.71 With respect to debt collection activities, the audit found that the CSA has introduced improvements in this area. The audit report also found that the high level of accumulated debt requires considerable effort by the CSA to correct, write-off or recover. The CSA uses a variety of computer reports to identify debt cases for action. In addition, the CSA follows up advice from parents who have custody about their defaulting ex-partners.

4.72 The audit report noted that the CSA has the power to undertake a range of administrative actions to collect child support debts from parents who pay child support. These include: arranging for employers to withhold additional wage and salary deductions; intercepting income tax refunds and collecting moneys owed to parents who pay child support by third parties.⁴³

4.73 However, the audit found that inequitable outcomes are being delivered as the actual average Employer Withholding of Arrears (EWA) rates are similar for clients on an annual income of between \$10 000 to \$40 000. According to the ANAO, this suggests that the setting of EWA rates do not adequately take into account the financial capacity of debtors' ability to pay.⁴⁴

4.74 The Committee sought elaboration from the CSA about debt collection under the EWA system. Ms Argall explained that while the CSA has guidance on protected income levels, CSA staff are encouraged to explore the individual circumstances of a particular client.

4.75 Ms Argall admitted, however, that this approach will always produce some variations. If a strict regulatory approach is provided and CSA staff are not given discretion, the consequences would be worse than allowing staff to exercise their judgment based on a particular circumstance. In

42 *Audit Report No. 39*, pp. 54-55.

43 For a comprehensive account of debt management and debt collection, see *Audit Report No. 39*, Chapters 7 and 8.

44 *Audit Report No. 39*, p. 71.

addition, negotiated payments are not permanent and can be revised in consultation with the client.⁴⁵

4.76 If a client incurs a debt, the CSA will analyse the debt by examining the particular circumstances of the client. In most cases, the CSA will send to the client an income and asset statement to complete if the client has indicated financial difficulties in meeting additional arrears. Negotiations follow with a view to reaching an accommodation about appropriate repayment arrangements.⁴⁶

4.77 Ms Argall noted that the average child support payment is approximately \$50 per week. Prior to the introduction of the Scheme, child support payments were very low, in some instances less than \$10 per week. Since its introduction 10 years ago 90 per cent of liabilities incurred have been collected either by the CSA or through private arrangements between parents. In 1997, \$1 billion of child support was transferred between parents.⁴⁷ The same amount has already been transferred between January and May 1998.⁴⁸

4.78 On the question of debt write-off, the audit report showed that as a percentage of gross debt, debt write-off ranges from 3 per cent to 22 per cent across branches. These figures suggest that some branches have been very active in writing-off debt while other branches have given debt write-off low priority.⁴⁹

4.79 The Committee asked the CSA to discuss their debt collection practices and explain the variation in results between its Branches.

4.80 Ms Argall advised the Committee that the differences are explained in terms of economic profiles:

45 Transcript, PA. 17.

46 Ms Argall, Transcript, PA. 17.

47 This included \$480 million transferred in 1997 between separated parents who use the CSA as a collection Agency. *Audit Report No. 39*, Chart 4, p.14.

48 Transcript, PA. 4.

49 *Audit Report No. 39*, p. 77.

*I do not think it is just a question of consistent practices. You have different economic profiles for different areas which will determine what areas of debt are actually written off at any point in time ... when we write off debt we do not write it off permanently. We have a look at whether there is a capacity to recover that debt at that particular point in time.*⁵⁰

4.81 Ms Argall added that at the present time no legislation exists to write-off debt permanently. However, the CSA is in the process of developing a policy to address this issue.⁵¹

4.82 The Committee sought elaboration from the CSA on the following areas in ANAO's Recommendation 12 to which the Agency agreed with qualification:

12 (b) pursuing actively the recovery of debt associated with default assessment liabilities;

12 (d) identifying debtors with assets for possible legal action and publicising effective enforcement operations;

*12 (e) reviewing the current guidelines on the remission and collection of penalties and monitoring the outcomes.*⁵²

4.83 With regard to Recommendation 12 (b), Ms Sheila Bird, Assistant Commissioner, CSA informed the Committee that default assessment has been used because the CSA has been unable to discover relevant income for the defaulting parent. Often, this means that the person cannot be located. Ms Bird emphasised that the CSA's priority is to ensure that the debt it raises is correct before proceeding to the collection stage.⁵³

4.84 The Committee agrees with the ANAO's view that there would be value in the Agency undertaking pilot studies to determine the cost effectiveness of increasing its debt collection effort by focusing on certain debtor categories, for example, those likely to have significant assets.⁵⁴

50 Transcript, PA. 16.

51 Transcript, PA. 17.

52 Recommendation No. 12, *Audit Report No. 39*, p. 78.

53 Transcript, PA. 18.

54 *Audit Report No. 39*, p. 75.

4.85 On the question of debtor identification (Recommendation 12 (d)): Ms Argall suggested that identifying debtors is not conducive to establishing the positive relationship the CSA wishes to conduct with its clients. Ms Argall emphasised that the aim of the CSA is to encourage parents to meet their child support responsibilities voluntarily.

