

## Audit Reports No. 34 and 35, 2000–2001

# Centrelink's Assessment of New Claims for the Age Pension

Centrelink and the Department of Family & Community Services

## Background

- 3.1 Centrelink provides services in relation to the delivery of personal benefit and other payments on behalf of twenty major client agencies.<sup>1</sup> Services delivered for the Department of Family and Community Services (FaCS) accounted for approximately 90.5% of all Centrelink business in 2000–2001.<sup>2</sup> A major income support payment that Centrelink delivers for FaCS is the Age Pension, available to pension age Australian residents and eligible Australians residing overseas, whose income and assets are under certain limits.
- 3.2 In 1999–2000, the period of the audit, nearly \$14 billion was paid to approximately 1.7 million Age Pension recipients.<sup>3</sup> In 2000–

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1 Centrelink, *Annual Report 2000–2001*, Commonwealth of Australia 2001, p. 53.

2 FaCS, *Annual Report 2000–2001*, Commonwealth of Australia 2001, p. 231.

3 ANAO, Audit Report No. 35, *Family and Community Services' Oversight of Assessment of New Claims for the Age Pension by Centrelink, 2000–2001*, Commonwealth of Australia, p. 23.

2001 this had increased to over \$18.6 billion paid to over 1.79 million Age Pension recipients.<sup>4</sup>

- 3.3 The Australian National Audit Office (ANAO) estimated that during a six months' period from 1 October 1999 to 31 March 2000, about 28 213 people lodged new claims for the Age Pension. Of these, 23 662 (83.9%) were accepted and 4551 (16.1%) were rejected. The accepted claims, accounting for around 1.4% of all current age pensioners, cost around \$160 million per annum (1.1% of total expenditure on Age Pensions). For these new eligible claims, the ANAO estimated that approximately 9040 customers received a full-rate pension of \$9670 per annum and approximately 14 622 received a part-rate pension averaging \$4830 per annum.<sup>5</sup>
- 3.4 Payment of the age pension is made under the *Social Security Law* and in accordance with the *Guide to the Social Security Law* prepared by FaCS. The Age Pension program is delivered via a purchaser/provider agreement whereby FaCS, on behalf of the government, purchases program delivery and associated services from Centrelink.<sup>6</sup>

## The audit

- 3.5 For these reasons, the ANAO conducted the two audits in parallel. These were then tabled as Audit Report No 34, 2000–2001, *Assessment of New Claims for the Age Pension by Centrelink*, and Audit Report No 35, 2000–2001, *Family and Community Services' Oversight of Assessment of New Claims for the Age Pension by Centrelink*.
- 3.6 ANAO considered that the two audits:
- would provide assurance to Parliament and the public about the implementation of government policy in relation to the Age Pension program; and
  - could identify opportunities for improvement in the administration of the Age Pension program.
- 3.7 The objectives of the audits were to examine the extent to which new claims for Age Pension had been assessed in compliance

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4 FaCS, *Annual Report 2000–2001*, pp.198, 202.

5 ANAO, Audit Report No. 34, *Assessment of New Claims for the Age Pension by Centrelink*, 2000–2001, Commonwealth of Australia, p. 44.

6 ANAO, Audit Report No. 35, 2000-2001, p. 23.

with the *Social Security Law*, the *Guide to the Social Security Law* and other relevant guidelines developed by Centrelink; and whether Centrelink employed appropriate mechanisms to confirm such compliance. ANAO also assessed whether FaCS had established effective business arrangements with Centrelink to help ensure that new claims for Age Pension were properly assessed in accordance with relevant legislation.

