



SENATOR THE HON. CHRISTOPHER ELLISON

Minister for Human Services
Senator for Western Australia

Mr Phillip Barresi MP
The Chairman
Joint Committee of Public Accounts and Audit
Suite R1.108
Parliament House
CANBERRA ACT 2600

02 MAY 2007

Dear Mr Barresi *Phil,*

Thank you for providing the Department of Human Services, in October 2006, the Joint Committee of Public Accounts and Audit (JCPAA) Report No. 407: "Review of Auditor-General's Reports tabled between 18 January and 18 April 2005."

The Department of Human Services has prepared responses to two of the main recommendations. These are included in the attached Executive Minute, signed by the Secretary of the Department of Human Services.

Centrelink has also prepared a detailed response concentrating on Audit No. 31 – "Customer Feedback Systems in Centrelink" and this is also attached.

Thank you for providing a copy of Report No. 407 for comment.

Yours sincerely

CHRIS ELLISON
Senator for Western Australia

23 March 2007

Mr Phil Barresi, MP
Chair
JCPAA
Parliament House
CANBERRA ACT 2600

Through: Minister for Human Services



Australian Government



**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT REPORT No. 407
THE EDGE PROJECT AND CENTRELINK'S CUSTOMER FEEDBACK SYSTEMS**

Dear Mr Baressi

Centrelink welcomes the Committee's review of these Australian National Audit Office (ANAO) audits. I note that the ANAO's audit reports were released in early 2005. Since that time Centrelink has implemented a wide range of enhancements to systems and procedures to address the issues raised in the original audits. I note that the ANAO is currently undertaking follow-up audits on two of 'Centrelink's Customer Feedback Systems' suite of audits, namely, Report 32 – Centrelink's Customer Charter and Community Consultation Program; and Report 35 – Centrelink's Review and Appeals System.

Following tabling of the Committee's Report in September 2006 Centrelink has been progressing work in implementing the majority of the recommendations contained in the report. There are however, a few recommendations that may have significant cost and systems implications and these recommendations are being examined in greater depth. Details of Centrelink's progress to date are contained in the attachments. **Attachment A** relates to 'The Edge Project' and **Attachment B** to the 'Centrelink's Customer Feedback Systems' suite of reports.

If you would like any further clarification on these comments please contact me on 6212 0168.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jeff Whalan'.

Jeff Whalan
Chief Executive Officer

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**RESPONSE TO THE JCPAA REPORT 407
THE EDGE PROJECT**

General Comments

The ANAO found that the 'The Edge Project' procurement process was 'generally conducted in accordance with the relevant Commonwealth Procurement Guidelines (Paragraph 3.66 of ANAO report). The ANAO made no specific recommendations concerning procurement or contract management processes, though it did note that in some areas, such as planning, probity and record keeping, that processes could be improved.

Recommendation 13
(Paragraph 4.38)

The Committee recommends that Memoranda of Understanding [MOU] between all parties be signed before any joint agency contracts are entered into.

Centrelink response:

Agreed.

Since the 'The Edge Project', Centrelink now follows a defined consultation process involving agencies with which it will undertake joint procurement activities. Agencies now participate in the development of procurement documentation, the evaluation of offers and the contract negotiation process. Centrelink's view is that establishing a MOU for each contract with each participating agency would introduce a new layer of complexity to a process that has been enhanced since the original ANAO report was tabled.

Although not a formal MOU, Centrelink considers that the current processes and practices meet the intent of this Recommendation.

IN-CONFIDENCE

Recommendation 14
(Paragraph 4.49)

The Committee recommends that Centrelink ensure that identified risks are actively managed and that all contracts include provisions to reassess payments where such risks cannot be mitigated.

Centrelink response:

Agreed.

Since "The Edge Project", Centrelink has strengthened its Chief Executive Instructions (CEIs) in relation to procurement. These require Centrelink officials to have regard to the:

- effective identification and management of risk in procurement, contracting and contract management; and
- periodic re-evaluation of the risk management plan throughout the procurement and contracting cycle.

The CEIs are supported by policy and procedural guidelines in Centrelink's Procurement and Contracting Manual and Contract Management Better Practice Guidelines.

Centrelink considers this Recommendation to have been met.

