

Audit Report No. 4 2008-2009

The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations and Centrelink

Background

- 2.1 Under current administrative arrangements, the Department of Education, Employment and Workplace Relations (DEEWR) is responsible for income support payments such as Newstart Allowance, Parenting Payments, Youth Allowance and Sickness Allowance, and a range of other employment services, including job search facilities, counselling and training opportunities for job seekers.
- 2.2 DEEWR (previously the Department of Employment and Workplace Relations – DEWR) is not a direct service provider, but administers employment services in accordance with the *Social Security Act 1991* and government policy through two purchaser–provider arrangements:
 - Business Partnership Agreement (BPA) with Centrelink; and
 - Job Network Service Contract with Job Network service providers.
- 2.3 The BPA is a formal signed agreement between DEEWR and Centrelink for the delivery of working age employment services. Its formality is

intended to provide Government with a suitable level of assurance that working age employment programs, including benefits and allowances, are delivered efficiently and effectively.

- 2.4 In achieving this, the BPA operates within the broader accord of current government policy; it is also expected to recognise and comply with relevant legislation, especially the *Financial Management and Accountability Act 1997* (FMA Act) and the *Social Security Act 1991*, and demonstrate compatibility with agencies' high level business and accountability frameworks.
- 2.5 Since the establishment of Centrelink in 1998, there have been several BPAs relating to the delivery of working age employment services. Though the BPAs differed in complexity, content and format, each was important in providing a foundation for inter-agency management of employment services delivered by Centrelink on behalf of the respective policy department.
- 2.6 The most recent BPA for the delivery of working age employment services was signed on 30 August 2006, and covers the period 2006–2009. The 2006–09 BPA defines the relationship, objectives, principles, mechanisms, and respective roles and responsibilities, which form the basis for an ongoing business relationship between DEEWR and Centrelink.
- 2.7 The primary objective of the 2006–09 BPA is to support the achievement of DEEWR's outcomes through the successful delivery of services provided by Centrelink on behalf of the Department:
- efficient and effective labour market assistance (Outcome 7); and
 - increased workforce participation (Outcome 8).
- 2.8 The 2006–09 BPA itself is a complex and extensive set of documents, which specify the agreed approach to service delivery, including policy and service requirements, governance arrangements, agreed performance standards, and accountability mechanisms. It incorporates: a Core Agreement that outlines general terms and conditions; a series of 17 Protocols describing administrative processes; and 29 Policy Guides setting out requirements for the delivery of specific program components.
- 2.9 In addition to these documents, cross-agency collaboration relies on several other frameworks and joint agency arrangements being in place, for instance:
- Assurance Expectation Matrices (AEM), which are a basis for Centrelink to provide DEEWR with assurance against three agreed key risks;

- the Centrelink Funding Model (CFM) which defines the model for Centrelink's service costs;
- various Service Level Agreements (SLAs); and
- a performance framework including Key Performance Indicators (KPI).

The audit

Audit Objectives

- 2.10 The audit objective was to form an opinion on the administrative effectiveness of the arrangements between DEEWR and Centrelink for the delivery of working age employment services under the BPA.
- 2.11 The Australian National Audit Office (ANAO) examined agencies' development, implementation and maintenance of the BPA, and whether current governance and coordination arrangements were conducive to management of risks, measurement of performance and ongoing program improvement.

Audit Conclusions

- 2.12 The audit report made the following conclusion:

DEEWR and Centrelink have established a cross-agency business partnership, to assist in implementing a significant and broad range of working age employment services. In 2007–08, DEEWR's appropriation provided Centrelink with \$946 million to deliver working age employment services, and \$21,784 million in income support payments, to eligible job seekers.

The foundation of the DEEWR–Centrelink arrangement is established through a BPA. The 2006–09 BPA, is an extensive and complex agreement that defines the relationship, objectives, principles, mechanisms and respective roles and responsibilities of DEEWR and Centrelink under the partnership.

The 2006–09 BPA provides a workable model under which DEEWR and Centrelink operate to implement working age programs and services. In particular, joint committees under the BPA have facilitated interagency coordination, necessary to DEEWR and Centrelink in implementing major Government

initiatives such as Welfare to Work. However, in practical terms, the effectiveness of the BPA is lessened as a result of several gaps and limitations in essential frameworks, documentation, and administrative practices in DEEWR and Centrelink.

Although the 2006–09 BPA is extensive, it nonetheless is incomplete. When the BPA was signed in August 2006, several key frameworks and supporting documents were at various stages of development. DEEWR and Centrelink were aware of this situation, and incorporated an ongoing work agenda to improve key frameworks and business processes into the 2006–09 BPA. They also included provisions for ongoing revision and updating of the BPA during its three year term. After the signing of the BPA, however, significant slippage occurred in progressing agreed areas of work, including the development of a business assurance framework and the development or review of several KPI.

