
The Parliament of the Commonwealth of Australia

Report 407

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

Joint Committee of Public Accounts and Audit

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Foreword

The Joint Committee of Public Accounts and Audit, as prescribed by its Act, the *Public Accounts and Audit Committee Act 1951*, examines all reports of the Auditor-General, and reports the results of the Committee's deliberations to the Parliament. This report details the findings of the Committee's examination of five performance audits tabled by the ANAO in early 2005.

The JCPAA considered 21 audit reports presented to the Parliament by the Auditor-General between 12 January and 19 April 2005, and selected these five reports for further scrutiny.

The reviews undertaken by the Committee have covered a number of Government agencies and included subjects such as customer service; regulatory functions; and contract management. The JCPAA has made recommendations within these reviews to improve the efficiency and effectiveness of the agencies and to ensure that the Auditor-General's recommendations are implemented.

In conducting these reviews the Committee has remained aware of the themes it has previously stated it will pursue, including agencies' financial management, accountability and reporting responsibilities.

As a result of the investigation into the investment of public funds, the JCPAA believes there may be some benefit from a central register of information about the investments being undertaken by FMA Act agencies and CAC Act agencies. This would allow interested parties to keep track of the investment of public monies and could also facilitate further information-sharing between agencies on investment practices.

The review of ARPANSA's *regulation of Commonwealth radiation and nuclear activities* covered a number of issues including regulatory business processes; licensing; conflict of interest; cost recovery; and the identification and enforcement of unlicensed activity. The JCPAA has made several recommendations aimed at

improving the standards and procedures for regulatory functions within the organisation; increasing transparency in the formulation of national policies, codes and standards; and facilitating greater sharing of information on uniform national standards for licensing and compliance monitoring of radiation sources and nuclear facilities.

In addition the Committee emphasised the importance of the Department of Health and Ageing providing an adequate level of monitoring and support to its portfolio agencies. This is in response to similar issues being raised in this audit as were previously examined for the regulation of non-prescription medicinal products by the Therapeutic Goods Administration (TGA), another agency within the Health and Ageing portfolio. Agencies such as ARPANSA and TGA have significant roles in terms of the health and safety of the Australian public.

Centrelink has again been the focus of the JCPAA, with two areas subject to review. Firstly, the Edge project, which was to incorporate the thousands of rules within the family tax benefit system in order to improve the accuracy of the assessment of customer entitlements, was terminated before completion. The Committee is disappointed that a system which appeared to hold such promise was developed but never fully implemented, and believes Centrelink should maintain its momentum to improve the systems in place overall to reduce the rate of errors in its data. This review also highlighted the difficulties in implementation for agencies, including Centrelink, created by large numbers of rapid legislation changes.

The second Centrelink review examined a series of ANAO reports into Centrelink's major individual customer feedback systems. This report highlighted such issues as sample selection processes which may lead to bias and ultimately unreliable data; the reporting of such data without transparent reporting of the source of the data and its limitations; the lack of comprehensive costings across all the systems examined; and the possible under-participation of Centrelink's more vulnerable customers in processes such as the Value Creation Workshops.

The Committee is concerned that for Centrelink's customers, their rights are less well understood than their obligations, and would like to see this imbalance needs to be rectified by Centrelink.


I would like to acknowledge the work of the Auditor-General and the staff at the Australian National Audit Office. The Committee looks forward to continuing its reviews of the Auditor-General's reports.

Mr Tony Smith MP
Chair



Membership of the Committee

Chair	Mr Tony Smith MP (from 9/2/06) Mr Bob Baldwin MP (until 7/2/06)	
Deputy Chair	Ms Sharon Grierson MP	
Members	Senator Mark Bishop (from 11/5/06)	Hon Bronwyn Bishop MP (from 12/8/05)
	Senator John Hogg	Mr Russell Broadbent MP
	Senator Gary Humphries	Ms Anna Burke (until 12/9/05)
	Senator Fiona Nash (from 16/8/05)	Dr Craig Emerson MP (from 12/9/05)
	Senator Claire Moore (until 11/5/06)	Dr Dennis Jensen MP (from 29/5/06)
	Senator Andrew Murray	Hon Jackie Kelly MP
	Senator Nigel Scullion (until 16/8/05)	Ms Catherine King MP
	Senator John Watson	Mr Andrew Laming MP
		Hon Alex Somlyay (until 12/8/05)
		Mr Lindsay Tanner MP
		Mr Ken Ticehurst MP (until 29/5/06)



Membership of the Sectional Committee

Chair	Mr Tony Smith MP (from 9/2/06)	
	Mr Bob Baldwin MP (until 7/2/06)	
Deputy Chair	Ms Sharon Grierson MP	
Members	Senator John Hogg	Hon Bronwyn Bishop MP (from 17/8/05)
	Senator Claire Moore (until 10/5/06)	Mr Russell Broadbent MP
	Senator Fiona Nash (from 30/3/06)	Ms Anna Burke (until 12/9/05)
	Senator John Watson	Dr Craig Emerson MP (from 12/9/05)
		Hon Jackie Kelly MP
		Ms Catherine King MP
		Mr Andrew Laming MP
		Hon Alex Somylay (until 12/8/05)
		Mr Lindsay Tanner MP
		Mr Ken Ticehurst MP (until 30/5/06)

