COMMONWEALTH OF AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Reference: Review of Auditor-General's reports tabled between 18 January and 18 April 2005

FRIDAY, 19 AUGUST 2005

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JOINT STATUTORY COMMITTEE ON

PUBLIC ACCOUNTS AND AUDIT

Friday, 19 August 2005

Members: Mr Baldwin *(Chair)*, Ms Grierson *(Deputy Chair)*, Senators Hogg, Humphries, Moore, Murray, Scullion and Watson and Mr Broadbent, Ms Burke, Miss Jackie Kelly, Ms King, Mr Laming, Mr Somlyay, Mr Tanner and Mr Ticehurst

Members in attendance: Senators Hogg, Moore and Watson and Mr Baldwin, Ms Grierson and Miss Jackie Kelly

Terms of reference for the inquiry:

To inquire into and report on:

Review of Auditor-General's reports tabled between 18 January and 18 April 2005

WITNESSES

Committee met at 10.06 am

BRADFORD, Ms Kerri, Senior Director, Australian National Audit Office

CHAPMAN, Mr Steve, Deputy Auditor-General, Australian National Audit Office

HOLBERT, Ms Fran, Executive Director, Australian National Audit Office

MEERT, Mr John, Group Executive Director, Australian National Audit Office

WHITELY, Ms Natalie, Performance Analyst, Australian National Audit Office

HOGG, Ms Carolyn, Deputy Chief Executive Officer, Stakeholder Relationships, Centrelink

McDONALD, Mr Robert Norman, General Manager, Audit and Risk Division, Centrelink

ROSS, Ms Sheila, National Manager, Customer Experience Branch, Customer Service Strategy Division, Centrelink

WADESON, Mr John William, Chief Information Officer, Centrelink

WALKER, Mr Norman Ross, Area Manager, North Central Victoria, Centrelink

WHALAN, Mr Jeffrey Robert, Chief Executive Officer, Centrelink

LEEPER, Mr Geoff, Deputy Secretary, Department of Human Services

CHAIR (Mr Baldwin)—I open today's public hearing, which examines a series of reports tabled by the Auditor-General in the financial year 2004-05. This morning we will be taking evidence on audit reports Nos 31-36, relating to Centrelink's customer feedback system. Audit report No. 31, *Centrelink's Customer Feedback Systems—Summary Report*, brings together the findings and recommendations of a series of reports that examine Centrelink's major individual customer feedback systems, ANAO audit reports Nos 32-36. This afternoon we will be taking evidence on audit report No. 40 of 2004-05—*The Edge Project.* Edge was a joint project between the Australian government Department of Family and Community Services and Centrelink to develop an expert system for the administration of claims and payments for the Family Assistance Office. I will be running today's session using a roundtable format with witnesses from agencies appearing together.

I welcome the representatives from the Australian National Audit Office, Centrelink and the Department of Human Services. I ask participants to remember that only members of the committee can put questions to witnesses if this hearing is to constitute formal proceedings of the parliament and attract parliamentary privilege. If other participants wish to raise issues for discussion, I ask them to direct their comments to the committee. It will not be possible for participants to respond directly to each other. Secondly, given the short time available today, statements and comments by witnesses should be relevant and succinct.

I refer any members of the press who are present to a committee statement about the broadcasting of proceedings. In particular, I draw the media's attention to the need to report fairly and accurately the proceedings of this committee. Copies of this committee statement are available from the secretariat staff. I remind witnesses that hearings today are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege. I invite representatives of the organisations present to make a brief opening statement before we proceed.

Mr Whalan—Centrelink acknowledges that, whilst there has previously been no overarching approach dealing with customer feedback, many of the building blocks have been in place for some time. They need to be improved and integrated so that we can make the best use of the insights that customers and others have provided to us. In terms of the specific focus on this series of audits, the creation within Centrelink of a customer experience branch has brought together the collection, analysis and use of customer feedback into one place. This will improve the consistency of our approach in dealing with the feedback that we receive.

The ANAO made 44 recommendations in this collection of reports. Centrelink has undertaken a great deal of work in implementing these recommendations. Four have been implemented. Implementation of the remainder is under way. Thirty-one are due for completion by December 2005. All bar two will be completed by March 2006. Those two are tied up with systems implications. I want to leave you in no doubt that Centrelink is committed to making the customer experience one that is as positive and as productive as possible. We welcome the discussion of the committee.

CHAIR—Mr Leeper, I understand that you are filling in for Patricia Scott who is unable to be here today.

Mr Leeper—Yes. The Department of Human Services notes that the Chief Executive Officer of Centrelink has already vigorously tackled the implementation of the recommendations from these audits, having commenced this process with his senior staff even prior to the tabling of the audit report. We believe customer feedback is intrinsic to improving service delivery and the department fully supports the high priority that Centrelink is giving to addressing the ANAO recommendations. We will also be keeping in touch regarding the implementation of those and providing relevant advice to the minister to ensure that the recommendations from the audit are able to drive further improvements for Centrelink.

CHAIR—Thank you very much for appearing before us. From the outset, when I look at the recommendations that have been applied, I accept that you have agreed to implement all of the recommendations, but it is a fairly damning statement of the processes that Centrelink has been going through. One of the things that concern me is the fact that Centrelink does its own customer satisfaction surveys and these can be doctored and tailored to suit the answer that you want. It is no different from political parties doing their own surveys on how good they feel about themselves. Has the use of an external survey customer feedback system, separate from Centrelink or Human Services, ever been explored?

Mr Whalan—Centrelink does its own customer surveys, but it does so using external reputable firms. It is just like when we do our own check on our finances; often we use an external firm whose reputation is at stake as well. The surveys, whilst commissioned and paid for by us, are done by external organisations.

CHAIR—What cost is involved in undertaking these surveys?

Mr Whalan—I will just check that for you. For 2004-05, the total cost of the surveys was $1.8 million.

CHAIR—How many people were surveyed for $1.8 million?

Mr Whalan—We will find that for you. My memory is that—and I will confirm it—a series of different surveys are held. Some of them roll through quite regularly; some of them are held quarterly.

CHAIR—I understand that there is a difference between a simple phone survey and a focus group, but I am trying to establish what the cost per unit is.

Ms Ross—I have that information. For our CSC survey, we run an average of 5,000 interviews each month, which means that around 62,000 are conducted annually. For our call centre survey we run about 13,000 interviews per year. The annual national survey that we run involves around 1,600 customers.

CHAIR—Do you have a cost break-up for those three different sets of surveys?

Ms Ross—Yes. Last year the first survey I mentioned, the CSC survey, was $945,178. The call centre survey was $350,073 and the national survey was $101,926.

CHAIR—One of the other things that is raised is that the spread of people you are surveying seems to be a bit light on with those who are perhaps less literate than others or have greater difficulty in dealing with Centrelink. What response do you have to that?

Mr Whalan—It is more difficult to survey those people who are most disadvantaged. One of the recommendations from ANAO was that we should look carefully at that. We are in the midst of doing that. The early information that we are finding is that, not surprisingly, there are a number of groups of people who are not sufficiently well represented in the standard surveys that we do. We are looking at how we can get reasonable representations from those groups.

CHAIR—Do you think it is a fair statement to say that those who are most disadvantaged are perhaps those who need the most direction and support from Centrelink? Therefore, should not extra effort be applied to making sure that you understand the needs of that level of customer?

Mr Whalan—I would come from a slightly different angle. I would say that it is important that we understand the needs of a whole range of customers. We need to look at the issues of those with special needs, but we also need to look at the mainstream. I would not say that one group was more important than the other. We pick up the vast majority of Australians. It is a bit like when I get a telephone call at night, when I am having my meal. I do not answer it or, if I do

answer it, I do not reply to questions, so anyone who is doing a survey of me finds me difficult to access. We have to make sure that we get as representative a group as possible.

CHAIR—Have you now adjusted your sampling mix to make sure that you include those who, as you tagged, are more disadvantaged than others and have perhaps a lesser ability to understand survey requirements?

Mr Whalan—Let me check exactly what we are doing. I mentioned that we had done some preliminary work to look at the extent to which the people we are surveying represent the breadth of the customer base. By December this year we will have put in place arrangements to try and capture those groups that we have missed out. There are some groups we are missing and we need to try and capture them, within reason. When I say 'within reason', it will never be perfect but there are some specific groups that we need to capture.

CHAIR—I cannot expect it will ever be perfect, but I expect there is a probable range that is acceptable in understanding and surveying your customers' needs. One of the things that concern me, as the local member—and my office is located next door but one to the Centrelink office—is that predominantly we see people who are disadvantaged and who do not understand the system. Most of them do not even know that there is an Ombudsman or that they are able to access complaint or appeals systems. What are you doing in a positive and forward direction to make sure that everyone at every level understands what their rights are?

Mr Whalan—We have already—and this will not help some of your constituents, but it will help a number—made the move to change our web site so that where you get access to information about complaints is far more explicit. If you go onto the web site at the moment, you will find on the front page that there are only a few big icons. One of the icons is 'customer charter'. If you hit it, you get into the area of how to make a complaint. Look up 'complaint' on the search engine and you will also get into the area of how to make a complaint. That was a legitimate issue raised by ANAO.

We are also in the midst of developing a range of products—posters and pamphlets—that will be available in offices to individuals. In most Centrelink offices, if you sit down next to a Centrelink staff member, you will find on their desk a placemat, which is turned towards the customer, which outlines what is in the customer charter. I say 'most' because it is not universally consistent. One of the overarching themes to what the ANAO found in each of these reports was their concern about a lack of consistency.

CHAIR—Correct me if I am wrong, but you said that you have updated your web site. There is now a customer service charter icon and the next layer under that is to do with complaint mechanisms.

Mr Whalan—Yes.

CHAIR—I would put it to you that the most disadvantaged group does not have computers with internet access at home and would not understand what a customer service charter is. Why don't you put on the very front of your web site, for those who are able to access it, simple words like, 'If you are unhappy with the service, do you want to make a complaint?', rather than something that most people would not understand?

Mr Whalan—On the front page of Centrelink's web site there is huge competition for space. I looked at it this morning and, had I looked more closely, I would have seen an icon that says 'complaints' as well. I obviously did not look clearly enough and failed to see it. Notwithstanding that, the real issue is whether, if there is a search button and you type in 'complaint', you can find it. I am an example because, despite the fact that the icon on this page is very large, I did not see it this morning—but I did type in 'complaint'.

CHAIR—If you are involved in it and you did not see it, what hope do our customers have?

Mr Whalan—That is where I come to the failsafe mechanism, which is to type it into the search area.

CHAIR—I put it to you that local members end up being the palace of complaints because in the majority of situations—I have found it as a local member, and other members may agree or disagree—inside the Centrelink office they are not aware of how to make a complaint or, more importantly, they fear retribution or feel intimidated if they do raise a concern or a complaint.

Mr Whalan—I would hope that that local liaison officer initiative and your relationship with your Centrelink office, given that they are two doors away—and I have not visited your local one—would mean that you did not feel that you were—

CHAIR—I am not saying that the liaison officer is doing a bad job. In fact, they are doing a very good job, and most of the time when we receive these people we are able to access the telephone and we get the problem solved. But what I am saying to you, and please understand it, is: look at it from the customer's point of view. They feel intimidated or they do not know the process for making a complaint, so they actually come to their local member rather than exploring the avenue through the Centrelink office.

Mr Whalan—I will deal with the question first in relation to your local office and then at a systemic level. In relation to your local office I would hope that, if you or any other senator or member felt that, you would make that clear locally, because part of it is about the extent to which staff at a local level are drawing attention to or providing information. There is plenty of information available, but it does depend upon individual staff members. Most of them, I think, do a good job.

Systemically, away from your office and your local Centrelink office, the next step we are taking is the production of a lot more material to put in the front of offices about what is available. There are a lot of organisations that represent different groups of individuals that we work closely with that are absolutely aware of how you deal with Centrelink, how you make a complaint. There will be some people who cannot read, people with language and literacy problems, or who have mental health problems. It will not matter what we do in terms of providing information, such as having it at the desk and making it available in paper form, on the web site or even by telling them; they will need some assistance beyond that. Beyond that, we have non-government organisations that provide a great deal of support—and members' offices!

CHAIR—I would like to make it very clear that I have absolutely no complaint against any individual working in Centrelink. I think they do a tremendous job and they have been very courteous. Therefore, is it the process, the ability of the customer to understand; are you pitching

your message too high and not picking up enough people in that disadvantaged group? That is the question I am asking.

Mr Whalan—In this next step we will be providing a poster and a series of information products. We are testing it against different groups in developing it, so we hope to pick those people up.

Senator HOGG—I understand, and the media will probably come screaming down upon me, that the nightly news is pitched at the 10- to 14-year-old age group so that the message gets across. I am wondering, as the chair has just said, if the message is pitched too high. And if I might just follow on in another area: I heard a couple of years ago that the ABS had done some surveys—and I stand to be corrected—of literacy and numeracy levels in the Australian population and that, on a scale of 1 to 5, something like 40 per cent do not even get to level 2 or are at level 2 of literacy and numeracy. I do not know if that figure is exactly correct and it may well have changed, but I doubt it has. So I share the chair's concern about the level at which the message is pitched. I understand it is difficult to have a universal message, one model that fits all, but how do you cater for people at those levels, where 40 per cent of the population may reside?

Mr Whalan—We will need to make sure that the primary information leaflets can be easily read by your average Australian. That would be part of it. We do test materials before we put them out there, but then there will be a group—

Senator HOGG—Who does the testing?

Mr Whalan—We test virtually all the pamphlets and materials we produce with focus groups of customers.

CHAIR—But the Audit Office has said that, in your focus groups, there seems not to be an equal distribution of those who are illiterate or disadvantaged. So, if the brochure is designed to pitch to that group, it should start at the base level. If you are not addressing them through your focus group then how are you getting feedback that it is actually addressing the needs of those who are disadvantaged in our community?

Mr Whalan—I will make a preliminary comment and Ms Hogg can add some more. There is some comment about the selection of people in different focus groups. It is not perfect—there is no doubt about that—but it does pick up the majority of the customer group. It will not pick up a number of the special groups—and we will come to that. In terms of Senator Hogg's initial question, the key thing is how you deal with the majority of people who come into a Centrelink office. Then there is the issue of how you deal with special groups such as Indigenous Australians, people from non-English-speaking backgrounds, people with mental health problems, people who cannot read, people who cannot hear et cetera. We also have to have arrangements for them as well. The mainstream products are for core population—the majority of people who come into an office or ring a call centre. I would say that our focus groups do pick up the core population.

Ms Hogg—This is obviously a continuing issue for an organisation such as Centrelink, because we have many disadvantaged groups for whom our services need to be specifically

tailored. The way we have tended to try and get a better focus and attention for these customer groups is to put specialist staff in place. At most offices, call centres and often at the area office level we have specialist groups of Indigenous staff or specialist groups who deal with people from non-English-speaking backgrounds, released prisoners et cetera. We bring together the groups of people who deal with our customers on the ground and ask them about the issues we see consistently that are causes of concern and service problems for those groups. That is the way we have usually tended to get our feedback to decide what are the priority issues and what strategies we need to put in place for these particular groups. Often they are serviced quite separately from the mainstream group. So there is another set of processes whereby we deal with our customers and understand their issues, apart from surveys et cetera.