Strengthening of DEEWR's and Centrelink's administration under the BPA is required to provide greater assurance that business is carried out according to the BPA's requirements, and to improve measurement of DEEWR's and Centrelink's performance in delivering the full range of employment services to the Australian community. Particular areas requiring development are:

- Governance: strengthening governance arrangements and information supporting the Business Partnership – in particular, the Business Partnership Review Group adopting a more rigorous approach to establishing, managing and monitoring the progress of its sub-committees, and setting priorities for the completion of key work;
- Financial management: improving accountability for financial management under the BPA – particularly by strengthening monitoring of the implementation of New Policy Proposals, to provide assurance that monies paid throughout the year reflect progress towards the timely and complete delivery of each New Policy Proposal;
- Business assurance: developing more transparent and cohesive business assurance practices under the BPA – for the most part by reviewing the present high-level risk areas (payment integrity, service delivery and business continuity) to ensure currency, specifying and prioritising actual business risks in the AEM, and making sure that the AEM are kept up-to-date; and
- Performance monitoring: completing the suite of KPI – to enable both agencies to measure and report progress in all key

areas of program delivery, appropriately aligned to outputs and outcomes.¹

The ANAO has made four recommendations to assist in building a stronger Business Partnership between the DEEWR and Centrelink. The recommendations are intended to: clarify responsibilities and processes under the BPA; establish essential frameworks for business assurance and the management of risk; and strengthen performance monitoring and management information to better inform government of progress against outcomes for the delivery of employment services to working age Australians.

ANAO Recommendations

2.13 The ANAO made the following recommendations:

Table 1.1 ANAO Recommendations, Audit Report No. 4 2008-09

1.	<p>To strengthen governance arrangements and information supporting the Business Partnership, the ANAO recommends that DEEWR and Centrelink:</p> <ul style="list-style-type: none"> • clearly define agencies' roles and responsibilities under the BPA, including strategic roles, and the role of the Business Partnership Review Group particularly in establishing and monitoring its sub-committees; • enhance dispute resolution arrangements under the BPA; and • complete the BPA's supporting documents, and implant a systematic process to make sure that the BPA is kept up-to-date and accurate. <p><i>Centrelink response: Agreed</i> <i>DEEWR response: Agreed</i></p>
2.	<p>To improve DEEWR and Centrelink's accountability of financial management under the BPA, the ANAO recommends that:</p> <ul style="list-style-type: none"> • DEEWR strengthen its monitoring of the status of deliverables outside the scope of the Centrelink Funding Model, particularly New Policy Proposals; • both agencies amend the financial management protocol to reflect all key aspects of the financial arrangements between DEEWR and Centrelink; • Centrelink, in collaboration with appropriate purchasing agencies, the Department of Human Services and the Department of Finance and Deregulation, revise the Customer Activity Ratio more frequently, to reflect significant changes in policy and procedure for employment services; and • both agencies evaluate the purpose, need, and procedures for developing process maps, taking DEEWR's and Centrelink's perspective into consideration. <p><i>Centrelink response: Agreed</i> <i>DEEWR response: Agreed</i></p>
3.	<p>DEEWR and Centrelink should work jointly to achieve more transparent and</p>

1 Australian National Audit Office (ANAO) Audit Report, No. 4, 2008-09, pp. 18-19.

cohesive business assurance and risk management practices under the BPA. In particular by:

- establishing governance arrangements for business assurance which include suitable monitoring and oversight to ensure timely progression of key business assurance strategies;
- updating the Assurance Expectation Matrices to reflect current risks and priorities, and jointly assigning responsibility for risks; and
- agreeing a consolidated program of standard management information reports, and designating responsibility for coordinating and disseminating management information.

Centrelink response: Agreed

DEEWR response: Agreed

4. To strengthen the performance framework and performance reporting under the 2006–09 BPA, DEEWR and Centrelink should work collaboratively to complete and enhance its suite of KPI. This process should include:
- alignment of KPI to cover all outputs and outcomes relevant to the BPA;
 - incorporating reciprocal accountability measures or KPI to measure DEEWR's performance in meeting its agreed responsibilities under the BPA; and
 - establishing a more strategic, timely and coordinated approach to KPI development, reporting and review. This should include suitable criteria for determining appropriate, measurable KPI.

Centrelink response: Agreed

DEEWR response: Agreed with qualification

The Committee's review

2.14 The Committee held a public hearing on Monday 16 March 2009, with the following witnesses:

- Australian National Audit Office (ANAO);
- Department of Education, Employment and Workplace Relations (DEEWR); and
- Centrelink.

2.15 The Committee took evidence on the following issues:

- inter-agency dispute resolution;
- development of the new BPA;
- measurement of DEEWR's performance; and
- keeping the BPA up-to-date.

Inter-agency dispute resolution

2.16 The ANAO found that while the BPA between DEEWR and Centrelink briefly described a process for cross-agency dispute resolution, it

contained no specific protocol for management of disputes and lacked suitable dispute resolution processes. This resulted in apparent inter-agency tension at times and led to agency dissatisfaction where prolonged disagreements existed.