Recommendation 15
(Paragraph 4.56)

The Committee recommends that external analysis and pre-evaluation of the contract and scoping study be undertaken prior to any major project contracts being developed by agencies in the Human Services portfolio.

Centrelink comment:

Agree with qualification.

The Department of Finance and Administration has introduced "The Gateway Review Process" from 2006-07 to assess the risk of major projects. Where those are identified as high risk or mission critical, additional external analysis, review and governance will be required. The Gateway Review Process applies to all Financial Management and Accountability Act agencies for new projects valued at \$10 million or more for IT and \$20 million or more for non IT. In addition, DHS Procurement Principles introduced since "The Edge Project" requires extensive consultation with DHS agencies into the scoping studies, tender documents and draft contracts.

Recommendation 16
(Paragraph 4.65)

The Committee recommends that Centrelink ensures a probity check is conducted of the contract/project management on the IT Refresh project before the next contract is signed.

IN-CONFIDENCE

Centrelink response: Agreed. Probity and audit advice is engaged for high value, strategically important or high risk I&T procurements.

Recommendation 17
(Paragraph 4.68)

The Committee recommends that the ANAO prioritise a re-examination of Centrelink's processes in relation to contracting within next year's audit work program.

Centrelink comment:

This recommendation is not directed to Centrelink for response.

Recommendation 18
(Paragraph 4.75)

The Committee recommends that the Department of Human Services coordinate feedback from its agencies, including Centrelink, to legislators regarding difficulties in implementation created by large numbers of rapid legislation changes. This information should be put to the Minister and to the Joint Committee of Public Accounts and Audit.

Centrelink comment:

This recommendation is not directed to Centrelink for response.

**RESPONSE TO THE JCPAA REPORT 407
CENTRELINK'S CUSTOMER FEEDBACK SYSTEMS**

Recommendation 19
(Paragraph 5.44)

The Committee recommends that Centrelink put in place rigorous cost systems, to ensure that comprehensive cost records are kept for all of its feedback systems.

Centrelink response:

Agreed with qualification.

The Financial Management and Business Support Division is developing options for monitoring costs associated with feedback systems. The range and scope of Centrelink services are such that the costs of attributing feedback to individual program and service type may not be a cost effective mechanism for contributing to improvements in customer service.

Recommendation 20
(Paragraph 5.48)

The Committee recommends that Centrelink monitor the cost of re-work and duplication of services across the agency and report this in its annual report, with the aim of identifying areas for improvement and reducing re-work expenditure in all Areas.

Centrelink response:

Agreed in part.

Centrelink will engage in an annual review of causes of rework that are pertinent to the policy and service delivery issues of the time and report these in the Annual Report. Centrelink agrees to publish the major causes and strategies to address these in its Annual Report in the first instance.

Recommendation 21
(Paragraph 5.52)

The Committee recommends that Centrelink compile information on the return on investment expected from the implementation of each of the ANAO recommendations as a priority, and that this information be provided to the Committee.

IN-CONFIDENCE

Centrelink response:

Centrelink has implemented all of the ANAO Audit recommendations, either partially or in full. Full implementation for the majority of these took place in 2005 and 2006.

It is not feasible to undertake retrospective analysis of return on investment where the implementations are already in place.

We accept of the need for this type of analysis depending on the nature of the recommendation, while acknowledging that some recommendations will by their nature require implementation, regardless of the return on investment.

Recommendation 22

(Paragraph 5.79)

The Committee recommends that Centrelink include a public report, annexed to its annual report every year, on all surveys undertaken; the major findings from each survey; Centrelink's response to and actions arising from these survey findings.

Centrelink response:

Centrelink is committed to providing the necessary information to meet its annual reporting obligations to the Parliament. Full compliance with the Committee's recommendation that all surveys undertaken by Centrelink be reported on in more depth would have considerable logistic and cost considerations.

While the Committee's recommendation refers to "all surveys undertaken", it is Centrelink's understanding that the context of this recommendation, in the JCPAA Report 407, was that "Centrelink commissions a number of surveys of its customers to obtain direct feedback about the quality of services provided...", and that, in the interests of transparency, information on these surveys should be publicly available.

Centrelink therefore suggests that the information we could provide that would meet the intent of the recommendation, and which is also achievable for Centrelink in terms of cost and logistics, should be limited to those survey-based research activities it commissions whose purpose it is to elicit information on our customers' perceptions of, or satisfaction with, the quality of Centrelink services.