4.86 Ms Argall also said that the CSA maintains a watching brief on parents who are not prepared to meet their responsibilities. For example, the CSA has in place a gradation of administrative and legal proceedings it can pursue in relation to defaulting parents. Ms Argall stressed that the CSA believes that publicising enforcement operations does not support the encouraging and supportive environment, the Agency is seeking to achieve.⁵⁵

4.87 Ms Argall further noted that the CSA believes that too much publicity is not appropriate and is probably counterproductive. Ms Argall said that the CSA is of the view that information by “word of mouth gets out there and is around”.⁵⁶

4.88 In commenting on the CSA’s view on aspects of Recommendation No. 12, Mr Russell Lapthorne, said that substantially, the CSA is in agreement with the ANAO. The area of disagreement relates to publicising enforcement action. Mr Lapthorne said, there is value in highlighting cases that perhaps go before the courts so that they are on the public record. Mr Lapthorne further indicated that neither the ANAO nor the CSA would want to publicise the details of the individual cases.⁵⁷

4.89 Mr Lapthorne said, however, that the CSA’s own surveys indicated that payees perceive the CSA’s enforcement system is not effective. Against that background, the ANAO is of the view that giving some publicity to enforcement actions would improve awareness.⁵⁸ The ANAO drew the Committee’s attention to precedents in this area. For example, the

55 Transcript, PA. 18.

56 Transcript, PA. 19.

57 Transcript PA. 20.

58 Transcript, PA. 20.

Department of Social Security which publicises enforcement actions where cases go before the courts.⁵⁹

4.90 The Committee sought comment from the CSA on the issue relating to the review of current guidelines on the remission and collection of penalties (Recommendation No. 12 (e)). Ms Sheila Bird observed that the CSA agrees that the guidelines should be reviewed and that the CSA should monitor the outcomes. However, the Agency's qualification relates to the discussion in the audit report about the purpose of late penalties and the discretion currently being exercised by the CSA of remitting the late payment penalty rather than actively collecting it.⁶⁰

4.91 In further elaboration, Ms Argall said that this is a practical issue. When some old debt has been reviewed, it is often the case that a total debt of \$12 000 includes \$7 000 of incurred penalties. In such circumstances, the CSA believes that it is more import to collect the amount that is necessary to be transferred to the payee for the benefit of the children. Ms Argall explained that the CSA is seeking a payment arrangement which settles the primary debt.⁶¹

4.92 Commenting for the ANAO, Mr McPhee, stressed that it is not being suggested that the CSA should indulge in "sabre rattling". The ANAO's prime concern is to ensure that the CSA employs the full range of options available to it.⁶²

4.93 The Committee acknowledges that the CSA has been improving its operational activities to collect debt and notes that the CSA has powers to undertake a range of administrative actions to collect child support debts from parents who pay child support. However, the Committee is concerned that inequitable outcomes are being delivered as the actual average EWA rates applied to debtors are similar for clients on an annual income of between \$10 000 to \$40 000.

4.94 The Committee deliberated on the ANAO's Recommendation 12 concerning the reduction of net child support debt and specifically the areas which attracted the

59 Mr Russell Lapthorne, Transcript, PA. 21.

60 Ms Bird, Transcript, PA. 19.

61 Transcript, PA. 19.

62 Transcript, PA. 21.

CSA's agreement with qualifications. Overall the Committee is satisfied with the directions being pursued by the CSA.

4.95 In particular, the Committee supports the CSA's stand on Recommendation 12 (d). This relates to the identification of debtors with assets for possible legal action and publicising effective enforcement operations.

4.96 The Committee considered the ANAO's view that there is value in highlighting cases that have proceeded before the courts and noted that the Department of Social Security publicises enforcement actions. However, the Committee agrees with the CSA that taking such action will not help to build positive relationships with CSA clients and could be counterproductive. Indeed, the Committee believes that every effort should be made to lessen the sensitive and emotive environment in which the CSA operates.

4.97 The Committee cannot accept that precedence set by the Department of Social Security, which makes public successful judgments of cases it has taken before the courts, necessarily applies to the CSA environment. However, the CSA should take steps to improve the effectiveness of its debt collection effort without jeopardising the environment of trust it is seeking to maintain.

4.98 On the issue of EWA's. The Committee agrees with the ANAO that the setting of EWA's to debtors should reflect the financial capacity of debtors to pay. This should take into account the annual income of the client.

4.99 **Recommendation 4**

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

C o n c l u s i o n s

4.100 The Committee welcomed this ANAO audit into child support, which remains an important and sensitive issue within the Australian community. The audit raised a number of issues which are critical to the effective management of the Child Support Scheme by the CSA. The Committee has noted

that the CSA has agreed to the majority of the ANAO's recommendations and that some are already being acted upon.

4.101 The Committee does not underestimate the difficult task facing the CSA in lessening the negative perceptions many of its clients have about the administration of the Child Support Scheme. Moreover, the Committee appreciates that the highly sensitive and emotive environment in which the CSA operates contributes to its negative image.

4.102 However, the Committee believes that these conditions compel the CSA to continue to improve its performance in the administration of the Child Support Scheme, particularly in the area of client relations. The Committee takes the view that the CSA's activities will be greatly enhanced through the development of trust between the Agency and its clients.

4.103 The Committee is of the view that an important step toward enhancing that trust is for the Agency to tailor the presentation of its information to meet the needs of its client base. The Committee urges the CSA to recognise that its clients are not only in a vulnerable position when they come to access CSA services, but many may not have the necessary skills to negotiate their way through CSA publications.

Finally, the Committee is pleased that substantial improvements have been made to the CSA's operations since the previous audit. The Committee encourages the CSA to continue in this direction. The Committee looks forward to seeing further improvements in its performance management, through the continued implementation of the ANAO's recommendations and those made in this report.

Bob Charles MP
Chairman
24 March 1999