- 3.8 The audit focus was on compliance management, as an important element of corporate governance, and on accountability and performance. The audit did not seek to determine the impact of new claims assessment errors on total Age Pension outlays.
- 3.9 The scope of the audits was on Centrelink's preventive controls to enhance accuracy in decision-making and its preventive quality controls to ensure correct decisions at the new claim stage. This focus on preventive controls was consistent with the priorities in the Business Partnership Agreements (BPAs).
- 3.10 Accurate decision-making at the new claims stage is an essential component of good customer service. ANAO used as the basis of its audits, Centrelink's own working definition of accuracy: 'payment at the right rate, from the right date, to the right person with the right product'.<sup>7</sup> ANAO also examined the accuracy of Centrelink's own reporting on compliance, as provided to FaCS.
- 3.11 Centrelink seconded four employees with considerable Age Pension assessment expertise to work with ANAO in the:
- development of the audit test criteria;
  - examination of the claims assessments selected for audit against these audit test criteria;
  - fieldwork interviews; and
  - interpretation of the overall findings of the claims assessment audit.<sup>8</sup>
- 3.12 In addition, staff from the Retirement Community Segment Team (RCS) provided logistical support to coordinate the retrieval of the files corresponding to claims assessments selected for audit. In summary, ANAO did all it could to ensure it was auditing new claims assessments and payments according to the performance expectations of both FaCS and Centrelink.

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7 ANAO, Audit Report No. 34, 2000-2001, p. 49.

8 ANAO, Submission no. 7, p. 3.

3.13 ANAO pointed out at the public hearing:

The methodologies and the concepts were agreed at the start of the audit...we did not question the reasonableness of the standard or its achievability. It was really looking at what Centrelink had put up for themselves to assess as part of the agreement process.<sup>9</sup>

## Business Partnership Agreement

3.14 ANAO also examined those aspects of the FaCS–Centrelink business arrangements designed to assist FaCS in its oversight of the assessment of new claims for the Age Pension by Centrelink. Central to these arrangements is the Business Partnership Agreement (BPA) between FaCS and Centrelink, requiring Centrelink to assess new claims for the Age Pension and to make payments at the correct rate in accordance with legislation to eligible claimants only.

3.15 In all, there have been three BPAs. ANAO examined both the 1999–2001 and the 2000–2001 BPAs, with the latter commencing on 1 July 2000.<sup>10</sup> The 2001–2004 BPA was signed on 31 July 2001 and is outside the scope of these ANAO’s audits.<sup>11</sup>

3.16 The Committee noted Centrelink’s comments that in negotiating the BPAs, Centrelink and FaCS ‘did not have a really good assurance framework...[to judge] the quality of our decision making’.<sup>12</sup> As Ms Vardon told the Committee:

One of the things that we wanted to do with the framework was to actually make it transparent, something that we could report against in an annual report that we would agree with some confidence represented the truth and definitions that we all agreed to, because there was no real definition of agreement. We could not agree on the definition of error [with FaCS].<sup>13</sup>

3.17 The Committee found it unusual that no agreed definition existed in the various BPAs, and this resulted in different interpretations of errors and measures of accuracy.<sup>14</sup>

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9 P. Barrett, ANAO, *Transcript*, 30 April 2002, p. 40.

10 ANAO, Audit Report No. 35, 2000–2001, p. 11.

11 Centrelink, *Annual Report 2000–2001*, p. 54.

12 S. Vardon, Centrelink, *Transcript*, 30 April 2002, p. 35.

13 Vardon, *Transcript*, 30 April 2002, p. 36.

14 *Transcript*, 30 April 2002, pp. 36–40.

## Performance indicators

- 3.18 Under the 1999–2001 BPA, the primary performance indicator for Centrelink was accuracy. The proportion of claims correctly assessed was measured by Centrelink's Procedure and Accuracy Check (PAC) system.<sup>15</sup> For the 2000–2001 BPA, this changed. The measuring was done by a new accuracy checking software called Quality On-Line (QOL), introduced on 25 May 2000.<sup>16</sup> The accuracy standards, sampling regime and pay advancement performance thresholds however, remained essentially the same as for PAC.<sup>17</sup>
- 3.19 The 1999–2001 BPA stated that the major priority area for Centrelink in 1999–2000 was 'payment correctness, and consistency and accuracy in decision-making.' The 1999–2001 BPA standard was 95% of new claims assessments 'correctly assessed', as measured by the PAC system. The 2000–2001 BPA standard was 95% of all claims 'completely accurate' in terms of correctness of payment as measured by QOL.<sup>18</sup>
- 3.20 Both the 1999–2001 BPA and the 2000–2001 BPA clearly specified that the assessments of new Age Pension claims should comply with the *Social Security Law* and the *Guide to the Social Security Law*. The 2000–2001 BPA identified three key strategies for maximising correct payments—prevention, detection and deterrence. Of these, it gave priority to prevention, stating that 'the primary aim of control strategies, as far as possible, will be to prevent incorrect payments, rather than detect them later'.<sup>19</sup>