- 2.17 The agencies reported at the hearing that they had taken steps to strengthen the dispute resolution processes between the agencies with the establishment of a dispute resolution framework. DEEWR stated that the new interim BPA currently being negotiated makes the dispute resolution mechanisms extremely clear. DEEWR also hopes to reduce the incidence of disputes by earlier consultation with Centrelink. This was viewed as a positive step by Centrelink who now feel:

even as policy is being considered and there are committees considering various things, we are at the table, across the board...It gives us a very good overarching view of what is coming for Centrelink.²

- 2.18 The agencies agreed that the new dispute resolution mechanisms have been tested with the implementation of new policies and these mechanisms have worked "very well indeed."³

Development of the new BPA

- 2.19 The ANAO made four recommendations aimed at building a stronger cross-agency partnership, and assist DEEWR and Centrelink achieve timelier improvements to key administrative areas under the BPA.⁴ These recommendations attempt to strengthen governance arrangements and information supporting the Business Partnership; improve accountability of financial management under the BPA; achieve a more transparent and cohesive business assurance and risk management practice under the BPA; and to strengthen the performance framework and performance reporting under the BPA.

- 2.20 The agencies reported that in developing the interim 2008-09 BPA the agencies worked together to implement the recommendations. This included revising guiding principles; undertaking a review of the appropriateness of the current KPIs; completion of outstanding

2 Ms Andruska, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 18.

3 Ms Golightly, Department of Education, Employment and Workplace Relations (DEEWR). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 15.

4 Australian National Audit Office (ANAO) Audit Report, No. 4, 2008-09, p. 31.

documents; and the establishment of a dispute resolution framework. As part of the preparation for the new BPA, the Department of Human Services is currently undertaking an informal review.

- 2.21 The new BPA is being developed in a more collaborative way to clearly identify the areas that will impact on Centrelink. Regular high level meetings are being held between the two agencies to facilitate this collaboration. A review is underway in relation to the *Centrelink Funding Model* and to update the *Customer Activity Ratio*. The review is also looking at including the new policy proposal within the *Centrelink Funding Model*. New policy proposal funding is now also reconciled monthly instead of annually as it was under the 2006-09 BPA.

Measurement of DEEWR'S performance

- 2.22 The ANAO recommended that future BPAs between Centrelink and DEEWR should include reciprocal accountability measures or KPIs to measure DEEWR performance in meeting its agreed responsibilities under the BPA. DEEWR qualified its agreement with this recommendation stating it was at this stage not convinced it is necessary for the BPA to include KPIs relating to aspects of DEEWR's activities.⁵ Other reasons given include the lack of KPIs being part of other agencies agreements with Centrelink and no substantive evidence that would demonstrate the value of reciprocal KPIs.
- 2.23 DEEWR pointed to a number of protocols and business rules it has in place with Centrelink under the current BPA which provide Centrelink with the opportunity at monthly meetings to raise issues with DEEWR's performance. These meetings are held at the Deputy Secretary level. DEEWR is also provided with an opportunity at these meetings to raise issues with Centrelink's performance. This process, while it may solve problems, does not provide a measure of DEEWR's performance in relation to the BPA. There is a need for the performance of both agencies to be measured, recorded and compared over time to ensure that outcomes are being met.
- 2.24 Terms of Reference are currently being developed for a new Inter-Departmental Committee to oversee the governance arrangements for the new Agreement.

5 ANAO Audit Report, No. 4, 2008-09, p. 130.

Keeping the BPA up to date

2.25 The ANAO identified a need for the BPA to be accurate and kept up-to-date to allow Centrelink to deliver services accurately and allow DEEWR to fairly assess Centrelink's performance. A recommendation was made in *ANAO Audit Report No. 51 2003-04, DEEWR's Oversight of Job Network services to job seekers* to have DEEWR ensure the BPA is complete and kept up-to-date. DEEWR responded to both these recommendations by agreeing with the recommendation, claiming the BPA is kept up-to-date and stating 'that in all essential respects, accuracy and completeness of the BPA has been consistently maintained'.⁶ The findings of this audit suggest that the recommendation has not been addressed as the current BPA is not complete and several parts are out of date. DEEWR cited resource constraints as impacting on the capacity of Centrelink and DEEWR to ensure that the BPA is kept up-to-date.⁷

Recommendation 1

The Committee recommends that the Department of Education, Employment and Workplace Relations and Centrelink ensure their Business Partnership Agreement be completed and kept up to date before the commencement of the next Business Partnership Agreement in 2010.

Conclusion

- 2.26 The Committee is disappointed to see that both DEEWR and Centrelink have failed to fully implement an ANAO recommendation from 2004 to ensure the BPA is completed and kept up to date. A complete and current agreement between the two agencies is critical in promoting a positive working relationship between the agencies, and reducing the likelihood of disputes between the agencies.
- 2.27 Further, the Committee notes that the BPA provides both agencies with a clear understanding of the manner in which operations between them are conducted, which is of critical importance.
- 2.28 To this end, the Committee strongly urges the agencies to ensure that the next BPA be fully completed and kept up to date. The mutual benefits that

6 ANAO Audit Report, No. 4, 2008-09, p. 71.

7 ANAO Audit Report, No. 4, 2008-09, p. 151.

stem from achieving this objective cannot be overestimated, and as DEEWR and Centrelink begin to work even more closely together, a complete and comprehensive agreement is needed to ensure the taxpayer continues to receive value for money.