Senator HOGG—I do not doubt that, but even if my figure of 40 per cent having very low level literacy and numeracy skills is just a little bit out—let us say it is 30 per cent—it is still a substantial portion of the population. One of the difficulties that that group faces is admitting that they do not have the skills. It may well be that you are doing it with the best of intentions—and I imagine that this group is more than likely to be one of your more significant groups in terms of your client base—but they have a certain pride that will not allow them to admit that they do not have the skills. Obviously, I am not blaming you for this, but it does set up a difficulty for this not insignificant group of people. How can you hope to address that group when they, in the first instance, will not necessarily admit that they have a problem? We have all seen people who have gone through life and even their closest of friends and family do not know that they cannot read or write. I am taking it up to that level too where there are impaired reading and writing skills and dealing with the sorts of brochures that you might put out with the best of intentions—and I am not knocking that.

Mr Whalan—There is a series of layers to it. At the national level, there is a series of groups that we meet with regarding the interests of different types of customers. There is a carers reference group, which basically comprises all the national carers organisations which talk to us about the interests of carers; an older people's reference group; a multicultural reference group, which talks about the interests of people in different non-English-speaking backgrounds; a disability reference group, which would include representatives of people with mental health problems; intellectual disability groups; physical reference groups for people with dual diagnoses, people who cannot read and people who cannot see; and a participation reference group, which has great breadth, including representing people who are in prison, streetwalkers and all those groups I mentioned above. We meet with welfare rights groups on a regular basis. They represent different groups of people that they see are finding it difficult to do business with us. There is also an issue about how you train mainstream staff so they can identify people with language and literacy problems, people with homelessness problems and people with mental health problems. We will mention what we do there and then Sheila can add something.

Mr Walker—There is a range of training modules in which we seek to help frontline staff to identify the very issues that you are talking about. There are modules on homelessness—the triggers around homelessness and the pathway to homelessness. It is not always that you are homeless at the time, but that there are some indications there. There are modules on customers within the justice system. At the moment, everybody who is leaving a prison in Australia should be seen by Centrelink before they leave. In the last year, we have entered into agreements with all of the state prison authorities to allow us to visit the prisons and interview people prior to their release, so that it is not the first thing they have to do when they leave prison.

We have modules on domestic violence, working across cultures; the issues around literacy and numeracy and the very coping skills that you have talked about, and the way in which our staff may sensitively deal with bringing those issues out; disability awareness; and a range of other motivational interviewing techniques that we use to train our staff. In the last two years, over 8,000 of our frontline staff have participated in those training packages. It is a third plank, if you like, in the way we attempt to deal with those issues, because we do rely on staff. Irrespective of how well the brochure is drafted or how well the customer charter is put together, we are an organisation that relies on the personal interaction between the staff member and the customer to achieve the outcome.

Mr Whalan—Often, what happens at the front counter is that, if a staff member spots a customer whom they are unsure how to deal with, they will often bring in a professional staff member, whether it be a social worker or someone who works specifically in the disability area or whatever.

Senator HOGG—I am not being critical of staff, let me assure you. My point goes to the point that was raised by the chair that many of these people do not have the skill level to cope with the type of information that you would disseminate. My experience of most information that is put out in the public arena, no matter where, is that it is generally complex, too verbose, and, when it comes to accessing computers, I share the chair's view that not too many people have that skill.

Let me come back to something that you said earlier today. You are now looking at taking an interest in groups that have not been represented in your focus groups before. Can you identify those groups? What size of the population that you service are they—are they five per cent, 10 per cent?—in rough figures; I am not going to hold you to it.

Mr Whalan—I can talk about what I expect they will be.

Senator HOGG—I do not mind if you defer to someone else; that does not worry me.

Mr Whalan—We do not have numbers. I think we will do pretty well with the deaf; we have TTY arrangements that assist people who are deaf. I think we will do pretty well with most groups from a non-English-speaking background. I expect, if we drill in, that we will not be as good at accessing issues and information from some groups who have more recently arrived—people from the Horn of Africa might be an example. The prison population is also a good example. Many of these people will be difficult to engage with after they leave prison. We are going to be better off dealing with groups who represent the prison population, rather than trying to capture them in another way.

Senator HOGG—Those are the groups that are represented. Which groups are not represented?

Mr Whalan—No, they are examples of groups that I expect will not be sufficiently represented in the people whom we capture. Another example of a group would be homeless youth. It is often hard getting them into the office, let alone engaging with them. You are usually better dealing with an organisation that represents homeless youth, or going out and dealing with a group of homeless youth through that organisation. They are the sorts of holes that I expect.

Senator HOGG—You mentioned that NGOs play a fairly significant role, as I understood it.

Mr Whalan—In relation to those groups who find it the most difficult to represent themselves, yes.

Senator HOGG—How much work from your organisation is this now pushing back onto those NGOs? There is a limit to the tension that they can hold, beyond which their resources are being stretched to the limit as well. They may well break down in their capacity to represent and deal with you. Do you know how that tension is working?

Ms Hogg—As the CEO said before, we have very strong links with these organisations and meet regularly with them. They provide very useful feedback to us about how well we are administering our policies. If they start to become overloaded, it is a key message for us to have a look at where the customers that are dealing with those organisations are coming from. Often we can have a look and ask: 'Are we doing things correctly? Are we administering our processes and practices fairly and properly?' We have a very good relationship with these groups. If there is something that is not to do with the way we are handling our administration, we often jointly talk to government about the issues with the policy that might be causing such a trend. I do not think we work in isolation of each other at all; we work very closely on that, as we do on individual cases that go to them for assistance, when they wonder whether Centrelink has done everything possible for the individual.

Senator HOGG—I have not raised this elsewhere but it just came to mind when you were speaking of this. I recently had a representation from a person working in St Vincent de Paul who complained to me about the backwash they are now getting out of Centrelink and their inability in terms of funds and resources to cope with what they say is the backwash from Centrelink because—and, again, I am not casting aspersions on the staff that work there—of the way the staff are stretched. That is why I asked the question. It seems to me that there is an active tension as to how well those NGOs can deal with your organisation in representing many of the vulnerable groups that you have been speaking about. What feedback could I give the organisation on that sort of difficulty?

Mr Whalan—St Vincent de Paul is one of those organisations that we meet with nationally. I have heard a comment from them that at times they find it difficult to make the emergency relief funds that they have available stretch across the year.

Senator HOGG—This was not about emergency relief funds. This was just dealing with the backwash of people who have been through your front door and who were just making inquiries and so on—just their call centre.

Mr Whalan—That is the first I have heard of that. I would encourage them to talk to us about it. We have regular discussions with the large organisations, often along the lines of: how can we make sure that we do not both do the work? They will collect a lot of information around an individual and then Centrelink will collect a lot of information around the individual. Some of it is about if we could more efficiently do the work and some of it is about if we can avoid both doing it. We have an absolutely common interest—a triple interest—there: the interests of the individual, the interests of each of those large organisations and the interests of Centrelink. We

tend to work really well with them. This is one I have not heard before and I am happy to engage with them.

Senator HOGG—This is not at the national level; this is digging down into the organisation and it is about someone who locally knows me and what I do.

Mr Whalan—There is a very interesting issue between national and local, which goes across, once again, all these reports. I have only been at Centrelink for nine months. Having come in, I would say that Centrelink, which is eight years old, has done quite a remarkable job in terms of the changes it has made to customer service and the customer experience over that eight years. If you go into a Centrelink office now, the sort of experience you get is remarkably different from what you would have got eight years ago.

The ANAO has said: 'You do a lot of things really well at a local level but we're worried that you don't do it systemically well. You don't pick up a good idea here and push it across the organisation. You don't learn quickly enough the lessons and apply them across.' I think there is some valid criticism there, but there is also a great danger because one of the strengths of Centrelink—it is a weakness as well—is that it operates so well locally and in the local community, and differently at each different local community responding to what is happening locally. If I use the St Vincent de Paul example, I bet that, if we went and spoke to the national organisation of St Vincent de Paul, they would say, 'You're fantastic in 90 of 100 places, and there are 10 we're worried about.' I am actually moving to more national consistency. I think there is a value in moving to more national consistency.

But there is also a great danger, and that is, with uniformity and consistency there comes a potential lack of creativity and responsiveness at the local level. We are making shifts on the consistency front and we will be in danger on that other front. ANAO does its job well; it deals with evidence, information and quantitative figures. That is its job. Some of this is about local initiative and responsiveness. That is probably enough on that front.

Senator HOGG—I am going to stop now, but when we have finished someone might like to come and see me and I will give them the name of whom to contact.

Mr Whalan—That would be very helpful.

Senator HOGG—I am sure it will save me making a speech in the chamber.

Ms GRIERSON—I would like to take up the point about consistency. I really would like to hear from Centrelink. What do you think the purpose and main benefits are of having a customer feedback system? What would be the targets you are trying to achieve by having a consistent national system that allows quality customer feedback and therefore the use of that feedback for customer service?

Mr Whalan—Once again, it happens at different levels. For example, one of the reports is about the value creation workshops.

Ms GRIERSON—No, I want it to be as simple as you can make it. What are the benefits to the organisation, and to its purpose, of having good customer feedback systems? What are you going to get out of it?

Mr Whalan—At the local level it is about staff understanding the perspective of customers and being more attuned and responsive to their needs. That is at the very local level. At the organisational level, it is about identifying the main issues for different groups of customers nationally. So you need to do it at both levels—

Ms GRIERSON—The needs will be met at a local level in a more efficient or qualitative way. At the national level, program delivery and service delivery will be better?

Mr Whalan—At both levels. For example, anyone representing a local constituency would want to make sure they know what is occurring in the local constituency, some of which is relevant nationally. Similarly, in Centrelink, a lot of it is about what ought to happen locally and only some of it is about what ought to happen nationally.

Ms GRIERSON—I want some targets, like staff retention rates—so stress on staff levels may be lower. If all this works better you might have savings in terms of people reworking cases over and over again; you may have savings in resources that are now directed towards answering the representations of members of parliament. If there is not an understanding of why you do these processes, then I do not think it is ever going to work. It is not just about saying, 'Yes, your primary role is customer service delivery and therefore your service has to meet the needs of the people you are serving.' It is essential to measure if that is happening, but there are great organisational benefits to everybody through the whole system if it is done properly.

If you cannot tell me what those benefits are to your whole system—not just to the users of the system but to everybody involved in it—then I am concerned that there is no framework for it to hang off. There are charters of operation and all sorts of things, but they have to be real and they have to be measurable. That gives staff comfort and it gives your customers and clients some comfort. That is what I am finding difficult to understand. In reading the reports, that is what I want to know. Why do it? Do not just go through the processes, spend the money, get the right people to do it, get the feedback and then try to disseminate it. Tell me why you are doing it. What are you going to get out of it? I am disappointed not to hear someone tell me why you want to get it right.

Mr Whalan—If you know what your customers' concerns are, you learn about how to improve service delivery. That ought to help reduce costs. It ought to help improve the customer experience, which is better for staff and for the customer. Our job is about serving the Australian people well, within the context of government policy. To do that, you need to know what the experience of customers is. We are measuring that, and we measure it nationally.

Ms GRIERSON—Let us test that then. What are the most successful aspects of customer service delivery by Centrelink, and how do you know that?

Ms Ross—We know from our surveys that the most successful aspect of our service is the way our staff are perceived by our customers. Our customers rate our staff's attitude towards them. Their helpfulness and caring towards customers has been at a very high level.

Ms GRIERSON—So that comes down to the local level. Mr Walker, you manage an area.

Mr Walker—Yes.

Ms GRIERSON—Would you give that a rating in your area in terms of the interaction and the positive acceptance of your staff?

Mr Walker—Yes. We have this data at every customer service centre for every customer service centre, and it is categorised further into different groups of customers. So we know for instance, that seniors customers find staff attitude—helpfulness and caring attitudes—to be at a very high level and that they rate us higher on that than, say, our youth customers do.

ACTING CHAIR (Ms Grierson)—I am one of those deliverers of service. I am one of your staff members, and I am being rated highly. I am doing well. What is in it for me? What do I get out of that? How do I know I am doing well, besides the fact that I am dealing with people every day? How do I know? How do you tell me I am doing a great job and my customers think I am servicing their needs very well?

Mr Walker—There is a report that is distributed nationally, monthly, which goes to every area and to every customer service centre.

ACTING CHAIR—So I have to read that report if I want to know if we are doing well?

Mr Whalan—In your local office you get a report about how well your office has done in terms of service over the last month, based—

ACTING CHAIR—So there are performance review processes linked to that feedback in local offices?

Mr Walker—Twice a year, with the review processes between, say, an area manager and senior managers in the area, all of that information is gone through. In my area, twice a year we have business meetings in every office, and we go through staff satisfaction and customer satisfaction in quite a lot of detail as well as the program outcomes that have been achieved in each office.

Ms GRIERSON—So if my electorate has three Centrelink offices—which it does—and you are my manager, how will you or I know what their performance is like? How do you know, and how does that feedback shape your understanding of each individual office?

Mr Walker—In the business meetings, we discuss what is going well. In those offices where the data shows us that it is going well, we take the learning from that office to other offices. The process is not: 'You've got 75 per cent. Why have you got 75 per cent when the national average is 84?' The process is: 'This office has got 85, 86 or 90. What is it that you're doing well that we can use at the office that is doing 75?'

Ms GRIERSON—What is the least successful aspect of customer service delivery according to the data?

Mr Walker—My colleagues are looking for data, but I know that at the local level in offices in the inner city customer satisfaction and customer service delivery are most problematic with people with psychiatric disabilities. The group of people with whom we have the lowest level of customer satisfaction is that of students. It is improving and has improved over the last two student seasons, but that service delivery issue arises predominantly because of a peak of students enrolling in courses in a compressed period of the year and the difficulty we have in making sure that we have enough people available to deal with their inquiries.

Ms GRIERSON—We can probably validate that students are a problematic area in that they do not have consistent incomes or circumstances—it changes so much—and they have the obligation to notify every time there is a change.

Mr Walker—Yes.

Ms GRIERSON—That is a big burden on people who are young, busy, trying to support themselves et cetera. But I think it illustrates our point and the Audit Office's concerns. I expect you to know the service delivery areas that really stand out, the ones that are problematic, how you are going to fix them and what the targets are. Mr Leeper, does the Department of Human Services have a comment on that?

Mr Leeper—It is desirable, certainly, that agencies are able to measure how they are performing. It has been a requirement from this government from 1997, I think, that agencies administer and assess themselves against customer service standards and customer charters. So there is a relationship between the resources the government provides for operations and the timeliness and quality that is able to be put on the ground from those resources to deliver services to customers. Not just in Centrelink but across the Human Services agencies, this is an area that we will be looking at to ensure consistency.

Ms GRIERSON—What is your role in assisting to get those parameters, indicators or targets in place and delivered? How do you liaise with Centrelink to make sure that their customer charter reflects their activities, their targets, the feedback and the implementation in response to the feedback?

Mr Leeper—To date, in the nine months since we were created, this is not something we have turned our attention to. However, as Centrelink comes out of its current governance arrangements, subject to the passage of legislation by the Senate—

Senator MOORE—You have done well.

Mr Leeper—Thank you, Senator Moore. With the prospective abolition of the Centrelink board, Centrelink as an organisation stands in a much more direct relationship with the minister. One of the department's roles will be to ensure that the minister gets and is able to see consistent performance reporting across the six agencies. The customer charter is an area I am certainly interested in, because it is basically the relationship and the contract between the agency and government whereby, in return for a set of resources, certain timeliness and quality standards will be achieved. That is really a high level indicator of agency performance.