## Performance reporting

- 3.21 Centrelink stated in its *1999–2000 Annual Report* that it had met the majority of its performance targets.<sup>20</sup> Chief among these were timeliness and accuracy of new claims processing. In its *1999–2000 Annual Report*, Centrelink reported to FaCS and Parliament

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15 The PAC system was a quality improvement and risk management tool used by Centrelink to undertake sample checking of new claims and reassessments.

16 QOL was designed to reduce the likelihood of user error during the checking process; to identify the source of assessment error to inform training; and to provide more comprehensive management information reports on accuracy in decision-making.

17 ANAO, Audit Report No. 34, 2000–2001, p. 46.

18 ANAO, Audit Report No. 34, 2000–2001, p. 46.

19 ANAO, Audit Report No. 34, 2000–2001, p. 48.

20 Centrelink, *Annual Report 1999–2000*, p. 25.

that it had exceeded the 95% accuracy target for the processing of new Age Pension claims, achieving a 98% accuracy standard, while its timeliness result of 87% exceeded its target of 80%.<sup>21</sup>

- 3.22 These remained the two key performance measures for the Age Pension program reported by both FaCS and Centrelink in their *2000–2001 Annual Reports*.<sup>22</sup> In 2000–2001, the BPA accuracy target was 95% but Centrelink did not provide any performance data.<sup>23</sup> In reference to timeliness, Centrelink stated that it had exceeded the agreed BPA standard ‘for approximately 86 per cent of all payments during 2000–2001’.<sup>24</sup>

## Audit findings

- 3.23 ANAO estimated that during its six month sample period, some 28 213 people lodged new claims for the Age Pension. Of these claims, 6717 (24%) were simple, 14 053 (50%) were complex and 7443 (26%) were very complex.<sup>25</sup> Since a wide diversity in the complexity of Age Pension claims could be expected, ANAO reasoned the error rate would increase with the complexity of claims. It noted, however, that assistance was generally available to customer service officers for more complex claims.<sup>26</sup> Nevertheless, ANAO believes that new claims processing is a ‘difficult area of performance information’. The Auditor-General told the Committee there is a need for:

...reducing the complexity of the environment—and this is a complex environment—to get it to at least a reasonable level so that people out there who have to administer it understand clearly what they are meant to do...<sup>27</sup>

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21 Centrelink, *Annual Report 1999–2000*, p. 26; FaCS records the timeliness performance result as 86% and the accuracy as 98%; FaCS, *Annual Report 1999–2000*, p. 386.

22 Centrelink, *Annual Report 1999–2000*, p. 25; Centrelink, *Annual Report 2000–2001*, p. 55; FaCS, *Annual Report 1999–2000*, p. 386.