Within the Annual Report Centrelink will report on:

- the topic and overall purpose of the survey;
- details about the target audiences/ sample size; and
- a summary of the findings from the information gathered by the surveys.

Advice will be provided to readers to direct them to how they can seek further information if it is required.

IN-CONFIDENCE

Recommendation 23

(Paragraph 5.88)

The Committee recommends that Centrelink include specific focus groups of vulnerable customers in such mechanisms as the Value Creation Workshops, in order to provide these people with a more comfortable atmosphere and to balance the focus groups dominated by those less vulnerable.

Centrelink response:

Agreed.

Centrelink has and will continue to make available Value Creation Workshops that have a specific focus on groups of vulnerable customers to encourage appropriate representations of their views. Focus group arrangements are currently being reassessed.

We have previously run Value Creation Workshops for vulnerable groups of customer including:

- families of prisoners;
- emerging communities (customers who had resettled in Australia from places such as the Horn of Africa); and
- customers with caring responsibilities (other than children e.g. disabled partners, aged parents);

and will continue to do so.

Recommendation 24

(Paragraph 5.103)

The Committee recommends that Centrelink ensure that a 'complaints' link be a permanent and prominent feature of the main Centrelink webpage.

Centrelink response:

Centrelink agrees and has already actioned this recommendation.

Centrelink is committed to ensuring that all customers are able to quickly and easily find information on how they can access and use our feedback systems, including through the Centrelink website (www.centrelink.gov.au). This commitment was a key factor in the major redesign of the Centrelink website that was completed and released in January 2007.

The term 'complaint' is now a permanent feature on the Centrelink homepage. Customers can readily find the link to 'complaints' on the homepage under an information box titled *Customer Service: including customer charter and complaints*, located in the centre of the page. The associated link takes the customer directly to the information on how and where to lodge their complaint or other feedback with Centrelink.

IN-CONFIDENCE

Recommendation 25

(Paragraph 5.108)

The Committee recommends that the Centrelink webpage:

- **Provide a simple pathway for customers to locate a postal address to which complaints may be sent; and**
- **includes a freepost address for lodging complaints.**

Centrelink response:

Centrelink agrees and has already actioned this recommendation.

Centrelink is committed to ensuring that all customers are able to quickly and easily find information on how they can access and use our feedback systems. Through our internet homepage, Centrelink invites customers to write to our Freepost address to lodge their feedback, including complaints, at no cost.

(a) Customers can find the Reply Paid address for complaints with 2 clicks from the Centrelink homepage.

(b) The advertised address is a Reply Paid (ie Freepost) address.

Recommendation 26

(Paragraph 5.112)

The Committee recommends that the 'Message Us' page on the Centrelink website includes the term 'complaint' and that the 'Service Feedback' electronic form include a space for the customer's email address should they wish to be contacted in this manner.

Centrelink response:

Centrelink agrees and is actioning this recommendation.

Centrelink is committed to ensuring that all customers are able to quickly and easily find information on how they can access and use our feedback systems, including through the Centrelink website (www.centrelink.gov.au). This commitment was a key factor in the major redesign of the Centrelink website that was completed and released in January 2007.

The recommended changes have been approved and incorporated into the schedule for technical updates to the Centrelink website, and will be implemented as part of the March 2007 IT systems release. It is expected that customers will have the facility to insert their email address on the 'Service Feedback' webpage by mid-March 2007.

IN-CONFIDENCE

Recommendation 27
(Paragraph 5.116)

The Committee recommends that the Centrelink Customer Charter be accessible permanently from the main Centrelink webpage by a simple and obvious process.

Centrelink response:

Centrelink agrees and has already actioned this recommendation.

The reference to 'customer charter' is now a permanent feature on the Centrelink homepage. Customers can find the link to 'customer charter' on the homepage under an information box titled *Customer Service: including customer charter and complaints*, located in the centre of the page. The process to access this has been simplified and customers need only two clicks from this link to find the Centrelink Customer Service Charter and supporting information.



Australian Government
Department of Human Services

EXECUTIVE MINUTE

On Joint Committee of Public Accounts and Audit Report No. 407

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

General comments

Nil

Response to the recommendations

Recommendation No.15

The Committee recommends that external analysis and pre-evaluation of the contract and scoping study be undertaken prior to any major project contracts being developed by agencies in the Human Services portfolio.