Ms GRIERSON—So the Audit Office reports suggested that perhaps the charter needs to be firmed up, changed, given some more detail and given a framework, a mechanism, that makes it operate in a way that is given a constant chain of feedback. Have you seen any changes to that or have you influenced any interaction with Centrelink about the charter?

Mr Leeper—To this date, no, but that is on the basis that Centrelink is already actioning the recommendations from the audit reports.

Ms GRIERSON—Mr Whalan, did you want to talk about that?

Mr Whalan—To come back to your previous question, you asked us what are the issues that we do most poorly on. The issues that we do most poorly on, in priority order, are, first, long waiting times and delays—

Ms GRIERSON—For any service delivery across the whole range of services?

Mr Whalan—That is correct: this is overall. Second is poor staff attitude.

Ms GRIERSON—Yet that was given as one of the best areas in terms of interaction with staff.

Mr Whalan—This is the consolidated information. Third is policy and payment concerns. Fourth is making mistakes and not following through. Fifth is lack of access to necessary and consistent information. Sixth is 'not receiving the help I need'.

Ms GRIERSON—So you would be as pleased as I am that you can give me those six areas, and then eventually you would want to tell me about the whole framework of getting the feedback, getting the indicators right and getting the improvements in place. Are you that advanced now? Does it give you comfort that you can give us that link to your data and therefore you can try to fix that?

Mr Whalan—We are on a journey here. I mentioned on the way in that, of those 44 recommendations—which often were about how you make sure the linkages are made—we have done four, we will have done the majority by Christmas and we will have done all bar two by June next year. We will improve here in terms of the linkages. If you were to ask, we could talk to you about action in each of those areas. Do you want me to go to the question you asked?

Ms GRIERSON—No, but if you develop a remediation plan for those or a strategy to gain improvements, I think it would be very useful to the committee to put that plan forward to us for us to see. It is pleasing that you have now identified some six customer service areas that certainly are not performing to where you want them to. If we can see the action plan to get the performance up, that would be very helpful to us. I would appreciate that.

Mr Whalan—We are happy to do that. Would you like me to come back to your question about where we are on the customer charter?

Ms GRIERSON—Yes, I would.

Mr Whalan—We have been surveying customers about what they think of the existing charter and what they would like to see in a charter. We have also been talking to other organisations.

Ms GRIERSON—That is a huge ask of any customer. If that were not broken down to some really nitty-gritty stuff that is relevant to them I would find that a big ask of anyone. It would be a big ask of members of parliament to shape your charter or question it. It would be a very difficult thing for customers, I would have thought.

Mr Whalan—We think it is an important piece of information about what it is that customers would like to see in a charter. Some of the early information we have got back is that they are less interested—which is surprising to us—in timeliness standards and they are more interested in the attitudes of staff when they engage with them. We think it is valuable—

Ms GRIERSON—Yes, I take your point.

Mr Whalan—to actually collect that information. We are doing it in parallel with looking at what other organisations do in their customer charter, and we will revise our customer charter by—

Ms Ross—We expect to launch it by February 2006.

Ms GRIERSON—Your highlighting of the customers' concentration of focus on relationships is something that I think we should come back to this afternoon when we look at the Edge project, which perhaps did not factor in the human relationship aspect as strongly as it should have. What is the resource level in your offices to make sure that relationship between customer and service officer can be adequately developed?

Mr Walker—Firstly, I apologise for calling you a senator before, Deputy Chair.

Ms GRIERSON—So you should!

Senator HOGG—That is great title.

Ms GRIERSON—That is all right.

Senator HOGG—The only term you are not allowed to use around here now is 'mate'. Cobber is all right. Comrade or cobber—but not mate.

Mr Walker—I shall not be using any of those either, Senator.

Senator HOGG—Oh, dear me! Senator is even better.

Mr Whalan—On the way in here this morning a staff member addressed me as 'chief'.

Senator HOGG—I don't know about chief; we will have to find out about chief.

Mr Walker—Resourcing levels in offices are specifically directed to reception, because we know that reception is the place—

Ms GRIERSON—First contact.

Mr Walker—at which the whole of what goes on from that point on can be affected significantly if it is not handled well. That is also one of the principal drivers on our queues. From the data that has just been referred to, we know that one of the principal drivers around customer issues with us is the length of time in a queue, either from the door to get to reception or from after you have been seen at reception to being seen if the matter that you have come in with needs to be dealt with that day. So the resourcing is directed at the reception level and the rest of the resourcing is predominantly set around the principal program delivery areas of welfare to work participation and the families business. Resourcing at individual customer service centres has been further tailored in the last little while to make sure that the pieces of work that do not need to be done face to face with a customer are no longer in the office. We are trying to develop arrangements whereby that sort of work is done in customer service support centres and it is consolidated.

Ms GRIERSON—So you do not have to come to a Centrelink office to do that?

Mr Walker—That is right.

Ms GRIERSON—I will defer to other people, but I will come back to that.

Miss JACKIE KELLY—How long would a staff member be in the organisation before being front line at the counter or on the phones in a call centre, given that you have got 24,000 staff spread across 321 customer service offices, 26 call centres and 15 area support offices, so you are averaging about 50 to 70 staff per office?

Mr Walker—I will speak for my offices. What we try to do in all of our offices is make sure that our most experienced people are on reception for a couple of reasons. One is their grasp and speed of use of our systems. We are presently in a transition period between the development of some what we call web based products and the old blue screens, if you like. So the ability to know when to use either bit of the system and the ability within a very short period of time of speaking with a customer to understand the purpose of their visit are very important, and that means that from our point of view we try and put our most experienced people on reception on a rotation basis—usually an hour and a half, and no longer than two hours. People can reach a level of competence in that area in a number of ways and we test that in a number of ways. Some new staff members can get there in three months. Some people may have been with us for quite some time and we may judge that because of their interpersonal skills or some other issues they may not go onto the counter very often at all. So there is not a standard.

Miss JACKIE KELLY—Do you track that? In my Centrelink office, I have been there 10 years and I would have had four or five general managers. So what is your staff turnover?

Mr Walker—I do not have staff turnover figures with me, I am sorry. The way that it would be tracked would be by team leaders and managers. The management group in an office would

keep a pretty good eye on the composition of the reception team and the teams in either the participation or the families.

Miss JACKIE KELLY—In terms of departures from the organisation and promotions and moving around the various offices, do you track how experienced someone would be?

Mr Walker—Yes, we do.

Mr Whalan—We would have turnover rates, but I do not think we have got them with us at the moment.

Miss JACKIE KELLY—Can you get back to us on national turnover rates and your local office turnover rates. Fran mentioned earlier that sometimes it was very hard to know what generated the complaint. One thing was whether the wrong information was given by Centrelink in the first place or whether they said the right thing but the customer understood the wrong thing. You said it very well earlier: there was a list of ways the complaint could have been generated. Go Fran.

Ms Holbert—I think the context that Miss Kelly is talking about, as we just mentioned, is that when you do your compliance activities you look for a range of things. It might not just be that the customer has deliberately misled you. It might be that the customer did not understand the information they got. But that is still detected in compliance when you are trying to work out accuracy et cetera. A person can be non-compliant because they got wrong advice—that is possible on certain occasions; certainly that is what the Ombudsman picks up from time to time—and then there is the customer who just outright does not want to comply.

CHAIR—I have to raise a point of order here. You are not to respond to questions from departmental people. Everything is to be directed through members of the committee in order to attract parliamentary privilege in proceedings of the parliament.

Ms Holbert—Sorry, Chair.

Miss JACKIE KELLY—Obviously the complaints I see in my office are about alleged wrong information from Centrelink, that Centrelink had someone in the call centre, at the desk or whatever, who gave them wrong information. So do you reckon that a minimum three months experience is needed to be on the phones?

Ms Hogg—I can certainly talk about the national requirements for bringing new people into the organisation. We have a nine-week induction program for people coming straight into the organisation. That is usually a mixture of on-the-job and away from the desk type learning. During that period the requirements of the area manager for what sorts of jobs they have available are established and the type of work that the person is going to do is determined so that we can target the sort of learning that they need to have.

Two or three years ago we did a major job design exercise in Centrelink where we looked at the amount of information we expect one of our staff to be in control of and to be competent in, and we broke that down into three main sorts of jobs. During the induction period somebody will be allocated to a particular sort of job and we can target very carefully the sorts of learning they

need to do—they do learning needs assessments et cetera—so that they know pretty well when they go into an office or a call centre what job they are going to do and they have had a certain amount of training, learning and preparation for the types of things they will need to do.

CHAIR—Can you take on notice to provide a flowchart of the process from induction through to whatever position they end up in—whether it is in a call centre or at the front desk—and the training that is given to those people and the approximate time frame that takes, for inclusion in our report.

Miss JACKIE KELLY—Could you also include how you monitor that turnover, because I notice that the turnover in my local office is also heavily dependent on the management style of the manager in there. Often when they have a manager who is not operating well I have a higher level of complaints. Could you include whether you monitor that between offices and whether you look at the management styles that lead to unhappy office situations, which then leads to further complaints, and compare that with when you change that culture and people respond accordingly. There were a lot of touchy-feely things, I suppose, that the ANAO really could not get a grip on because they are localised within offices. That would be handy as well.

I have a question for Human Services. You are now linking up with Centrelink and Centrelink is becoming part of your organisation. Centrelink has obviously agreed to all the ANAO recommendations and you are going to this national complaints system. What is going to be the interface with Human Services?

Mr Leeper—Our role is fundamentally to let the agencies run their business, so I am certainly not in a position of wanting to micromanage what Centrelink does. What we will be doing is checking from time to time that satisfactory progress is being made in addressing the Audit Office recommendations, and that will come up through normal conversations between Jeff Whalan and the secretary of my department. We do not have the capacity to drill into these things in great detail nor, to be frank, do we have the expertise—that rests in the agencies themselves. So what we will be checking for is that recommendations are being addressed satisfactorily, and good progress is being made.

Senator MOORE—You would understand this is an area that I am deeply interested in. Going back, Mr Whalan: you are going to provide us with your updated compliance report as to each of the 44 recommendations that were made?

Mr Whalan—If you would like, we could give you a progress report on it.

Senator MOORE—We would like it very much, because with these activities we have the flare around the release of the report, we have a discussion and then sometimes it is what happens next that is probably more important, so if we could keep that link going that would be good. I think that in your initial statement you talked about the fact that you had so many building blocks in place and it was just a matter of putting them together. I think that it has become obvious that the department has a deep commitment to all these things and that, while there is a range of issues going on, it is how you actually put them together that has been the focus of the report. Can you let me know exactly what your new branch, Customer Experience—which is a catchy title—does and how it actually links into the whole network? It seems to me that one of the things that have come out of the audit is that you have the organisation and it is

effectively made up of this wide network with the devolution of responsibility to the areas and it is how we then put that together and keep the strength going across it. I am interested to know, Ms Ross, as you have been blessed with this area, exactly how your unit operates and what your role is in ensuring across the whole network that these things are maintained as a priority.

Mr Whalan—I might just make a preliminary comment on the way into that. The way we have organised the structure of Centrelink now is that we have got a service delivery group—

Senator MOORE—Do we have the latest little flowchart of it, Mr Whalan?

Mr Whalan—I can give you a map of it.

Senator MOORE—It would be good if we could get that. How recent is this one?

Mr Whalan—This occurred four months ago.

Senator MOORE—I have not got that one.

Mr Whalan—It has got the photos of the people on it, which is what I use.

Senator MOORE—It is very useful. How is this new structure going to work?

Mr Whalan—The key message that I would like to give you is that we have now organised Centrelink into two principal groups, one of which is about service delivery and one of which is about working with the stakeholder departments—DEST, DEWR, FaCS and other departments. The rest of the organisation supports these things, so IT supports them, People supports them and Money supports them et cetera. It is a stronger focus in Canberra on trying to pull together the service delivery out in the 15 areas and across the call centres into a more consistent approach and trying to give them a greater voice in what happens. Within that we have got Sheila and the Customer Experience branch, so I might ask her to talk about that.

Senator MOORE—This map is so small. Where are you on this? So, Ms Ross, your position is in the service delivery element? Is that the half that you belong to?

Ms Ross—Yes, and within that half to the customer service strategy division, as opposed to the customer service delivery side, which is the network of call centres and offices.

Senator MOORE—In terms of the focus of this audit, which is all about improving service delivery and improving the whole 'culture', which is a trendy term that is going around at the moment, how does your section operate to do that?

Ms Ross—We now bring together, in terms of the ANAO audit act, all of the areas but the appeal and review area, which has a legislative component in terms of decision making around customer entitlements. Our job is to represent the voice of the customer in the way our service offers are designed, so it is our job to know the customer well enough to be able to feed into work that is going on across Centrelink, whether that is local service improvement or national changes to service delivery arrangements, to be able to inject into that work what we know about customers in terms of their preferences for different channels for accessing Centrelink or the way

they would like our offices to be set out. It is about the range of things that impact on how customers experience our service.

Senator MOORE—What resources do you have for that?

Ms Ross—I will go through it team by team, which will help me. I have a group of five, who have migrated from a previous customer experience group, who have been looking at customers' use of new technologies and preferences and so on. I have a group of three who are responsible for customer relations units. I have another group of three who look after surveys. I do not actually have the value creation team, but they feed their results from their workshops for us.

Senator MOORE—Where do they fit in?

Ms Ross—They fit in the planning and change management, because it is obviously a tool that can be used more broadly than just for customers; it is focused on cultural change internally.

Senator MOORE—Is it on the same side of the map?

Mr Whalan—It is in the people area.

Senator MOORE—What is the link at the area level? It seems critical in terms of the answers Mr Walker gave about what he is doing in his area. What is the link between your unit and the area offices, in terms of the coordination work you have put into the central office?

Ms Ross—The link is that we need to make sure they have the intelligence about what customers are experiencing to change what is happening at the local level, in terms of whether they are issues specific to that part of the country or things we want to change nationally, as Mr Whalan said, for example, to achieve consistency.

Senator MOORE—Is there any particular person or structure in the area office that is your entry or is it relevant to whatever issue you are talking about?

Ms Ross—It would be relevant. Some areas have customer experience contacts that we may deal directly with; in others, it may be business managers who have a responsibility for customer service. Of course there is the personal contact we have, but we also feed in through the planning processes. When organisational priorities are being set or local planning is occurring, we are actually now part of the process of ensuring that what is in local plans reflects what needs to happen in terms of improving the customer experience.

Proceedings suspended from 11.28 am to 11.39 am

CHAIR—Is it the wish of the committee that the document entitled 'Centrelink: Senior Executive Structure May 2005', presented by Mr Whalan, be accepted as evidence to the JCPAA sectional committee review of the Auditor-General's reports and to be included in the committee's records as an exhibit? There being no objection, it is so ordered. I understand that Senator Hogg wishes to correct some earlier statements.

Senator HOGG—I can now make the people from Centrelink aware that the library came to my rescue very quickly—thank you to the Parliamentary Library. I was referring to figures in terms of literacy and numeracy skills that came out of a 1996 survey, which the library tells me is the latest available, from the Australian Bureau of Statistics. It is paper 4228.0 "Australians' literacy skills put to the test". I think my figures were not too bad, in view of the fact that I was recalling something. I made out that 20 per cent of the people are at level 1. This media release says that people who are at level 1:

... could be expected to face considerable difficulties in using many printed materials that are encountered in everyday life.