23 Centrelink, *Annual Report 2000–2001*, p. 84.

24 Centrelink, *Annual Report 2000–2001*, p. 55.

25 ANAO, Audit Report No. 34, 2000–2001, pp. 54–55.

26 ANAO, Audit Report No. 34, 2000–2001, p. 55.

27 Barrett, *Transcript*, 30 April 2002, p. 40.

## Actionable errors

- 3.24 ANAO's identification of an actionable error was based on the information available to the audit team at that time. These errors had been checked against one or more of the eight major test criteria according to Centrelink's working definition of accuracy, which underpinned both Centrelink's own reporting under the BPA, and the ANAO's major audit test criteria.<sup>28</sup> An actionable error is defined as one which, if detected within Centrelink, required follow-up action—such as review of the claim by the original decision maker.
- 3.25 ANAO further divided the actionable errors into 'quantifiable' (27.6%) and 'unquantifiable' (24.5%).<sup>29</sup> ANAO found:
- 65.3%(+/-15.8 pp)<sup>30</sup> of quantifiable payment rate errors among new Age Pension claimants involved an incorrect payment of at least \$10 per fortnight (both overpayments and underpayments). This translates to a payment rate error rate of +/- \$10 or more per fortnight for 8.8% (+/-3.2 pp) of the entire population of new Age Pension claims assessments.<sup>31</sup>
- 3.26 The Committee was concerned about these findings as under and overpayments can cause hardship to age pension recipients. Overpayments could result in difficulties with repayments after the event while underpayments may mean deprivation. The high rate of assessment errors found in the audit indicated that Centrelink's quality controls were not fully effective. The need to make corrections later on indicated inefficiency. The Committee believes Centrelink should do everything possible to prevent errors in initial new claims assessments.
- 3.27 Audit findings indicated that the BPA accuracy standard of 95% for 2000–2001 was unattainable. The Committee has noted that Centrelink did not provide any figures against this standard in Centrelink's *2000–2001 Annual Report*.

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28 See ANAO, Audit Report No. 34, 2000-2001, pp. 57–58.

29 ANAO, Audit Report No. 34, 2000-2001, pp. 64, 66; See ANAO definitions on pages 153–157.

30 ANAO's findings showed quantifiable variations to new claims assessment were as high as 15.8 percentage points in either direction, resulting in possibly incorrect payments. These errors were often corrected later on, sometimes after clients had complained.

31 ANAO, Audit Report No. 34, 2000-2001, p. 64; ANAO, Submission no. 7, p. 3.

## Quantifiable actionable errors

- 3.28 When interpreting the overall level of actionable error, ANAO cautioned that not all actionable errors translated into payment rate errors. Nevertheless based on the information available at the time, five of the ten actionable error types listed definitely resulted in payment errors and were described as ‘quantifiable actionable errors’ in the audit. ANAO summarised the result of its analysis in Appendix 5, Table 21, of Audit Report No. 34. The table shows five quantifiable actionable errors such as claims rejected when they were eligible (16.1%) and claims accepted when they were ineligible (83.9%).<sup>32</sup>
- 3.29 ANAO stated in its report:
- ...if left uncorrected, the quantifiable actionable errors identified would have resulted in:
- an ongoing overpayment of Age Pension and Telephone Allowance of \$2.52 million (+/- \$3.3 m) per annum (out of annualised expenditure of around \$160 m); and
  - a once-off underpayment of Age Pension of \$30 000 (+/- \$280 000) as a result of commencement date errors.<sup>33</sup>
- 3.30 As ANAO emphasised at the public hearing:
- The point that we are making in the report is that the right payment might be made, but if there is an overpayment—and overpayment is just as bad or worse than an underpayment—... [we need] to get it to at least a reasonable level so that people out there who have to administer it understand clearly what they are meant to do and that, at the end of the day,...there are systems in place to redress that as quickly as possible.<sup>34</sup>
- 3.31 The Retirement Community Segment Team (RCS) agreed that the PAC/QOL systems should have recorded a claims assessment with one or more actionable errors as an ‘inaccurate assessment’ for reporting under the BPA. Namely the PAC/QOL error rates should have approximated the actionable error rate identified by the ANAO but did not.<sup>35</sup> Hence the difference in measurements

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32 ANAO, Audit Report No. 34, 2000-2001, p. 144.

33 ANAO, Audit Report No. 34, 2000-2001, pp. 65-66.

34 Barrett, *Transcript*, 30 April 2002, p. 40.

35 ANAO, Audit Report No. 34, 2000-2001, p. 59.



of error between those stated in the audit report and Centrelink's in its annual reports.

### Unquantifiable actionable errors

- 3.32 The remaining five actionable error types required further information from either the customer or another source to establish entitlement and/or the correct payment rate. These were described as 'unquantifiable actionable errors'—namely they could not be quantified by ANAO without such additional information. Follow-up activity by Centrelink revealed that many of these unquantifiable actionable errors reflected poor documentation and may not translate into actual payment rate errors.<sup>36</sup> Centrelink's own compliance monitoring controls, however, should have flagged an incorrect assessment in such cases.
- 3.33 The ANAO estimated that 17.0% (+/-5.0 pp) of new claims assessments contained possible payment rate errors where it was not possible to estimate the financial impact of these errors without further information. Among these errors was a high number with insufficient Proof of Identity (13.5%), Proof of Age (10.8%) and Proof of Residency (27.9%) documentation.<sup>37</sup>
- 3.34 If *all* the administrative errors associated with unquantifiable actionable error processes (ie. failure to put photocopies of documents on file; failure to date, stamp and sign copies; or failure to correctly code details on the mainframe file) were included in ANAO's figures, then the error rates would increase to 76%, 63% and 84% respectively.<sup>38</sup>