Response: Agree

The Government has taken the following steps that substantially improve scrutiny and rigour:

- The establishment in 2003 of the Cabinet Implementation Unit to promote and independently oversee the early and effective planning of policy and ultimately its implementation (including implementation planning for major projects);
- The introduction of the Government's Gateway Review Process (which includes a threshold assessment process using a specially developed Gateway Assessment Tool), as discussed overleaf;
- The creation in 2006 of the Secretaries' Committee on Information Communications Technology (ICT), a strategic decision-making committee that focuses on the appropriateness of potential ICT projects and the cross-agency impacts of major new projects.

From the 2006-07 Budget onwards, all projects over the financial threshold of \$10 million for information technology (IT) and \$20 million for other procurement and infrastructure, which attract a Gateway Assessment Tool risk rating of high (and after 2008-09, of medium), have become subject to the Gateway Review Process. This assessment will provide external analysis and evaluation of the scoping study and contract to which recommendation 15 refers.

In particular:

Gate 1 – reviews the development of the business case;

Gate 2 – reviews the development of the procurement strategy; and

Gate 3 – reviews the investment decision.

The first two decision points relate to the evaluation of the scoping study. The third decision point is to ensure the suitability of the contracting arrangements and focuses on whether the supplier selection process meets the business needs and the contract delivery controls. Collectively, these “gates” provide external analysis and pre-evaluation of major contracts to inform key personnel of risks to the project and areas requiring attention. Such a process would have highlighted clear problems in the Edge project.

Recommendation No.18

The Committee recommends that the Department of Human Services coordinate feedback from its agencies, including Centrelink, to legislators regarding difficulties in implementation created by large numbers of rapid legislation changes. This information should be put to the Minister and to the Joint Committee of Public Accounts and Audit.

Response: Not Supported

The Government has recognised that rapid legislative change can create implementation difficulties and has already taken or is taking the actions described below to manage this risk.

The Government established the Cabinet Implementation Unit in 2003 to monitor the implementation of policy. As stated by the Secretary of the Department of the Prime Minister and Cabinet, Dr Peter Shergold, in his speech “Implementation Matters” in October 2006 – “The Cabinet Implementation Unit’s work has involved ...ensuring that implementation issues are assessed and documented during policy development.”

The Government created the Department of Human Services in October 2004 to ensure that policy takes into account implementation issues. In discussing the creation of the Department of Human Services, Dr Shergold stated that “One of the most important ways in which these natural tendencies to fail can be avoided is by making

sure that public policy is informed by the experience of those who have to implement it; those who work at the counters, in call centres and directly with communities.”

The Department of Human Services' Annual Report 2005-06 emphasises the better integration of service delivery issues with the development of policy. The report states that the Strategy and Coordination Division "...is responsible for ensuring that service delivery implications are taken into account when new government policies are being developed." It is the Department's role to advise the Minister on the implementation impacts of legislative change for his consideration in deciding on a course of action and when discussing these issues with his Ministerial colleagues. The Department of Human Services uses its coordination comments to Cabinet submissions to highlight any concerns regarding implementation – including the issue of speed of policy development. Policy departments are also advised of concerns through interdepartmental discussions and committees.

The Minister is briefed on major initiatives and our views on implementation. He has the opportunity to raise implementation concerns with the relevant Minister and such discussions do occur from time to time.

The Minister for Human Services is also a member of Cabinet.


Typically when concerns regarding implementation are raised by the Department of Human Services remedial action is taken before Ministers need to be involved.

Given the nature of policy development, these avenues are considered sufficient to ensure that the impacts of rapid legislation changes are taken into account in relevant decision-making processes.

In November 2005, the Government announced the Gateway Review Process, which is being phased in commencing with the 2006-07 budget. Gateway is a project assurance methodology that involves short intensive reviews at critical points in the project's lifecycle by a team of reviewers not associated with the project. This provides an arm's length assessment of the project against its specified objectives and an early identification of areas requiring corrective action. A Gateway review may also be carried out, where considered appropriate, to examine issues arising from large numbers of rapid legislation changes.

I consider these measures address the concerns raised in the recommendation.

Yours sincerely


Patricia Scott
Secretary
Department of Human Services
20 April 2007