About 30 per cent of the people were at level 2 in the survey. So I was pretty right. At least in the order of 50 per cent of people are in either level 1 or level 2, and people in level 2 are 'expected to experience some difficulties.'

The paper does not refer specifically to numeracy rates, but I understand that when we ask questions there is a fair correlation between literacy and numeracy rates, as one would expect. So those figures are fairly true of both. There is nothing more recent but it does not diminish my concern in any way that there are a large number of people who have very poor skills in interpreting written material, filling in forms and so on. I thought I would clarify that for the record.

CHAIR—Is there any response required?

Senator HOGG—No.

CHAIR—We will go to Senator Moore for the continuation of her question.

Senator MOORE—The audit report came out and there were so many recommendations. That is always an issue when you are doing a bunch of things together. Mr Whalan, can you let us know about the impact on your organisation when you receive an audit process like that. Even though there was some internal preparation and knowledge of the kinds of issues that were going to be faced, how do you actually handle that? You get a final document. I know that all of them have been agreed now, and you have a process, but what do you do internally when you receive such a significant whammy like that?

Mr Whalan—These audits were particularly important for Centrelink. It has prided itself on doing a good job in this area. Before they came out in final form and they were still in draft, I called all the SES together, who were the people on the chart I just gave you. We spent a day going through those six reports. We basically divided them up amongst the group. Their jobs were to work through them and work through what ought to happen with respect to each recommendation. That established the action plan, if you like, for working through responding to those 44 recommendations. I did that deliberately because it is a significant enough issue that it ought to be an issue for every senior person who works in Centrelink, and I wanted to make sure that we responded quickly and well.

Senator MOORE—The next point was going from that senior group throughout the whole network. My own experience has been that people are very proud of their work and they take it very personally. Something like this to people in customer service centres could be seen as quite

negative. How then did you work through with the staff who were affected and work through how they were going to be part of the solution?

Mr Whalan—There are two things there. First, we allocated all the work, as you would expect, to people across the organisation. We have been messaging out to staff that customer service is absolutely paramount, that people do well at it but that we could do better and that it needs to remain a focus. That is our physical structure. In terms of our governance arrangements, we have a committee in place that will focus on service delivery, and a standing item of that committee is going to be about customer service. This almost goes back to your last question, just as we broke. You were asking about the link between the customer experience branch and the work out in the areas. There is a customer relations unit in each area. Ms Ross's branch does link to each of those. There is a tension between to what extent you centralise; it is back to this issue—for example, do we give the central branch responsibility for all those staff across Australia?—and to what extent you leave them responsible to each of the areas.

Senator MOORE—Good luck with fixing that one up, Mr Whalan. It is not new.

Mr Whalan—At the moment I have left them responsible to each of the areas. I think that is the right balance. One thing that has changed in the dynamics is that every area manager reports through the deputy secretary responsible for service delivery, who you will note is the deputy secretary that Ms Ross reports to.

Senator MOORE—That is the accountability link.

Mr Whalan—Yes.

Senator HOGG—I will follow on from that because that is the nub of it. It is not a matter of whether it is centralised or decentralised necessarily—I am not hung up one way or the other—but the reporting mechanism. Someone must know what is going on. That is not just a criticism of what might have happened in your agency but in a number of other agencies as well. Reporting seems to be very poor, which is effectively the accountability mechanism. You are saying that has been tightened up.

Mr Whalan—That has been tightened up, yes.

Senator HOGG—In what sense is that reporting done? I know when one is confronted with reports with copious numbers of pages then invariably one gets lost in the morass of information and is not able to focus on the key issues. What sort of reporting is there? Do you see that reporting yourself?

Mr Whalan—I see the high level reporting. Mr Walker referred to a performance report. Amongst the elements that go into this performance report, which covers each area and each office, are customer views of what happens and lots of other things as well. As we move over the next three months into new arrangements where, subject to the passage of the legislation, there will not be a board and we will have new governance arrangements, we are designing a new scorecard about what is success. An element of that—one of the recommendations from ANAO—is that we ought to look again at our customer satisfaction measurement. We are concluding, if you like, on that element of the scorecard. Our customer feedback will be there in

our monthly reports by area—locality—as part of a dashboard, if you like, of the key elements. In summary, there will be a dashboard, a balanced scorecard, a selection of 20 or so indicators, which we think are the key indicators in measuring how the organisation is performing, one of which is in the customer space. Below that is a great deal of information.

Senator HOGG—In terms of direct reporting to you, will you scrutinise these reports that come through to you individually or will you have a small panel that you sit down with to scrutinise them? I am trying to get some feel for the process. Reports are great, but if no-one reads them and no-one understands them—and I am not being critical of you; I am speaking in the broadest sense—and no action is taken from them, then all we are doing is what Sir Humphrey does: just generating and generating. And therein lies part of the difficulty.

Mr Whalan—One thing organisations like Centrelink are good at—and it is not just Centrelink—is this: if you measure their performance, they respond to it. There are dangers in that as well, but if you give them something to measure, they will want to do well at it—people want to do well in their jobs. We do and we will continue to measure the performance of each customer service centre, each Centrelink area, and each area in terms of how well they do on customer satisfaction. The area managers get measured on how well their area as a whole performs, and performance there as a whole is made up of how well each Centrelink office performs. They work with each manager about how well each office performs. So we will measure and people will respond to the measurement. I will see the report based on each area each month. I will be basing a discussion each month on which area is doing well and what elements we are doing well on and where we need to focus our improvement. We do that now and we will keep doing it.

Senator MOORE—Do you still publish the table about how people are going—on the customer satisfaction area—on a monthly basis?

Mr Whalan—Yes, we do.

Senator MOORE—I always found that really confronting. I know you are balancing performance and so on, but I just wonder, if you are consistently 15 or 14, how that goes for team spirit. I know you would not be there, Mr Walker. On the issue of how you work with the whole network when you do get this, did you encounter resistance or negativity from people when they saw their work assessed in such a way?

Mr Walker—At the front line it did not have that effect. Of the 44 recommendations, a little over 30 are to do with this issue of integrating pieces of work that are already being done and comments by the ANAO about the structure of surveys—what they saw as potential failures of either structure or analysis. The thing that worried the front-line staff the most in the most recent report was the fear of retribution. One thing Centrelink staff are incredibly sensitive and proud about is that, as part of the way they do their work, they do not engage in that sort of behaviour.

Analysis of what the Auditor said indicated that it was feedback from a stakeholder; it was not feedback from customers. In talking with that stakeholder at the management level, not at customer service officer level, we now understand what that stakeholder was saying. At the management level we have included that stakeholder on one of the steering committees

specifically to deal with the issues that I think they were concerned about, which were the review and appeals matters.

Mr Whalan—The issue of fear of retribution has probably been given a lot of coverage because it is a catchy issue. We have commissioned some research into finding out what the concerns are of people in this space. The preliminary results show that there are a small percentage of customers, about four per cent, who worry about providing information because they are worried it will not be anonymous. That is somewhat understandable. There is a much lower figure, around one percent, who worry that there may be retribution. This is about perceptions. It is a bit like if you have a child at school and you are worried about the teacher. It is about power. Do you go and talk to the headmaster about the teacher? Hopefully, you can, but some people will always worry that there will be repercussions even if there are not any.

The average Centrelink staff member works in the organisation because they want to make a difference. They want to improve people's lives. The idea that there is a fear of retribution is abhorrent to them. I note it is there. Despite the fact that we have drilled down further and it is now as low as one percent, we will do more work to rectify it. I want to try to put it into some context.

CHAIR—What sort of feedback do you generally get from your surveys or focus groups? What have you actioned in relation to that? Do you have any reports that show what you have ascertained from each focus group, what action plans you have put into place and what the results have been?

Ms Hogg—Can I go back to the five or six things customers were telling us most worried them? Perhaps if I start talking about some of the action items and some of the things we have done to try to address some of those. Does that answer one part of your question?

CHAIR—Yes.

Ms Hogg—With long waiting times and delays, we are putting a lot of effort into this concern at the moment by making sure that every customer service centre is measuring the amount of time a customer spends in a queue. We are measuring it three times a day and giving aggregated reports on that to the CEO on a weekly basis.

Senator HOGG—How do you do that?

Mr Whalan—We ask at specified times for the manager of the customer service centres to go and get on the end of the queue, wait until they get to the front of the queue, and then look at their watch.

CHAIR—So it is incentive based?

Senator MOORE—So they take their badges off and go and stand in the queue? It is a physical measurement.

Mr Whalan—Last week I was speaking to a Centrelink manager who was saying that it was a great thing for them to experience being in the queue and realise how, even during short times in

the queue, people get very agitated, including themselves. They recognised, because they were in the queue, that people might be working just a bit faster at the front, but they thought that was diminishing over time. We have been measuring this now for five weeks. It was interesting to watch the figures start to drift down as individual managers started to look at strategies to reduce queues.

Senator HOGG—So what is the average queue time?

Mr Walker—The average for Australia as a whole is just under five minutes. We report it weekly to the executive in blocks of zero to five minutes, five minutes to 10 minutes—we have set a benchmark at 10 minutes; we have said that, if an office consistently has queues above 10 minutes, they have to produce a plan about what they are going to do about that—10 minutes to 15 minutes and over 15 minutes. Currently, 82 per cent of our queues—not our offices because some of our offices have two or three queues—are within the 10-minute band.

Senator MOORE—I want to clarify one point, because it is a concrete example of something you are doing. You are measuring the waiting time in the queue. Is that in every regional office across the country or do you spot and change from every regional office every week?

Mr Whalan—Every regional office, every day, three times a day.

Senator HOGG—What times of the day?

Mr Walker—The band was picked at being the busiest times. Every office has a morning peak. Lunchtime is traditionally a peak just about everywhere. There is usually a peak in the afternoon. The bands, from memory, are from 3 to 4 in the afternoon, from 12 to 2 and from 9.30 to 11.30, but I could provide you with—

Senator HOGG—No. I just wanted a general idea.

CHAIR—It has been put to me—and I was asked to ask this question—that with your call centres, which take a lot of the information, when you have a successful team in your call centre, after a period of time you break them up and put them into other teams. You talk about the working relationships, building a team effort and going forward. Why do people in call centres get their teams broken up?

Mr Whalan—We would not have an arrangement which planned to break up successful teams. What we would have is the mix of work constantly changing and you would be changing team size to cope with the mix of work. Another strategy I have seen in some call centres is that call centre work can become very repetitive and we know that the interest and satisfaction of staff can dip over a period of time. Some of our most successful call centres deliberately rotate people around the different queues and different types of business to broaden their skills and to keep up levels of interest. That would be driving it. It does not make sense to change for change's sake.

CHAIR—Going back to that feedback, and I ask you to take it on notice, you might tell us what you have found with the focus groups, phone surveys or different types of surveys—how many people are involved in the group, what you have found with that and what you have done

to implement the directions you picked up from that survey—so the committee can see that you have had the survey and taken on board the issues and outcomes.

Ms GRIERSON—You have given us an example of one action that you are responding to—that is, timeliness. Could you give me one action that shows you are responding to increasing customer awareness of their rights? ANAO found that they were not aware of their rights and that there were not enough pointers for them to know of their rights—their right to complain, their right to access appeals or information et cetera.

Mr Whalan—I will start with three and other people can add more. The first one, which I mentioned earlier, is a web site. There are two big buttons on the front page, one labelled 'complaints' and the other 'customer charter'. We are also in the midst of developing some new products which will go in the front of the offices. There will be a poster and there will be new material which we are testing with people—they are my second and third examples. They will be available starting in December. Do you want to add any others?

Ms Ross—We are also working, as part of a response to the recommendations, on a service recovery—complaints and reviews and appeals and so on—policy framework, which will be the way that we work across the organisation to support and help customers when we need to address problems they have had with their initial service experience.

Mr Whalan—The way I would describe that is that there are teams in each area that operate slightly differently and we are telling them to operate in the same way and giving them a framework to operate in.

Ms GRIERSON—I will follow up on that point. You said earlier that there are variables and that there has to be consistency but there was value in creativity and variations. We accept that, but only if it is linked, as you have just said, to some clear policy guidelines—starting with your charter, I would imagine. I guess that is the sort of the thing that the Audit Office was concerned about: that the charter was not strong enough and not specifically linked well enough to the whole operation of Centrelink. The Audit Office did some comparisons with other charters. Can you tell me what that found in terms of comparing Centrelink's charter with other charters?

Ms Bradford—If we go to the report, we compared it with the Australian Taxation Office charter and the Health Insurance Commission charter. The major thing we found was that the other two charters have service standards. Centrelink's did not have any service standards and therefore there was no measurable standard to adhere to or to use to see if there was any improvement. That really is the major finding with the comparison.

Ms GRIERSON—Mr Leeper, that is why I thought it was imperative for the Department of Human Services to track that charter and ensure that it does have those service standards and quality assurance measures.

Mr Leeper—I agree.

Ms GRIERSON—The non-response rates bias your survey. Non-response rates were very high, and that does tend to bias the results in some way. You are really only getting responses from a very small percentage of the people you attempt to get feedback from. What have you

done to increase that, besides those things you have just raised about making it easier for people to complain? Is there anything else you have done about non-response?

Mr Whalan—One of ANAO's comments was along the lines that you are always going to get non-response rates but it would be helpful if you were clear when you use the information about what the information was based on. We are being explicit now as we use the information about what some of the caveats are.

Ms Hogg—The only thing I could add to that is the issue that I raised previously. With some of the customer groups, it is not likely that we will increase that response rate in the shorter term. We have to use other methods of making sure that those customer groups or their representatives have good access to Centrelink in terms of providing feedback into those processes, rather than through the surveys.

Ms GRIERSON—One of the mechanisms you were using and are still using are the VCWs—the workshops that people get a payment to come along to. The Audit Office said that is all very well but because Centrelink officers were present the people feared retribution and so were not participating fully. Then we find the Taxation Office is notified about their $40 payment and may reduce their benefits. Wouldn't you think that strategy might have a few flaws in it? If you agree, have you changed that strategy?

Mr Whalan—We approached the tax office to seek a private ruling in respect of the treatment of that payment. We are awaiting an answer. In terms of the value creation group work more broadly, we sought some expert advice about what we could do in this area. Essentially, that expert advice is finding that those workshops are an appropriate methodology for market research with Centrelink's customers. There have been a lot of good outcomes. When customers are asked whether they feel that the presence of staff is an inhibitor, they say they do initially, but they would prefer the staff to be there because they want the staff to hear the feedback. The quantitative information from the workshop is a by-product and not the real reason for holding the workshop. The real reason for holding the workshop is to get staff to understand what it is like to be in the customer's shoes. It is a bit like the manager getting on the end of the line. The principal reason is that understanding.

Ms GRIERSON—But they are outsourced and somebody else manages that. Is that correct? Do you procure that service in some way?

Mr Whalan—We procure the methodology and we use our own staff to manage the workshops. We have specialist staff—

Ms GRIERSON—Who reviewed it? The people who set up the methodology did not review it, did they?

Mr Whalan—No, we had a review done by Dr Andy Butlin, who is an independent external reviewer. We went to contract and asked who thought they had expertise in reviewing these types of methodologies. We got a series of proposals and we selected one person—Dr Butlin. We have a final draft of the report.