### Non-actionable assessment errors

- 3.35 ANAO found that almost all new claims assessments (95.6% +/-3.5 pp) contained at least one of the administrative errors listed in Appendix 5, Table 22 in Audit Report No. 34. An example of administrative errors given at the public hearing was tax file numbers being left on forms, in contravention of privacy legislation.<sup>39</sup> Such errors did not generally impact on Age

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36 ANAO, Audit Report No. 34, 2000-2001, p.67.

37 ANAO, Audit Report No. 34, 2000-2001, p.67.

38 ANAO, Audit Report No. 34, 2000-2001, p.67.

39 See discussion in *Transcript*, 30 April 2002, p. 32.

Pension payments. Other errors such as failing to have the client sign the claim form were more substantive.<sup>40</sup>

- 3.36 Administrative issues were often of low priority for staff under workload pressures, and the high rate of administrative errors may reflect a degree of 'risk management' by staff. ANAO reported that 'many CSOs [customer service officers] noted that managers had encouraged them to "cut corners" on matters that did not present a risk of incorrect payment, in order to improve the timeliness of customer service.'<sup>41</sup> A number of staff, however, commented they were unsure of the rules relating to document handling. Many considered that new-starters were not given sufficient training on file management.
- 3.37 Given that timeliness was the other key performance measure, this approach is understandable. Timely turnover of client claims enabled Centrelink to report in its *2000–2001 Annual Report* that it 'exceeded the FaCS BPA timeliness standards for approximately 86 per cent of all payments during 2000–01'.<sup>42</sup>
- 3.38 The Committee strongly supports the change being introduced in the *Getting It Right* stage II action plan whereby Strategy 3 emphasises the importance of achieving accuracy through checking 'even if timeliness suffers'.<sup>43</sup> It notes that this message is being incorporated into speeches by the Minister and by the Chief Executive Officer to all Centrelink staff.<sup>44</sup> The Committee is firmly of the opinion that complete accuracy at the new claim stage would reduce client stress and improve confidence in the processing of payments.

## Complex assessments

- 3.39 The assessment of new claims for the Age Pension involves consideration of many factors, including a claimant's income, assets and accommodation details such as home ownership. Any diversity of factors produces considerable variation in the complexity of each assessment. Increasingly, there have been more complex claims as a result of claimants' share ownership [eg Telstra, NRMA, AMP], government targeting of benefits and the

40 ANAO, Audit Report No. 34, 2000-2001, pp. 30, 145.

41 ANAO, Audit Report No. 34, 2000-2001, p. 68.

42 Centrelink, *Annual Report 2000–2001*, p. 55.

43 See *Getting It Right* Stage II, p. 2.in Centrelink, Submission no. 8, p. 6.

44 See *Getting It Right* Stage II, p. 2.in Centrelink, Submission no. 8, p. 6.

deregulation of financial markets.<sup>45</sup> This impacts directly on Centrelink's first line CSOs who must deal initially with such complexity on a daily basis.

- 3.40 ANAO, however, found that there was a general lack of knowledge about technical aspects of business assessments among CSOs and errors were made from incorrect assumptions. Sometimes this meant that CSOs did not ask for all the pertinent information or documents.<sup>46</sup> Therefore specialists were sometimes making the next stage assessment on incomplete or inaccurate information.
- 3.41 The Committee wanted to clarify whether the errors being made related to simply human errors such as mis-recording names and addresses or non-compliance with administrative rules, or were they the result of complexities such as sales of trusts and various assets and properties. ANAO noted that the assessment system seemed very complex in itself, with duplicate questions and a large number of administrative rules.<sup>47</sup> Having to make about 200 checks would result in some errors.<sup>48</sup> Furthermore, the audit found that when complex claims were referred to specialists, the error level was significantly reduced.<sup>49</sup>
- 3.42 This improvement in accuracy suggests that CSOs require more than just basic processing and technical training from the start. At the public hearing, Centrelink appeared to expect its CSOs to gain experience on the job before they are given further training.

By and large, the people to whom we give the complex assessment officer jobs are people with a lot of experience in the particular area. We do not generally recruit people externally specifically for these roles because it does take a very long time generally for somebody to be totally conversant, particularly with the complexity of the age pension program. Usually they are internal people who

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45 See sample of a *Retirements Income and Assets Statement*, Centrelink, Exhibit No. 6, pp. 2-3.

46 ANAO, Audit Report No. 34, 2000-2001, pp. 77-78.

47 ANAO, Audit Report No. 34, 2000-2001, p. 30; J. Raymond, FaCS, *Transcript*, 30 April 2002, p. 33.

48 ...complexity relate to the layers and layers of administrative steps and rules, many of which have been added over the years but now add little value in the way of assuring that the payment has in fact been made 'to the right person, at the right rate, on the right dates'. Centrelink, *Transcript*, 30 April 2002, p. 30.

49 ANAO, Audit Report No. 34, 2000-2001, p. 31.

have shown us over time that they have a good grasp of the material.<sup>50</sup>

- 3.43 Centrelink told the Committee that it had specially trained staff who were able to deal with the ever increasing complexity of financial arrangements that retirees were undertaking. Currently it employed 172 Complex Assessment Officers, an increase from the 42 at the time of the audit.<sup>51</sup> These officers were given specialised training as well as accessing on-line learning.<sup>52</sup> These officers are shared across a number of offices since Centrelink tries to centralise specialist skills in particular sites or areas.<sup>53</sup> Centrelink, however, acknowledged that errors may occur where information is being initially collected by a non-specialist officer who is unaware of the significance of what is being recorded.<sup>54</sup>

## Centrelink's response to the audit

- 3.44 In its first submission to the Committee, Centrelink acknowledged that 'the most important learning we have gained from the audit is the importance of greater clarity around assurance and in particular, definitions of accuracy'.<sup>55</sup> Centrelink, however, had some reservations about ANAO's reported findings because further checks post-audit by Centrelink staff 'indicated that the actual errors were significantly smaller (less than a third) than that reported by ANAO'.<sup>56</sup>
- 3.45 At the public hearing, Centrelink maintained: 'The quality on line tool was a measure of some things; it was not necessarily a measure of accuracy as tested by the audit.'<sup>57</sup> It also reported that 'the aged people are the most satisfied; we have a very high satisfaction rating with them'.<sup>58</sup>

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50 C. Hogg, Centrelink, *Transcript*, 30 April 2002, p. 42.

51 Vardon, *Transcript*, 30 April 2002, p. 30.

52 Hogg, *Transcript*, 30 April 2002, pp. 42-43.

53 Hogg, *Transcript*, 30 April 2002, p. 43.

54 Hogg, *Transcript*, 30 April 2002, p. 43.

55 Centrelink, Submission no. 1, p. 1.

56 Centrelink, Submission no. 1, p. 1.

57 Vardon, *Transcript*, 30 April 2002, p. 31.

58 Vardon, *Transcript*, 30 April 2002, p. 44.

## Accuracy rates

3.46 The Committee asked Centrelink to what extent errors resulted from poor morale, understaffing or overwork. These included 'errors in taking down basic information or, indeed, Centrelink being notified of changes in circumstances, changes of address and so on and that information not being recorded properly, even after several notifications'.<sup>59</sup>

3.47 In response, Ms Vardon replied:

To the extent that there are occasions when we do not get it right, there are human errors. ...From time to time, when we have peaks and troughs, our temporary staff do not enter data right. ...if you have a temporary person or somebody who is not well trained, they are more likely to make an error than an experienced person on a new claim, or a new experience, and where it is done in front of the customer who can see it.<sup>60</sup>

3.48 Since the audit field work, Centrelink has introduced changes. Information received from Centrelink after the public hearing, showed that all claims processed by inexperienced staff are now being checked and the definitions used to check correctness have been refined.<sup>61</sup> Consequently, Centrelink found that the percentage of cases assessed as accurate at the first check has fluctuated from 92.8% in December 2000 to 85.1% in April 2002, with the lowest accuracy rate (84.8%) recorded in February 2002.