Ms GRIERSON—So VCWs will continue but with some modification?

Mr Whalan—Yes, they are spectacularly important in terms of changing the culture of Centrelink.

Ms GRIERSON—So you think they have an impact on the staff and therefore that flows to your customer?

Mr Whalan—Yes. My view is the principal value of these VCWs has been about cultural change in Centrelink. When I mentioned earlier that Centrelink is eight years old and has changed quite dramatically, I would actually put a lot of that change down to the work that has happened through those VCWs.

Ms GRIERSON—Mr Walker, do staff think they are of critical importance or do they think they are an extra and therefore an add-on to their workload? I can see the smile on your face!

Mr Whalan—Dr Butlin surveyed a number of staff about the VCWs. He found that just over half said they found it useful or definitely useful in influencing their behaviour at work. One-third said that their behaviour towards customers changed as a consequence of that experience and, of those, 90 per cent said that they had changed their behaviour for three months or more. Thirteen per cent said that they saw improvements in the behaviour of other staff that they had worked with who attended the workshops. A number of staff have said that they are disappointed that they are not getting access to sufficient workshops because we are not running many at the moment.

Senator HOGG—Ms Hogg was going to go through the six points. Ms Hogg, you went through point 1. Can you take the other five on notice and give us not voluminous answers but fairly succinct answers, like you have given us on point 1. That would be appreciated by the committee. The second issue I need to raise is internal audit processes that will oversee what you are doing. Again, could you take that on notice and give us some idea of what is happening there.

I am sure you will have to take on notice the next issue I raise. The cost of enforcing compliance, the cost of the system and so on, was raised with us. I want some sort of cost analysis as to what you believe you will get out of the recommendations that have come to you. In other words, is it going to be a cost impost or a cost benefit to you? If there are savings, what are they? I do not want a whole balance sheet, but could you do an analysis for us? It was said to us that you do not really know the cost of the systems or the cost of enforcing compliance or the cost of rework. If you do not know the costs, will you be able to identify the costs so that there is a real benefit coming out of the recommendations that have been made? It seems to me that is the underlying thrust of the Audit Office report.

Ms GRIERSON—Chair, if we are not going to continue with questions now, we will have the opportunity after dealing with the Edge project; is that what you are saying?

CHAIR—We will suspend this hearing.

Ms GRIERSON—I just signal that, if we do have an opportunity this afternoon, there are areas we have not covered. I would like to see us cover the original decision-maker appeals, particularly, quality assurance for complaint resolutions and stakeholder interactions.

CHAIR—Yes, if time allows. Other than that, there may be a series of questions that members may wish to put in writing to the witnesses. We would appreciate a response to those so that it can be incorporated in the annual report. Mr Whalan, I do not know whether your intention is to keep the staff you have at the table here for the remainder of the day. We may have the opportunity, depending on how long it takes to deal with the Edge project, to come back to the questions Ms Grierson has alluded to.

Mr Whalan—We had not planned to do that, but, if that is what you wish, we will.

CHAIR—That would be very much appreciated. The committee will now continue its discussions in a private meeting.

Proceedings suspended from 12.17 pm to 1.22 pm

CHAPMAN, Mr Steve, Deputy Auditor-General, Australian National Audit Office

HOLBERT, Ms Fran, Executive Director, Australian National Audit Office

MEERT, Mr John, Group Executive Director, Australian National Audit Office

TURNER, Mr Eric, Senior Director (Retired), Australian National Audit Office

HOGG, Ms Carolyn, Deputy Chief Executive Officer, Stakeholder Relationships, Centrelink

WADESON, Mr John William, Chief Information Officer, Centrelink

WHALAN, Mr Jeffrey Robert, Chief Executive Officer, Centrelink

HARTLAND, Dr Nicholas, Branch Manager, Seniors and Means Test, Social Security Relationships and Compliance Branch, Department of Family and Community Services

HUNTER, Mr Stephen, Deputy Secretary, Department of Family and Community Services

LEEPER, Mr Geoff, Deputy Secretary, Department of Human Services

DAYAL, Mr Surendra David, Chief Executive Officer, SoftLaw Corporation

CHAIR—I reconvene this hearing on Audit report No. 40 2004-2005: *The Edge project*. I welcome to this hearing representatives from the Australian National Audit Office, Centrelink, the Department of Human Services, the Department of Family and Community Services and SoftLaw. I ask participants to remember that only members of the committee can put questions to witnesses in this hearing if it is to constitute formal proceedings of the parliament and attract parliamentary privilege. If other participants wish to raise issues for discussion, I ask them to direct their comments to the committee. It will not be possible for participants to respond directly to each other.

Secondly, given the short time available today, statements and comments by witnesses should be relevant and succinct. I refer any members of the press who are present to a committee statement about the broadcasting of proceedings. In particular, I draw the media's attention to the need to report fairly and accurately the proceedings of the committee. Copies of the committee statement are available from secretariat staff.

I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as proceedings of the houses themselves. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege. Do any of the representatives of the Audit Office wish to make an opening statement before we proceed to questions?

Mr Chapman—We will pass on this occasion, thank you.

CHAIR—Would a representative from Centrelink like to make an opening statement pertaining to this matter?

Mr Whalan—Yes, I would.

CHAIR—Please proceed.

Mr Whalan—Thank you for the opportunity to be here today. The ANAO's audit of the Edge project provides a detailed description of a major IT development with the capacity to significantly improve both service and accountability. For a number of reasons, the project was terminated before achieving those results. The audit also presents a full account of a project that seemed well founded at the start but ran for too long and without sufficient scrutiny along the way.

There are clear lessons. ANAO notes that there were deficiencies in the project governance, and the focus of ANAO concern has much more to do with this issue than with the particular failings of the software or the project teams themselves. In many projects involving new IT developments events will not always go to plan. Unless there is proper governance of a project, it cannot be assumed that changes in direction that may be required will be recognised and put in place.

One of my aims in the new structure of Centrelink is to be clear about accountabilities, particularly for the major development projects that Centrelink regularly undertakes. Senior SES officers must now play an active role in the monitoring of those projects to ensure that individual teams are properly reporting their progress and that the work they are undertaking is in line with business objectives. I am happy to expand on that further in response to questions.

CHAIR—Mr Leeper, do you wish to make an opening statement on behalf of the Department of Human Services?

Mr Leeper—Yes, thank you. The department recognises the comprehensiveness of the audit that the ANAO has undertaken in relation to Edge and notes that the CEO of Centrelink has already taken action to implement the recommendations. The department's focus has been, firstly, to recognise the lessons from the audit and, secondly, to make sure that we have in place frameworks that minimise the chance of such events happening again. For example, we have now made provision for our ability to undertake independent health checks of major IT projects by establishing a panel arrangement to give both us and, where necessary, the minister some assurance on the conduct of such projects.

CHAIR—Mr Hunter, do you wish to make a statement?

Mr Hunter—Yes, and thanks for the opportunity to be here this afternoon. The Department of Family and Community Services notes that this was a very thorough review of the Edge project. We agree that such a review, with its wide scope and capacity to consider issues in detail, was appropriate given the scale and importance of the project. Our joint media release with Centrelink at the time the report was tabled indicated that FaCS understands that the report

makes it clear that the management of the project could have been better. As our published response makes clear, FaCS has accepted the recommendations and has taken action to ensure that the problems identified are not repeated. We will be happy to use today's proceedings to elaborate on the department's response to those recommendations if the committee wishes.

CHAIR—Mr Dayal, do you wish to make a statement on behalf of SoftLaw Corporation?

Mr Dayal—Yes, I have a brief statement. We do not have any major issues with the report. We felt it was very thorough, and we had a constructive relationship with the Audit Office during the preparation of the report. In spite of the project winding up early and the trauma that caused to SoftLaw, we do acknowledge that we have received a lot of benefit from the development of Edge. In particular, it helped to inform the development of a world-class software product—that is, RuleBurst. RuleBurst version 7 is now generating more income for Australia from overseas projects than from local projects. Over the last couple of years we have had some fairly major wins overseas, head-to-head against overseas competitors.

CHAIR—As there are no further opening statements, let us cut straight to the chase. Mr Dayal, why did it fail?

Mr Dayal—We would agree with the analysis in the report that the major risk that the project failed to manage was the integration with Centrelink's mainframe, noted at paragraphs 2.12 and 2.13 of the report, which led to most of the problems with the delays to the roll-out. From our perspective, that was the main stumbling block to achieving a successful outcome.

CHAIR—Was a scoping study done prior to even entertaining the Edge project?

Mr Wadeson—Yes, a study was done. A trial was done in Caboolture in Queensland, but it was a stand-alone version of the Edge product and, as such, it was more of a 'what-if' type of product that would enable customers to trial on the basis of 'if I did this' or 'if I did that'. It was not an integrated product; it did not connect into the rest of the system. At the time, it was regarded as being quite a useful customer service development.

Senator HOGG—Who designed the trial project in Queensland and who supervised it?

Mr Wadeson—This is going back to the late 1990s.

Senator HOGG—To 1997, I understand.

Mr Wadeson—Yes. From memory, it was done by a national team in Canberra but with the cooperation of the area office in Queensland—I think we were in the area structure by then. There was certainly senior Queensland representation in that trial.

Senator HOGG—So was it developed internally or externally?

Mr Wadeson—At this stage we were using fairly much the SoftLaw product that had been tailored. But, once again—and this gets back to the technical side—it was not an integrated product. It did not sit with the customer record. If the customer went into it, it did not do

anything to any of the core systems of Centrelink. It was like something that you might now use on the net to say, 'If I was going to go ahead with this, what would I get?'

Senator HOGG—How did you arrive at the conclusion from the trial to proceed further, if it lacked all the basic requirements to give you some evidence that it would succeed?

Mr Wadeson—The subject of expert systems in the administration of income support goes back a long way. As early as the 1990s there had been a lot of discussion about it. At that stage people were starting to recognise the complexity of the systems that were being used and the impact that had on both staff and customer understanding of what was going on. The real task was that without building a connected system you could not really trial it.

Senator HOGG—So it was not on the basis of the trial that it proceeded?

Mr Wadeson—No. I would argue that a much bigger body of thinking underpinned it because quite a different objective was set out for the actual build than the concept of a stand-alone system, which was the original trial.

Mr Whalan—At the time it was quite cutting edge. It was not as if this was being done in a lot of other places; this was at the edge.

Senator HOGG—So was the Jindalee over-the-horizon radar system cutting edge in another portfolio.

CHAIR—Perhaps you could explain to me how your department spent $30 million on software without a stronger initial milestone of a scoping study and how you then spent a total resource of $60.4 million on the project?

Mr Wadeson—At the time it was always recognised that this was going to be a big and complex project. You do not engage in this sort of thing unless it is going to be a multimillion dollar project. I think the ANAO report does look at this. It says that at the start everything looked okay. The ANAO is not critical, really, of the start of this project.

CHAIR—Is that correct, Audit Office?

Ms Holbert—Yes, Chair. We looked at the business case that was established at the beginning of the project, and it had all the things that you would expect to be in a business case. It was just that, as you have pinpointed here, right from the outset the risk about connectivity was not treated appropriately in the risk management plan.

CHAIR—Why wasn't there further examination of connectivity within the system prior to embarking upon the program?

Mr Wadeson—I think you would have to say that to some extent it would have been difficult for the people who were looking at what they were looking at back then to see the extent of the problems they were going to encounter. You can do it in hindsight.

CHAIR—Are you saying that we did not have the competence level in the department to be able to analyse the risk associated with this new program?

Mr Wadeson—They were looking at an entirely new piece of software and they were going to try to integrate that into a system that already had 10 years development behind it—I think we had been developing our mainframe systems for 10 years by then. If you read the papers of the time, I think it has been well summarised by the ANAO that it was identified that connectivity would be a risk. You will find in the report that the risk level seemed to rise as the audit went on. But did they see that it was a risk that was eventually going to have such a profound effect on the outcome of the project? No, I do not think they did see it.

At the time this started there was a lot of optimism about it. Although it is only documented that the project was about doing something in the FAO space, there was a view that that this was the future of our systems and that this was the way we would build things in the future. It took a long time for that to work through.

Mr Whalan—At the time it was not expected that we would be able to hook up the internet to their mainframe system and that this would provide the avenue for self-service. In recent years we have found that you can hook up internet self-service to the mainframe. To some extent that overtook what at the time was seen as the only avenue of being able to help Australian citizens to navigate the rules themselves.

CHAIR—I note, Mr Dayal, that you said it was very good for your company; I can imagine that $30 million for the development of software was good for your company. How do you justify spending $30 million on a project when obviously the scoping study was not done strongly enough and was not forensically examined well enough to make sure the project would have a chance of working?

Mr Whalan—I am not convinced that the scoping study was not thorough or not strong enough. My view of this project is that it was a good idea and showed a lot of promise. It ought to have been closed down earlier than it was closed down.

Miss JACKIE KELLY—Mr Dayal, how long have you been with SoftLaw?

Mr Dayal—I have been with the company since 1991.

Miss JACKIE KELLY—So you were there in 1997?

Mr Dayal—I was. I was quite heavily involved in that initial Caboolture trial in Queensland.

Miss JACKIE KELLY—Were you in your current position with SoftLaw?

Mr Dayal—No, I was an analyst at that point.

Miss JACKIE KELLY—Who developed the statement of requirements for this contract?

Mr Dayal—For the 1997 contract?

Miss JACKIE KELLY—Yes; do you have a copy of the statement of requirements for the contract that you tendered on?

Mr Dayal—We probably would have that in our records. I am not sure whether we definitely do.

Miss JACKIE KELLY—Could I have a look at that? Was that statement of requirement written by Centrelink or did you help them?

Mr Dayal—We helped them establish that requirement. The evaluation criteria for the trial were all developed by Centrelink—or DSS, as it was at the time.

Miss JACKIE KELLY—But they ticked off on the statement of requirements and what it was supposed to do?

Mr Dayal—Yes.

Miss JACKIE KELLY—They were quite comfortable leaving the interactivity with the M204 with Centrelink rather than leaving you with responsibility for that? Was there argy-bargy about that in the contract negotiations?

Mr Dayal—No, not all. The expertise around the mainframe really rests with Centrelink rather than us. It was not really a point of contention. When we did the initial trial there was obviously a lot of promise in terms of customer satisfaction and customer interaction, but one of the main things that came out of the evaluation of it—and that was direct with customers as well as with staff—was that it would add the most value if it could be plugged into the mainframe. That would be where you would get the time savings et cetera in the processing of claims.

Miss JACKIE KELLY—There were 16 risks identified at this early stage—13 were considered high or significant risks to the project. In particular, the following high risk was identified: the connectivity of the mapping between the Edge and the M204 database. In the statement of requirement, was there a clause in the contract that you signed that actually goes to that mitigating strategy, in that the payments to SoftLaw would be directly linked to deliverables—so there would be amounts on times? Is there a clause in the contract that was a mitigation strategy?

Mr Dayal—Certainly the contract was based on deliverables and delivering set components. There was a fairly major set of milestones associated with delivering the connected system as opposed to the unconnected system. The unconnected system was delivered quite early.

Miss JACKIE KELLY—What was the date for that? Was that at the 1997 Caboolture trial?

Mr Dayal—No, it was in about 2002.

Miss JACKIE KELLY—So in 2002 we had the unconnected system delivered?

Mr Dayal—Yes, and that was then trialled for a period.