3.49 The Committee noted that these figures differed from the 98% accuracy claimed by Centrelink in its *1999–2000 Annual Report* or the 'less than a third' stated in Centrelink's submission dated 20 August 2001. Centrelink itself concluded about the latest accuracy rates provided above:

...this is in fact a positive outcome as it indicates that both business assurance and service delivery errors are being detected and corrected before the customer is paid.<sup>62</sup>

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59 *Transcript*, 30 April 2002, p. 43.

60 Vardon, *Transcript*, 30 April 2002, p. 46-47.

61 See *Getting It Right* Stage II, p. 1 in Centrelink, Submission no. 8, pp. 3, 5.

62 Centrelink, Submission no. 8, p. 4.

## Getting it right

- 3.50 During the audit, when Centrelink became aware of ANAO's findings, it developed its *Getting it Right* Strategy, which was launched in November 2000.<sup>63</sup> The strategy emphasised the importance of accuracy as part of the assurance Centrelink provided to FaCS and aimed to reduce the amount of rework needed when errors occurred.<sup>64</sup> The six Minimum Standards related to:
- proof of identity;
  - records management;
  - documenting information to facilitate customer contact;
  - keeping technical knowledge and skills current;
  - recording reasons for decisions; and
  - check the checking.<sup>65</sup>
- 3.51 Since then Centrelink developed *Getting it Right* stage II to feed into the 2002-03 overall assurance framework between Centrelink and FaCS. The Committee wanted to know the extent this action plan reflected agreed performance indicators for Centrelink. In response, FaCS explained that negotiations were still under way and the new performance indicators were not reflected in *Getting it Right* stage II.<sup>66</sup>
- 3.52 Centrelink told the Committee it is developing with its IT consultant, Softlaw, a 'smart internet ready computer program called 'Edge' which incorporates the thousands of rules within the family tax benefit system'.<sup>67</sup> Currently this is operating on a pilot basis in the family assistance program only. 'Edge' will enable automated assessment of a client's entitlement, based on answers to questions on a screen.<sup>68</sup>

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63 Centrelink, Submission no. 1, p. 2.

64 Hogg, *Transcript*, 30 April 2002, p. 48. One effect is that Centrelink is now holding so much information about why certain decisions are made and commentary about what staff are finding when they talk to customers that Centrelink has to revise and rebuild its IT system.

65 Centrelink, Submission no. 1, p. 2.

66 Raymond, *Transcript*, 30 April 2002, p. 50.

67 Centrelink, Submission no. 6, p. 2; Centrelink, *Transcript*, 30 April 2002, p. 31.

68 Centrelink, Submission no. 6, p. 2; Centrelink, *Transcript*, 30 April 2002, p. 31.

## The Way Forward

- 3.53 In February 2001, the Minister established a Rules Simplification Taskforce to simplify administrative requirements and arrangements for Centrelink clients: such as the elimination of duplicate questions and the fast-tracking of claims where customers return within a 52-week period.<sup>69</sup>
- 3.54 One innovation being developed is a Centrelink Customer Account, whereby a client will not have to provide information they have already given. Instead they can update the existing information or provide new information to their electronically accessed claim forms.<sup>70</sup> In addition, clients need only provide one proof-of-identity document instead of the current three and the number of questions for age pension claimants has been halved.<sup>71</sup>

### Customer account

- 3.55 The customer account, once operational, will show the client exactly what information about them Centrelink is holding, so that errors can be picked up. Every time they return, Centrelink will refresh that information and clients will get a copy of what Centrelink is holding. This customer account will remove the need to repeat information and make it a simpler and quicker process.<sup>72</sup> Eventually, through this customer account process, clients will be able to access their own 'information online, or perhaps even phone in on regular occasions and be taken through their account'.<sup>73</sup>

...there will be an encouragement by us for customers to take a lot more ownership of their own information through this process...We may even train our customers to be able to access their information in this way. We will start very practically, of course, by giving them maybe an account statement on a regular basis, which can help to replace the millions of letters that we send out on individual issues. That will also help them help us to keep their information more accurate and up to date.<sup>74</sup>

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69 Raymond, *Transcript*, 30 April 2002, p. 33.

70 FaCS, *The Way Forward—Rules Simplification*, December 2001, pp.3–4.

71 FaCS, *The Way Forward*, pp. 6–7.

72 Hogg, *Transcript*, 30 April 2002, p. 48.

73 Hogg, *Transcript*, 30 April 2002, p. 49.

74 Hogg, *Transcript*, 30 April 2002, p. 49.

- 3.56 The Committee applauds the rules simplification being introduced by FaCS and Centrelink, since this will result in a 'whole-of customer' approach. Together with the introduction of Edge, the processing of client information at both the new claim and subsequent stages should be more accurate and streamlined. This should promote more confidence among clients and reduce much of the stress resulting from over and under payments of entitlements.

### Receipts

- 3.57 Centrelink told the Committee that at present clients requesting a copy of their Income and Assets Statement have to visit their local Customer Service Centre. In the future, they will be given a receipt number so they can go online when they want to make changes and there will be a record inside their own computer.<sup>75</sup> 'But at the customer service centre level, we have not yet worked out a receipting mechanism. That is something that we want to be able to do.'<sup>76</sup>

### Committee comments

- 3.58 In this report review, the Committee acknowledges the current complexity of Centrelink's operating environment, and the demands placed on its CSOs undertaking new claims assessments. It also acknowledges that the audit results were based on the sample culled during the audit six-month sample period and relied on information in the customer files and electronic records available to the audit team during its fieldwork. Nevertheless, the audit report demonstrated, in a statistically sound way, the gaps between the standards set and the results achieved. The Committee was reassured to some extent that errors which may have resulted in possible over or under payments, could be subsequently corrected by Centrelink's follow-up activities.
- 3.59 The Committee expected that such errors would be picked up and included in Centrelink's reporting of error rates to FaCS under the BPA and therefore, is concerned that inaccurate performance

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75 Vardon, *Transcript*, 30 April 2002, p. 49; Centrelink, Exhibit No. 6, p. 4

76 Vardon, *Transcript*, 30 April 2002, p. 49.



statements may appear in agencies' annual reports.<sup>77</sup> The audit results showed that Centrelink's performance in this area of its administration was not of the standard expected nor as reported to FaCS.

3.60 The Committee has noted that since the audit, Centrelink has developed a number of measures to address some of the identified shortcomings in its processing of new claims. These were outlined in Centrelink's *2000–2001 Annual Report*<sup>78</sup> and explained more fully to the Committee at the public hearing. The Committee further noted that no actual performance results for accuracy were published by Centrelink against the BPA targets in 2000–2001.<sup>79</sup>

3.61 In regard to the audit of FaCS's oversighting of Centrelink, the Committee is cognisant of ANAO's conclusions that FaCS was unable to monitor and evaluate Centrelink's performance effectively, although it provided Centrelink with appropriate business and risk management frameworks. The Committee is aware that FaCS has assigned high priority to the implementation of the three audit recommendations to correct this shortfall. Furthermore, the Committee acknowledges that FaCS in its re-negotiation of its BPA with Centrelink, is implementing a strategy to enable independent validation of Centrelink's performance.<sup>80</sup> The Committee would like to examine the performance indicators when they are finalised.

#### **Recommendation 4**

3.62 **The Committee recommends that the Department of Family and Community Services (i) finalise as quickly as possible, its strategy to enable independent validation of Centrelink's performance, taking the Auditor-General's recommendations into account; and (ii) provide a copy of this agreed strategy to the Committee.**

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77 *Transcript*, 30 April 2002, p. 40.

78 Centrelink, *Annual Report 2000–2001*, pp. 60–61.

79 Centrelink, *Annual Report 2000–2001*, p. 84.

80 FaCS, *Annual Report 2000–2001*, p. 266.