Miss JACKIE KELLY—On what date was that payment made and acknowledged in the contract?

Mr Dayal—I think it was in about June 2002. I can certainly find out.

Miss JACKIE KELLY—How much had been paid over on the contract to that date?

Mr Dayal—I do not know.

Miss JACKIE KELLY—Could you find out for me?

Mr Dayal—Yes.

Miss JACKIE KELLY—From that point on, we move to trying to get it to interact with ISIS. Obviously there were staged payments.

Mr Dayal—Yes.

Miss JACKIE KELLY—Staged payments were occurring from the signing of the contract.

Mr Dayal—Yes.

Miss JACKIE KELLY—Which was after the Caboolture trial.

Mr Dayal—Yes.

Miss JACKIE KELLY—Could you get me a sequential list of dates of SoftLaw's involvement with Centrelink? Centrelink were scoping it for you and talking about what their statement of requirements was. They had identified the risks and then you entered into a contract with them on the understanding that they would deal with the connectivity with the database. You then proceeded to give them the benefit of your intellectual property. Payments were made up to June 2002 and everyone was quite happy. Are you sure that it was in 2002 that the stand-alone was delivered?

Mr Dayal—No. The time line on page 45 is the original project time line. The actual time line is on page 38 of the report.

Miss JACKIE KELLY—So a progressive roll-out begins in 2002. I am looking at page 45. In May 2002 the PDA is complete and in July 2002 the progressive roll-out begins.

Mr Dayal—Yes.

Miss JACKIE KELLY—That progressive roll-out was to five or six Centrelink offices?

Mr Dayal—Yes, that is right.

Miss JACKIE KELLY—By that stage, connectivity with the database should obviously have been an issue.

Mr Dayal—Yes. There was connectivity there; the issue was that completing the connectivity proved very difficult. By the time that the project wound up, about 74 per cent of cases could be processed through the system, right through to the mainframe. Particularly in some of the complex areas like maintenance payments et cetera, where the mainframe had evolved over a long period of time, it was quite difficult to marry up the rule base that was in Edge with the rules that were being applied in model 204.

Miss JACKIE KELLY—Take me back to the litigation strategy. The contractual clause that was going to link these deliverables should have triggered that contract, properly supervised, in about July 2002, if written properly.

Mr Dayal—I think that might have been a bit early. It was always going to take time to make sure that the two systems operated correctly together. As Mr Whalan said, the main thing is that, yes, the contract should have been terminated earlier than it was, but it continued through.

Miss JACKIE KELLY—Who in Centrelink was responsible for you? Were you involved in the payments on the contract or were you just doing the IT?

Mr Dayal—I was in London for about three years during the latter half of this project so I was not directly involved. We have changed our management internally in the company since then. The responsibility for the mainframe connectivity ultimately sat with the project steering committee.

Miss JACKIE KELLY—Which was the deputy secretary of FaCS.

Mr Dayal—There was a group of people in that committee. I think the dep sec of FaCS and the dep sec of Centrelink were the two main people on that committee.

Miss JACKIE KELLY—And the chair of that committee. This is the committee that met initially and then disappeared?

Mr Dayal—Yes.

Miss JACKIE KELLY—So we get to 2002. We have identified the risk; it has been a great business case and we know there are 16 risks. Was there a clause in the contract that gave Centrelink a right to not make a payment at some point?

Mr Dayal—I do not think it was directly connected to that risk. We fulfilled all of our contractual obligations over the period of the contract, up to the point at which it was terminated. So, given that that was the risk that ultimately led to the project being shut down, I would probably say no, there was nothing directly in the contract, linking back to us at any rate, for the delivery of those components.

Miss JACKIE KELLY—When the contract was terminated did you take any action against Centrelink for early termination or for outstanding moneys?

Mr Dayal—No. We did consider that, and we had a contractual right to do that, but obviously it is not in our best interests to do that sort of thing.

Miss JACKIE KELLY—So you were basically looking after your reputation but, as the contract stood, you had rights against Centrelink rather than it being a contract that Centrelink should have had some rights to terminate—and probably terminate earlier—with less money having been handed over?

Mr Dayal—I do not think it is as clear as that in terms of our rights, which is one of the reasons why we chose not to pursue it. Our rights were more in relation to where there is generally something—and I think this is under the standard contracting arrangements for private sector contracts with the Commonwealth—that could, with the winding up of a project, significantly affect the company for, say, the next three to six months. We had a lot of people working at Centrelink and there is a right to get some compensation if that is suddenly pulled away. I would not say that is specifically a Centrelink type of thing.

Miss JACKIE KELLY—Do you still have copies of your contract with Centrelink?

Mr Dayal—Yes, we do.

Miss JACKIE KELLY—Would you be able to go back over that and answer questions, or even provide us with a copy of that contract?

Mr Dayal—Yes, we can provide a copy of that contract.

Miss JACKIE KELLY—That would be very handy.

CHAIR—So you will take it on notice to provide to the committee a copy of the contract?

Mr Dayal—Yes.

Miss JACKIE KELLY—Would you be able to find out information about the contract from the date it was signed—presumably after the Caboolture contract—so from, say, 1998?

Mr Dayal—A procurement process was completed around February 2000, so that is really when that contract commenced.

Miss JACKIE KELLY—February 2000?

Mr Dayal—Yes. There was a lot of change to the contract subsequent to the initial signing. I am not sure that we have a full history of all that change, but we certainly have a copy of the contract as it was after all the changes.

Miss JACKIE KELLY—What I would really like, if you can get it, is the names or positions of the people in Centrelink whom you were dealing with for each of those changes. Were you dealing consistently with one person or was it consistently changing? As SoftLaw was going through trying to deliver on this contract, were they dealing with a corporate history within Centrelink or are they dealing with a revolving door of personnel who had been promoted and

posted and had no corporate knowledge of this contract? It would be really helpful to have a look at who you have been dealing with throughout the history of this project, from February 2000, after it was signed, and the expertise they carried, whether it was IT expertise, FaCS expertise, or Human Services expertise. It would be very helpful if you could provide that.

Mr Dayal—We can do that to the extent that it is possible. I think it is likely that Centrelink would have better records than we would on who was responsible over that period.

Miss JACKIE KELLY—I will be asking them for theirs in a moment, but I would like SoftLaw—from a contractor's perspective—to provide information as to the issues in a contract when dealing with the government. Certainly the ANAO report states that the problem was not with SoftLaw, but your personnel must have been experiencing some frustrations with Centrelink during the period of this contract, and I would like to see where they were and whether it was because of the level of expertise of personnel or because people were on secondment or because of the change—that is, from Centrelink being with FaCS and then moving to Human Services.

Mr Dayal—I think it was a fairly consistent set of people from our perspective. Certainly the project manager at Centrelink was there for the duration of the project.

Miss JACKIE KELLY—Who was that?

Mr Dayal—Martin Kos.

Miss JACKIE KELLY—Was his background in IT? Is he in the Centrelink IT division?

Mr Dayal—He was. He is no longer.

Miss JACKIE KELLY—Where is he now?

Mr Dayal—I am not sure.

Miss JACKIE KELLY—In the private sector, working for you guys? I withdraw that.

Senator HOGG—That line of questioning was very important. Who had ownership of the intellectual property that was being developed under the contract?

Mr Dayal—The intellectual property that was developed by the project is with Centrelink. Inevitably, we were doing work on our own product at the same time, but it was not directly funded by the project.

Senator HOGG—It seemed from an earlier statement that you made—and I can understand it—that your company gained as much out of this project as Centrelink did not get in another sense, because the project was not completed. That is why I am asking about the intellectual property and the ownership of it as such.

Mr Dayal—Under the contract we were developing a set of rules for Centrelink, and we were developing an application for Centrelink. Those were both owned by Centrelink and are still

owned by Centrelink. We were using our own core product to do that development. On the flip side, while I acknowledge that we got some benefit out of the project, it caused a lot of trauma for the company, the project being wound up quickly. We had to progressively lay off about half of our staff during 2003-04. We have now turned the company around, mostly on the back of international success.

Miss JACKIE KELLY—What was the product you mentioned before?

Mr Dayal—It used to be called STATUTE Expert. It is now called RuleBurst, and we are up to version 7 of that product.

Miss JACKIE KELLY—Is RuleBurst a derivative of Edge?

Mr Dayal—No.

Miss JACKIE KELLY—What does RuleBurst do?

Mr Dayal—It is what is described in the industry as a business rules engine. That is the modern term for an expert system. As Mr Whalan was saying, during the nineties that technology was fairly immature and probably in the last five years or so it has become internationally recognised as a valid part of an IT system architecture.

Miss JACKIE KELLY—You are now becoming a bit of a leading expert in expert systems for that?

Mr Dayal—We were quite recognised as leading in that field during the nineties, although we had not taken it overseas at that point. We did that only in the last three or four years.

Miss JACKIE KELLY—The ANAO states that there are over 8,000 rules—that you had to put together—relating to the family tax benefit. Was there ever any suggestion by FaCS or Centrelink or by you to FaCS, Centrelink or Human Services, saying, 'Go back to your government and reduce the rules, streamline this exhibit because this is just ridiculous'? Was there ever any push back in terms of IT capability, saying, 'You are just changing the rules too fast. It's too hard. We can make an expert system for, say, 6,000 or 5,000 rules, but not 8,000'?

Mr Dayal—Not really. One of the whole premises of our product was to try to absorb the complexity of having a lot of rules and having constant changes in the rules. The main difficulty we had was not in building the rule base. That was done quite quickly and it was maintained quite successfully over the project. The problem was then trying to take that rule base and marrying it up with the mainframe, which had been developed over 15 years of adding to those rules. Certainly in the current work we do, though, there is a heavy element of what we call rule quality assurance, a part of which is to identify redundancies or things that could be used to cut down the volume of rules.

A recent example is that we have just done some work with the Board of Taxation, where they are trying to cut out 3,000 pages of the tax act. Our technology was used to help check that taking out 3,000 pages is not going to break something else. So, at the time that Edge was developed, I would say that because it was so cutting-edge that presented more of a challenge

than it would today, say, if we were faced with the same volume of change and the same volume of rules.

Miss JACKIE KELLY—On that subject, if you go back to page 38 or 39 again you can see the legislative changes. So the contract was signed in February 2000, then an enormous stream of legislative changes in the family tax act occurred. Was it a bit of a struggle for you to keep track of all those changes? I am trying to get to that push-back. In government, we would like to announce a budget in May and have it implemented on 1 July. Centrelink never lets us do that because we need nine months to implement the systems. Is it possible for a government of the future to roll out legislative changes at that rate and have a back end that is going to keep track with its policymakers?

Mr Dayal—It is, yes. It is possible in the future to have a greater range of legislative change coped with by IT system development. In Centrelink's defence there, though, I would say that we have done quite a bit of work with overseas organisations now, and this issue is faced by all social security delivery agencies or all tax delivery agencies around the world. I do not think that any government I have seen is particularly happy with the rate at which the IT can deliver; they would much rather that it was quicker, but it is a very difficult area.

Miss JACKIE KELLY—Centrelink is now going from the old blue screen—Unix, I think—and now they are moving to this web based system which can be used by the customer anywhere. That was the major failing for Edge. Basically, if you come into the Centrelink office, it helps you, but when people suddenly want delivery at point of sale or point of service, we start having some issues. Edge is not going to deliver its promise. I am sure that in 1997 I had EFTPOS at the supermarket. I could get cash out at the terminal. You could have looked at banking in 1997 and said, 'It is quite possible to deliver information or cash at point of sale.' How come government at that time was not saying, 'We can do that at point of service as well. We can do this at the child-care centre or in the hospital when the child is born'? Why in 1997 were they still considering that you had to have the customer in the Centrelink office and therefore signing off an Edge contract when the rest of the world was clearly saying, 'Hey, you don't have to have face to face contact; you can do this,' which eventually led to Centrelink determining that they did not need Edge anymore?

Mr Dayal—I think there are two things that are relevant to that. The first is that there is far more complexity in the rules that are applied by government to determining things like entitlements than there is for a bank. So for a bank to make, say, self-service available is primarily a security issue, enabling people to sign on securely and those sorts of things. That technology has been available for quite a while. The next step of taking very complex government rules and outboarding them and making them available to citizens is much more difficult. It is actually something that we as a company are investing in now—developing some of those kinds of things, where you can just put it on the web for people to self-assess rather than having to go to the office. But that has only really been possible in the last couple of years, I would say, with the state of technology internationally.

The second thing is that although the connectivity to the mainframe was the rock that Edge foundered upon, a lot of the infrastructure that was developed for Edge has been reused and did inform a lot of the work that is now being done by Centrelink on those kinds of customer self-help systems. A lot of the building blocks are things that allow you to plug a web application into

the mainframe. Those things are now there, which certainly were not in existence when we started Edge.

Miss JACKIE KELLY—So of the $30 million given to SoftLaw, how much of that would Centrelink still be? Would it be 50 per cent, or 25 per cent?

Mr Dayal—In the ANAO report there was an estimate of about $12.4 million that was directly reusable. There is also a lot of indirect knowledge and experience that is reusable. In fact, a lot of the staff who we ended up letting go are now working for Centrelink on some of these more modern systems. They have the experience of having done it for a number of years now.

Miss JACKIE KELLY—I will ask Centrelink the same question I just asked Mr Dayal. In 1997 it was clear that people were interested in services that followed them through the community, rather than always having to reference back to a bank, an ATM or certainly a Centrelink office. Jeffrey, you have only been there for 12 months. How long have you been there, John Wadeson?

Mr Wadeson—Long enough to answer your question.

Miss JACKIE KELLY—Good. So you were there in 1997. Geoff Leeper, were you there in 1997?

Mr Leeper—I was in the Department of Family and Community Services from November 1997 to July 2000. I was the executive director responsible for this project, so you might want to take my comments into account in that light. But I do not have all the papers in front of me; these other gentlemen have them all, if there are any around.

Senator HOGG—You can call them 'mates' today!

Miss JACKIE KELLY—Mr Wadeson, we come to 1997. There was a community trend in IT systems for point of sale or point of service delivery, and yet you—not you; we do not know yet who, but we will find out—came to the conclusion that an Edge product, which was office based, could be used by non-government organisations. How far from a Centrelink office was Edge supposed to operate?

Mr Wadeson—In formal documentation, you will find it was fairly much described as being to provide a families online system for use in offices. People had a view that, if the system was sufficiently intuitive, it could be used by a non-government organisation to assist in conducting an interview—that interviews could, in fact, be conducted anywhere. Also, the prevailing view was that the way to build systems for our customers to use was to first of all build them for the staff and then turn them out, if you know what I mean. First of all you would build a system that you would get the staff to use, and then you would turn it out. In reality, of course, we have since discovered that staff and customers have very different views about what should be in a system and how it should work. But at the time, the view was: we can build this, we will get it going in Centrelink, and then other people can be engaged in assisting people.

Miss JACKIE KELLY—Like welfare organisations?

Mr Wadeson—Many options were discussed at the time as to—

Mr Whalan—I think it is fair to say that the thought was that it would be other organisations assisting the customer. The thought did not go out to the concept of putting it on people's desktops at home.

Mr Wadeson—That was seen as a long way off in our space at the time; you have to remember that, although you could go to an ATM in 1997, the internet was still—

Miss JACKIE KELLY—I could have done a tax return online in 1997, I am pretty sure.

Mr Wadeson—There were not a lot of those sorts of facilities then. I doubt whether libraries were connected then—things like that. Irrespective of that, we were technically miles away from that. We could see enough of the difficulties in doing this. Everyone was optimistic we were heading in that direction and this was the first step we had to take—at least that is how it was described at the time.

Miss JACKIE KELLY—What was the largest payment made to SoftLaw in one milestone?

Mr Wadeson—There were two streams to the payments. There was the payment for the software itself, and then there were the services that went with it. At some stage, towards the end of it, we moved to a time-and-materials basis with SoftLaw. The contract changed during the course. There was certainly a fair payment up front, as you would expect in these things, but they will be set out in the schedules that you will see when you get the contract.

Mr Whalan—I just noticed we go past this on page 105 at 5.15. The ANAO does find—and they would have gone to great detail—that:

> the process for accepting deliverables was in accordance with the guidelines specified in the contract;
>
> payments were made against ... project deliverables specified in the contract; and
>
> changes made to the contract ... were approved at the appropriate level and were tracked accurately.

Miss JACKIE KELLY—That is still procedural. Procedurally, everything was done all right, but I am talking about the big picture. Somewhere the steering committee has to have noticed, if the steering committee had been working well, who was supposed to be supervising this contract. They had to have scratched their heads by 2000 and said, 'Gee.'

Senator HOGG—'What is going on here?'

Ms GRIERSON—Mr Wadeson, who signed off on those payments? Who had the authority to do that?

Mr Wadeson—Under the rules the project manager would have signed off that the deliverables had been met. You have to remember that in this particular project, which was singularly unique, there was also a FaCS project team as well, so you have two project teams. On the Centrelink side, the project manager would have signed off on the deliverables.

Ms GRIERSON—Who was that?

Mr Wadeson—I think we have already had that discussion. We had a project manager who was pretty well with the project for the whole time.

Ms GRIERSON—He had delegated authority from whom? Who gave him the delegated authority to do that?

Mr Wadeson—Certainly, at that stage the project manager, who in this case was an SES officer, had a delegation to ask what stage the contract was up to and things like that.

Ms GRIERSON—Under the FMA Act, did that have to be authorised by the chairman of Centrelink—

Mr Wadeson—Yes.

Ms GRIERSON—or who?

Mr Wadeson—The original signing of the contract was—

Mr Whalan—The delegations would have effectively come from the chair of the Centrelink board through the CEO to officers, including this project manager.

Senator HOGG—I want that clarified: the authorisation for the signing of the original contract—

Mr Whalan—No. My answer was in respect of the authorisation of the payment.

CHAIR—The authorisation of delegation.

Senator HOGG—So the authorisation of delegation—

Mr Whalan—The authority to sign off a progress payment would have been delegated from the chair of the board of Centrelink through the chief executive officer to appropriate officers within Centrelink, of which the project manager would have been one.

Senator MOORE—We are talking at a very senior level.

Mr Whalan—In this case it was SES level.

Mr Wadeson—He is a very senior officer, an SES officer in Centrelink.

CHAIR—Can we assume the process was the same for the person within Family and Community Services that had the delegation signed off on it?

Dr Hartland—We were not a direct party to the contract. Centrelink was the representative of the Commonwealth.

CHAIR—I thought you just said that there were two people administering the project, signing off on the—

Mr Wadeson—Sorry, that was my mistake. There was a project team in FaCS who were doing their part of it. But that is quite right—there was one contract with Centrelink.

CHAIR—So responsibility for payments rests solely with Centrelink.

Mr Wadeson—We signed off on that, yes.

Senator MOORE—And it was your budget.

Mr Wadeson—There was a split of expenditure that I think is documented between FaCS and Centrelink.

Senator MOORE—All the delegations worked through the whole process back to a designated officer under the act in Centrelink?

Mr Wadeson—That is right.

Ms GRIERSON—But FaCS did not pay any moneys towards this project; is that correct?

Mr Hunter—We did pay moneys towards the project. Our costs were around $12.3 million for our own costs, which would have been principally associated with supporting the project team that Mr Wadeson just mentioned, and also $4 million approximately which we paid to Centrelink for shared expenses.

Ms GRIERSON—Was that part of a memorandum of understanding that was not signed? Why did you pay the money if there was no memorandum of understanding between you regarding this contract?

Mr Hunter—I do not have an insight into the answer to that question. I will go back to my response earlier that there are certainly aspects of the governance of this project which could have been better managed, and that was certainly one of them.

Ms GRIERSON—Do you have any insights into that, Mr Wadeson?

Mr Wadeson—At the time I was managing another major project, but if you ask what I could see of it, and if you are talking about 2001-02, there was still a lot of optimism that this was going to be a successful project. Yes, they were running into problems. In an IT sense, the analogy of peeling an onion is often used. People always thought, 'In the next release we are going to get there.' But they ran into problems at the network level—

CHAIR—Windows has been doing that since DOS 3.1.

Mr Wadeson—at the middle level and with the mainframe. With each one they thought that. Of course, it is the case sometimes. You can only see the next problem in front of you when you are building these sorts of systems. It is when the first one is solved that more in the complex

pattern emerge. If you add to that the constant legislative changes, which the ANAO talks about, those two things together meant that the project's release got later and later. By the time it was put out to the offices there was a very strong argument that the whole focus of the program had switched from an up-front one to: has the customer got their estimate right? By the time it actually got there, it was deemed—even in its primitive form—that it was no longer the driving force we needed to support FaCS's program administration.

Ms GRIERSON—We still need to have some understanding of why an MOU was never completed or signed between the two joint partners in this project. Can anyone tell me why that was not completed? Did FaCS just spit the dummy and say, 'We've done a risk assessment of this and we don't think it is going to work'? Or was there just no interaction between the two groups to share the costing and the responsibility?

Mr Wadeson—Some moneys were paid initially. It was towards the end of the project when some of the difficulties referred to in the audit report came up. The fact that the MOU was not signed at that time—as far as any of us can see, in view of the progress—was seen more as an administrative sort of oversight than any particular failure.

CHAIR—Mr Whalan, do you regularly engage in projects without signing memorandums of understanding which clearly dictate responsibilities and involvement, or do you do them after the fact?

Mr Whalan—I do not know of another joint project of this nature—a project partly funded by two organisations. I think that creates an added degree of difficulty in terms of clear accountability and governance.

Senator HOGG—What I cannot understand is how the project even started, how the initial contract was even signed, without the MOU having been entered into. You just cannot offer me the excuse that it was an administrative oversight. It is a fundamental flaw.

Mr Wadeson—The MOU is between the two departments, FaCS and Centrelink, particularly at that time. FaCS at that time accounted for 90 per cent of Centrelink's business. There was a huge amount of interplay between the two organisations. You could argue that for this particular purpose they were trying to act as one organisation. They really were trying to do this is a combined—

Senator HOGG—With different accountability and reporting lines internally. I hear what you are saying and it seems to me that it was a fundamental flaw. Can I just go back one step further. Who had the authority to sign the contract that launched the department down this path in the first instance, and who did sign the contract?

Mr Wadeson—From memory, it was one of the deputies in Centrelink at the time.

Senator HOGG—One of the deputy secretaries?

Mr Wadeson—Yes.

Senator HOGG—Was there a criterion which allowed the deputy secretary to do that? What was the delegated role?

Mr Wadeson—I would go back to the ANAO's report. At the time, the ANAO was not critical of this part of the process. You are putting yourself in the shoes of the people who were there at the time. There are chapters in the book about what might have been done better, and they are true, but the ANAO did not focus on this as the problem.

Senator HOGG—I am.

Ms GRIERSON—John is unhappy.

Senator HOGG—I am not happy, because I deal with another department—

CHAIR—Not happy, John.

Senator HOGG—I am not a happy John, even though I have been a mate to some people today. I deal with another department in which a deputy secretary can sign off on anything above about $5 million—for anything above $20 million, it is the minister who signs off on it. I am trying to find out what the lines of delegation were at that time. What lines of delegation are in place now? The value of this contract when it was signed back in 2000 was of the order of $30 million. Is that correct?

Mr Wadeson—Yes.

Senator HOGG—At that stage, what were the levels of delegation and who had the authority? Did the deputy secretary at that stage have the appropriate authority?

Mr Wadeson—Yes, he did.

Senator HOGG—What was the level of authority?

Mr Wadeson—I am sorry but I do not know what the limits of the deputy's delegation were at that time.

Senator HOGG—Could you take that on notice and find out?

Ms GRIERSON—And what are they now? I would like to know what they are now.

Senator HOGG—That is right: what are they now, who is the authority and under what circumstances where a contract is being signed does it have to go to the minister for approval? What review processes does a contract have to go through before it gets to the final approval stage? Can you give me that now?

Mr Wadeson—There is nothing you have asked that is not available.

Senator HOGG—Now?

Mr Whalan—We are getting you that information. We will try and get it before the end of this session.

Senator HOGG—How many of the people who signed the initial contract or had delegated authority to make progress payments got performance bonuses as a result of this project? If they did get bonuses, I want them to pay them back. Will you take that on notice, please?

Mr Whalan—I am not sure we would have that information. The people you are referring to are no longer in the Public Service.

Senator HOGG—Can you still find out if they received a performance bonus for the conduct of this project? We are dealing with a substantial amount of money. I have become a little touchy in other areas where projects have gone astray, but the quantum of money, which I thought was great, pales into insignificance alongside this. People are claiming that there are some residual, reusable benefits out of it to the tune of $12.4 million plus; I accept that. But it seems to me that it has been an enormous risk and no-one seems to want to take responsibility for it at the end of the day. Who took responsibility for this at the end of the day? Who put their hand up and said, 'Yes, I made the mistake; I was wrong'? Who? Were they from Centrelink or FaCS? Who put their hand up and claimed responsibility?

Mr Hunter—As an organisation, the Department of Family and Community Services accepts that this could have been much better handled.

Senator HOGG—I accept what you say, Mr Hunter: it could have been done better. But this is a major stuff-up. That is the only way you can describe it. Who put their hand up and said, 'I was responsible'? I cannot find them. This is part of the problem that our side comes up against when asking for accountability in the Public Service. We are not trying to take it out on individuals but someone at some stage has to cop the blame.

Ms GRIERSON—There is a view that you can delegate authority, but you cannot delegate responsibility. We come up against that over and over again.

Mr Whalan—I made the comment in my opening statement that I do not think it was a failure of the project team. Nor do I think it was a failure of the project team manager, who has been named in these proceedings today. I think it is a failure of governance.

Senator HOGG—I have to disagree. You are splitting hairs. It is both, in my view. I think that where public funds are being expended, greater care needs to be taken no matter how hopeful people are about the outcome of the project. If all we do is live in hope, then we see the public finances being punted on the hopes and the aspirations of people. That is not what the Public Service is there for. I do not want to get into a lengthy debate about this. I have asked some questions on notice, if you take them on notice and give me the answers that will satisfy me. Thank you.

Ms GRIERSON—We have to look at the current situation and the future. What have you done, Centrelink and FaCS, to develop better risk management practices in contract and project management so that we are not looking at this happening again?

Mr Whalan—The first change, and I think the key change, is the introduction of what we call project gateway reviews, which are stop-start reviews that happen at a number of—

Ms GRIERSON—Are these absolute milestones that have to be met before the contract proceeds?

Mr Whalan—We have a panel of external reviewers—some come from the private sector, some are retired public servants who have a deep background in these areas and some are actually brought in from other departments—who are outside the organisation. Their job is to independently check whether the specifications are right initially, whether the benefits are going to be measured in a reasonable way and whether the project should be allowed to start. They also check at each milestone whether the deliverables have been made, how much overdue they are and whether it is still a viable project. That is working well. As a result, some projects now get closed down early, some do not get up and some get closed down part way through the exercise. That is the first issue.

Secondly, in the IT space, which is where this operates, the general managers—sometimes called division heads in other organisations—are all technically experienced, and that has not always been the case. Thirdly, all projects in Centrelink are the responsibility now of a general manager. A general manager has responsibility for any significant project that happens within their part of the organisation and for making sure that they get managed well and are delivered on time et cetera. We have now 200 staff in the organisation who have been through the diploma of project management to try and improve the level of project management that occurs in relation to individual projects. Part of the standard practice of initiating a project, part of the business case, is detailing the benefits to be derived, and they are a measured throughout the project.

Ms GRIERSON—Thank you.

Miss JACKIE KELLY—I am a big supporter of government investment in IT to deliver services to Australians easily, on time and at the point of service. Centrelink essentially delivers information or money. I am not aware that Centrelink provides any other services. You are a referral agency to others but, essentially, Centrelink is about information or money, all of which can be web based. In order to move forward with confidence that the government's IT investments are going to head the way that we would like them to—a la, from when an announcement is made in the budget to 1 July or the start of the new financial year we can actually roll out policy—we need a very responsive IT environment, which means that we have to have some confidence in our IT contracts and the management of them to ensure we are getting what we want. That is something about which Senator Hogg and I agree, and I think there is a degree of frustration in this committee because it sees so many government IT contracts that were not scoped properly and where the statement of requirement was not sought. In this instance, Senator Hogg, Centrelink was unable to provide the ANAO with evidence of the approved spending proposal to meet the FMA regulation 9 or 10. So there was no actual approval to expenditure the money. I bet when the answer comes back that, on a $30 million project, it was split up between the two things to keep it under $15 million. There are various ways that keen people can get projects going and scoot around the oversights and things that government put in place to make sure that money is spent appropriately and in the right fashion.

I do not want to hang Martin Kos out there, but what was his actual title? What was the title of the job?

Mr Whalan—He was an assistant secretary or a national manager in terms of level. In terms of title—

Mr Wadeson—It was a generic sort of title. I would have to get that for you. It had 'applications' in it. It may have been 'new applications' or something like that. But he was widely known as the project manager for Edge.

Miss JACKIE KELLY—Can I get his actual title at the time and then a bit of a diagram chart as to where that title fitted into the Centrelink organisation? I know that at the moment we have restructured Centrelink. For an organisation that delivers money and IT it seems to be a reasonable restructure. You have one area—your area—that is responsible for Edge and IT Refresh and those sorts of projects and other areas for policy. I am just wondering whether the organisational structure of Centrelink as it was then left this assistant secretary trying to do something that he did not have either the IT skills for or the legal capacity for—one or the other. He had to have either a background in law to supervise the contract or a background in IT.

Mr Wadeson—If you ask me to look back—and it is always easier looking back—at that time we had a project manager in the SES with a lot of expectations on him, a real confidence that this was going to work and continuing confidence in that—

Miss JACKIE KELLY—A confidence in that assistant secretary in particular or in the steering committee as a whole? They did not even meet.

Mr Wadeson—No; I think the auditor summed this up beautifully. There is a phrase in the audit report that talks about the 2002 review. I think it is at the heart of the thing. It is at paragraph 2.59. It is about when you could say there were flags being raised and more people were starting to say, 'This is going to be harder than we thought.' A review was commissioned. You will see that, in the last sentence of that, it says, 'An independent review at this time may have taken a more critical view of the project.' In some senses the organisation was starting to become aware a year before the project actually closed that something was wrong. I think what the auditors are saying here is that, had the government cut in at that stage and said, 'All right, we will have an independent review,' the project would not have gone on. That to me is a failure of governance. You have a project manager convinced that he is going to work his way through the problems, but there was no-one above him who was technically competent enough, really, to say, 'Hang on a minute.' So he was reporting into a bit of a void. That is the governance thing that sits at the heart of this.

Miss JACKIE KELLY—Had Centrelink given him any training or sent him on any overseas courses to see how SoftLaw works overseas? Had you done any of that investment in personnel to give him the skills to do that?

Mr Wadeson—Had he been reporting to, for example, Mr Dao, who now sits above these projects, these issues would have been sorted out. There would have been another person who could have said, 'You might say that you are near the end, but I cannot see it.' People think it is easy to see these problems. There was a working system. We had staff who were already using

Edge at this time and who were saying, 'Yes.' It was not as straightforward as it might now appear to be. The system was out there, in a sense. You could not necessarily say, 'It has failed.'

It would have required, in my view, a more detailed independent and competent technical review to say, 'Look, this is going to cost you a lot more money than is currently budgeted for to push through to the end on.' That would have ended it. And I think it is the great disappointment of Centrelink that that was not recognised, because there were a lot of people, including people like me at that time, who thought, 'This isn't going as it should.' There was a lot of discussion about that, but there was not the governance there to push for an independent review. I think what we have now got is a structure that reinforces that in a number of ways—with the gateway reviews, which are independent, and with what is in my view a key element, having that senior technical overview of these very complex projects.

Miss JACKIE KELLY—It is interesting that you see it that way. This is a contract that had no authority to go forward in the first place. Centrelink cannot even show that they have complied with the FMA to authorise the spending proposal—

Mr Wadeson—I know, but—

Miss JACKIE KELLY—and then it got off and it rolled. It consumed $64 million in staff and resources and in the end it was terminated. So I think there were some fundamental errors made well before a project review and an independent review in 2002 that would have picked anything up—especially when, as I said before, clearly it was not where Centrelink services were heading. You already had the tax office going to e-tax and self-assessment—

Mr Wadeson—We had—

Miss JACKIE KELLY—and if it is robust enough for the tax office—

Mr Wadeson—In Centrelink in those years, and I can absolutely assure you of this, we could not see ourselves in the self-service space. It was in fact not until a project called Customer Confirmation in about 2002-03 that we found a way that we could expose our database other than coming through 3270 protocols. It was not until then, until we found a hole in the architecture, if you like, or a way in. That is where working credit comes in, because working credit became our push into self-service. But it was some years after this. People had it as a vision—it had been talked about—but if you asked, 'In a practical IT sense, did we have a model in those days?' we did not have a model for that. You can say, 'Well, they didn't have the authorisation,' but I can assure you that they were very public about it. The then secretary of FaCS and the then CEO of Centrelink were very public in saying, 'This is a good project for both organisations.' To my mind—

Miss JACKIE KELLY—They did not publicly sign an MOU.

Mr Wadeson—there was no doubt of the authorisation, even in terms of the contract itself. The ANAO really did go and look at this contract in considerable detail—a whole chapter. Yes, they found some things with it. I might have missed it in the report, but what I would say is, yes, it was a big and difficult contract and it changed so many times; all those things are true. But the

ANAO have not said that is where the failing was. They have not said it was a failure of contract in that sense. In my view, they have not said that.

Miss JACKIE KELLY—The ANAO are never going to say that; that is not their job. They just have to tick and flick the procedural things. We are talking about the overall application of government money and how that is done.

Mr Wadeson—I know we have commented on who to blame. The people who worked on this project were told—I can tell you; I was there on the day they were told: 'This is over. You're out.' It was a bitter disappointment for them. We have seen a lot of people leave. If you look at our new very short strategic themes, the first one is 'Building confidence in Centrelink.' We ourselves feel we had let a lot of people down, and there was the sort of thing that you have talked about—government members including ministers saying, 'Governments can't be trusted with these big IT projects.' We do a lot of good things, but this project has been a very difficult one for all concerned. And the outcome of it has been not the—

Miss JACKIE KELLY—One of the issues that I have with the supervision of government contracts, especially large multimillion-dollar contracts, is that it is all a very good idea and it is signed off that it has happened and then it is left to someone way down the food chain to carry it.

Mr Wadeson—Yes.

Miss JACKIE KELLY—The steering committee never meets again and the poor old assistant sec is getting the work because he at least has the enthusiasm to carry it on and keep going with it. But I would like to see his CV, to see if he actually had the skills and any reason to justify that steering committee's confidence that he could absolutely deliver that—

Mr Wadeson—He had—

Miss JACKIE KELLY—and examine a project, an independent private provider's computer program, and how it would interact. Was he an expert on M204?

Mr Wadeson—Absolutely. He is a very experienced officer, and the project team had some magnificently skilled people. I think you would agree with that.

Mr Dayal—Yes.

Mr Wadeson—Both SoftLaw and us had some magnificently skilled people. I do not believe that—

Miss JACKIE KELLY—And there was a Centrelink lawyer who supervised this contract?

Mr Wadeson—We have contract management. We have access to lawyers. Right through this, they would have had access to lawyers at the time.

Miss JACKIE KELLY—Which lawyer would have seen this contract when it was signed and at what point afterwards? At what point would a lawyer have seen this, after talking to

Martin Kos, to say, 'Well, I know, Martin, you have got a few issues with that and you can actually hold up any payments until they have fixed this'?

Mr Wadeson—I know now we have, in our contracts area, contract lawyers who are employed to look at these things and they sign off on these big contracts. Indeed, some of them go to multiple lawyers. At the time, there was certainly a group that ran contracts in Centrelink. As part of their processes, they would have looked at this contract and, by and large, said it met the purpose. Indeed, we have not raised anything—we are not here to say we did not raise anything with SoftLaw. The reality of it is that both Centrelink and SoftLaw saw that risk of connectivity and these other problems.

Miss JACKIE KELLY—I would like to come back to that if you can get me a list of the legal involvement in it. Sure, you have a lawyer writing it, but it really is only a lawyer in conjunction with your subject expert who can then properly supervise that contract and recognise when you have an option not to pay and not to continue paying. I have not seen that demonstrated, so if you can come back to me with that legal supervision as well as the assistant secretary's supervision, that would be great.

Senator MOORE—Centrelink and its predecessor are extremely experienced in systems management and have worked through numerous large contracts. What made this one different?

Mr Wadeson—First of all, and I think this has been documented in the ANAO report, they have called it the lack of a senior responsible officer. It was a very complex arrangement. I do not think we would ever try to repeat a complex arrangement. The whole thing about the new accountability structure is that there are people designated who have to accept responsibility. You cannot have things going off to steering committees. The new structure does not permit that. In fact, one of the guiding principles of our new structure is that the chairman of a steering committee accepts responsibility for the outcome. It was complex in the way it was set up. It reflected a lot of things going on in the whole FaCS-Centrelink relationship at the time; that was part of the complexity of it.

I will just recount a bit of the history. You might remember that we had a very serious audit—the ANAO certainly remember it: the age pension audit that pointed to a lot of errors. All that has moved on a lot since then, but at the time I certainly know that the CEO of Centrelink said: 'I have got to have something that addresses that issue. I am not going to be called before the parliament all the time.' Edge was seen as the thing that was going to deal with that. The concept of a web based thing, where you have to enter the field and there is a lot of guidance around what to put in, was seen as having real potential. Indeed, it was only when we started to see the self-service applications coming out with working credit and other things that the view was: 'Hang on a minute. Perhaps there is a better way to do this.' Of course we are very proud of our student online claim, which is our first one of what I think Edge might have been. We have not advertised it a lot, and we have only had 400-odd people use it successfully, but—

Senator MOORE—But it is working.

Mr Wadeson—it is out there, and next season we hope to have a lot of students able to apply on the net for the first time ever for us. So those developments have come; they were part of that

vision of Edge. But you can see how the technology did not go in the direction that they were hoping. It went in a different direction; it went in a different way.

Senator MOORE—But was it identified as significantly different at the time? All the issues that other people have raised about accountability and project management have been identified. Mr Whalan has told us how it is not going to happen again in Centrelink, with the things that you have committed to. And I am going to ask you, Mr Hunter, because you made the offer, to put on record why it will not happen again in Family and Community Services. But the thing that I am struggling with, because I know how good the people are in the organisation and I know how experienced they are, is understanding why this one got away. I think that is the basis of the whole thing. I do know we are looking backwards, so everyone can now see things that happened, but at the time I do not think anyone did. Was there any reason for the people in the department at the time to see this as a significantly bigger, more difficult project than a lot of the other very significant systems based things that Centrelink had done?

Mr Wadeson—In terms of what can be learnt from this, when you look at things like partner processing, the key part of ISIS, the act is full of very complex interrelations between partners in just about every benefit. We built that stuff up over 10 years in the nineties and it is hugely complex in IT terms.

Senator MOORE—To the best of my knowledge, there has been no issue like this. Some things worked, some things did not, but not like this.

Mr Wadeson—For some reason, a view was formed that it could come in and we could just rewrite it in a month and it would be done in Edge. There was the issue of commercial providers. Who would write a commercial bit of software for partner processing? It does not happen anywhere else; this is unique to us. It is understanding the complexities of the things that have been built in IT terms over 10 years—right through the nineties when we were building the common platform ISIS systems—and then suddenly saying that you are going to rebuild them and have them packaged up inside of 12 months and that it is all going to work for you. I can say that now. We have seen, whether that was a full understanding at the time, just how hard that is because, in our business, we have to go back and look at rates over a whole year with FTB. You cannot just say, 'I'm changing the rate'; it goes back and reassesses continuously. In IT terms, these things are massively complex to do. They do not exist—you cannot buy a commercial package for them. This has always been the issue in this place: we seem to have to build everything ourselves. The prospect of Edge seemed to be taking us into different territory. It did not get there. It was just taking too long and it was too hard.

Senator MOORE—Mr Hunter, can you for the record fulfil the offer you made at the beginning of the evidence to explain why it will not ever happen in a Family and Community Services project again?

Mr Hunter—We have put in place a number of arrangements similar in character to those described by Mr Whalan. In particular, I mention the adoption across the Department of Family and Community Services of what we call the project management framework, which, for all the more complex and risky projects that we as an organisation deal with, requires there to be a single sponsor and therefore a single point of accountability as well as a disciplined approach to identifying the risks and planning, managing, measuring, monitoring and delivering the project.

Senator MOORE—And they are all identified?

Mr Hunter—That project framework has been mandated throughout the organisation. All the projects which come under that framework are reported regularly to our executive management group, which is the board of FaCS. It is now being used right across the organisation for a number of projects. In addition, for more complex IT acquisition and development projects, as we have running at the moment, we have also regularly used independent reviews, for example, to check issues such as whether our governance arrangements are working properly as they should, whether the business case remains viable for the project, and security and other aspects. So we use external reviews to keep ourselves informed of how we are going and give us a chance to say, 'Stop,' if that is what we need to do.

In addition, we are further refining a number of those systems. In terms of our information and communications technology, we are about to adopt a new governance regime across that more generally which complements that project management framework that I mentioned before. We are also as an organisation finalising a generic benefits management framework which we would also use to ensure that we identify, measure progress against and harvest the benefits which arise from projects of this sort.

Senator MOORE—My final question is to Mr Whalan and to Mr Wadeson. I asked this of the previous audit. This is also a very difficult audit for your organisation to receive. Whilst Mr Wadeson identified that a number of people have moved on, how did you manage the receipt of this audit into the personnel area that was dealing with this project? There were people in the systems area, mainly in central office but also across the whole network, who contributed to the project and who were damaged by the fact it had not worked. What was the management process for how you worked with this, and what are you going to do out of that to engage those people back into the whole process of doing the best they can for the organisation?

Mr Whalan—Early this year we went and asked a lot of external stakeholders about what they thought of Centrelink and used that information to talk to staff across Centrelink. One of the inputs to that was the information coming from this audit. It was about people's confidence in Centrelink and it was around accountability. We have tried to use what we have learnt from this project, without using it specifically, across the whole organisation to say that we need to be far better at accountability. That is the mantra of the organisation. There are these sorts of cards and posters all around the organisation. Our top theme is building confidence in Centrelink. Some people might find it unusual but we have core values about accountability that go beyond the Public Service values. People have to take responsibility for any decisions they make.

In designing the governance structures for the organisation a lot of it has been about accountability. On your question, Senator Hogg, it is clear in the general manager statement of expectations—there is one for each SES officer—and it is clear in our governance arrangements that they have responsibility and accountability for every project within their area of control.

John may make a comment in a moment. I think it has been difficult within the IT group within Centrelink, many of whom worked long and absolutely hard making things happen. They would have flogged their hearts out on this. Our messages have been that we need to provide the governance to enable you to do your job. We all need to build confidence in Centrelink. We have

put in place a lot of processes to help them do their job. John will turn to the staff in the IT area. Then I would like to make a couple of comments before I close.

Mr Wadeson—We are still using the SoftLaw technology and we have an application called customer account start-up that is playing an important role in the organisation at the moment. In some respects we are using the expertise we built up in that product. It was a terrible time for the staff involved. Some have chosen to go; those that have stayed have built up great skills, particularly in the web services area, and that is very much our future.

Mr Whalan—I would like to clarify one issue that was raised earlier. We were talking about the other audits and a comment was made around the issue of the fear of retribution being a concern. One of the officers at the table made the comment that the ANAO had received information from a stakeholder. I understand that they received information from a range of sources, but there is certainly a stakeholder who has made themselves known to us. That is a clarification.

Senator Hogg was asking about the issue of who has what authority now for expenditure within Centrelink. I am the accountable officer under the FMA act, so I have accountability for any expenditure up to the whole of the budget within Centrelink. I should say that as of October, subject to the passage of legislation, I will have that accountability. At the moment it is the chair of the board—

Senator HOGG—I accept that. That is fair. Are you telling me that it is an open-ended amount?

Mr Whalan—Correct. Within the budget of Centrelink I have complete accountability and authority for expenditure.

Senator HOGG—So there is no delineation? I can understand that in terms of the huge sums of money that you need to deal with in certain areas. But in terms of project areas, where you are developing new systems and so on—

Mr Whalan—Let me give you an example of the biggest project that is happening in Centrelink at the moment, which is called a Refresh project. While the chair of the board has ultimate financial responsibility, there is a steering committee that I chair that has senior deputy secretary representation from Finance, Treasury, PM&C and the Department of Human Services, external advisers who are expert in IT procurement and I am sure there are others.

Senator HOGG—I am not doubting their qualifications.

Mr Whalan—My point is beyond where your question is leading.

Senator HOGG—I want to know whether there is a financial quantum. In other words, as it is in one of the other departments, if the figure is $20 million then it automatically has to go to the minister.

Miss JACKIE KELLY—Wasn't it $340 million that was allocated?

Mr Whalan—That is right. This is about to become a statutory agency and I will be the responsible officer. The government and the minister will at times put in place extra accountability requirements. An example is the Refresh project at the moment, where there is a decision saying that despite the chair—shortly to be me—being the accountable officer, we want some extra governance over this project to give visibility to a range of other departments and report directly to ministers on progress.

CHAIR—Can I thank everyone for coming today. Are there any late exhibits or submissions you wish to put forward to the committee? No. Again, on behalf of the committee I would like to thank all witnesses who have given evidence to the public hearing today

Resolved (on motion by **Miss Kelly**, seconded by **Senator Hogg**):

That, pursuant to the power conferred by section 2(2) of the Parliamentary Papers Act 1908, this committee authorises publication of the evidence given before it and submissions presented at public hearing this day.

Committee adjourned at 2.53 pm