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	Ms Julia Searle
	Ms Penne Humphries
	Ms Anna Engwerda-Smith



List of abbreviations

ANAO	Australian National Audit Office
ANSTO	Australian Nuclear Science and Technology Organisation
AOFM	Australian Office of Financial Management
ARO	Authorised Review Officer
ARPANSA	Australian Radiation Protection and Nuclear Safety Agency
ATSIC	Aboriginal and Torres Strait Islander Commission
ATSIC Act	<i>Aboriginal and Torres Strait Islander Commission Act 1989</i>
Audit Act	<i>Audit Act 1901</i>
BBSW	Bank Bill SWap rate
BIC	Business Improvement Committee (Centrelink)
BPA	Business Partnership Agreement
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CEIs	Chief Executive Instructions
CEO	Chief Executive Officer
CFAD	Centrelink's complaints database
CFS	Customer Feedback Sheet

CRU	Customer Relations Unit
CSC	Customer Service Centre (Centrelink)
CSO	Customer Service Officer (Centrelink)
DCALB	Diverse Cultural and Linguistic Background
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DOC	On-line documentation
DSHIS	Defence Service Homes Insurance Scheme
DVA	Department of Veterans' Affairs
FaCS	Department of Family and Community Services
FAO	Family Assistance Office
Finance	Department of Finance and Administration
FMA Act	<i>Financial Management and Accountability Act 1997</i>
GBE	Government Business Enterprise
HIFAR	Hi-Flux Australian Reactor
I&T	Information and Technology [Committee (Centrelink)]
ISIS	Income Security Integrated System
IT	Information Technology
ITSA	Insolvency and Trustee Service Australia
JCPAA	Joint Committee of Public Accounts and Audit
JPA	Joint Project Agreement
KPI	Key Performance Indicator

Land Fund	Land Fund Special Account
LEES	Life Events Expert System
MCFF	More Choice for Families
MOU	Memorandum of Understanding
NMA	National Museum of Australia
NSB	Nuclear Safety Bureau
ODM	Original Decision Maker
SBS	Special Broadcasting Services Corporation
SMA	Statutory Marketing Authority
SOP	Standard operating procedure
SSA Act	<i>Social Security (Administration) Act 1999</i>
SSAT	Social Security Appeals Tribunal
Treasury	Department of the Treasury
VCG	Value Creation Group Pty Ltd
VCW	Value Creation Workshop



Glossary

Abnormal occurrence	An unanticipated operational occurrence or an accident.
Appeal	A review, requested by the customer, of a decision made by a Centrelink officer.
Appeal Fatigue	'Appeal Fatigue' may occur when a customer finds that it is difficult and time consuming to take an issue through from the ODM reconsideration to a number of possible levels, including ARO, SSAT and beyond.
As low as reasonably achievable	The guiding principle behind radiation protection is that radiation exposures are kept as low as reasonably achievable (ALARA), economic and social factors being taken into account. This approach means that radiation doses both for workers and for the public are typically kept lower than their regulatory limits.
Authorised Review Officer	A Centrelink Officer responsible for reviewing a decision at the request of the customer.
Balanced Scorecard	A performance measurement system monitoring performance against key indicators across the goals set out in Centrelink's Strategic Framework.
Bank bill swap rate	The average mid-point of banks' bid and offer rates in the bank bill secondary market.

Benchmark portfolio	Portfolio management is concerned with managing the ongoing cost and risk of the Commonwealth debt portfolio. This requires a focus on changes in interest rates and exchange rates as these variables can have a significant impact on borrowing costs. A benchmark or model portfolio specifies the optimal exposure to foreign currencies and interest rates (as measured by modified duration) to achieve the AOFM's debt management objective. The benchmark plays a role as a target towards which new debt issuance and Commonwealth swap activity has adjusted the composition of the debt portfolio over time.
Business Partnership Agreement	FaCS-Centrelink Business Partnership Agreement 2001-2004. This document provided the basis for the relationship between the two Commonwealth agencies, which is a unique arrangement characterised by purchaser/provider responsibilities as well as partnership and alliance.
Call Centre Survey	A rolling annual telephone survey of Centrelink customers who have contacted a call centre.
Confidence Interval	The confidence interval gives a range of values which are likely to cover the true but unknown value. A study which quotes a confidence interval of 95 per cent, is inferring that, should that study be repeated 100 times, the results will fall within the range of the confidence interval 95 times.
Controlled apparatus	Any of the following: (a) an apparatus that produces ionising radiation when energised or that would, if assembled or repaired, be capable of producing ionising radiation when energised; (b) an apparatus that produces ionising radiation because it produces radioactive material; (c) an apparatus prescribed by the regulations that produces harmful non-ionising radiation when energised.
Controlled facility	A nuclear installation; or a prescribed radiation facility.
Controlled material	Any natural or artificial material, whether in solid or liquid form, or in the form of a gas or vapour, which emits ionising radiation spontaneously.

Controlled person	A Commonwealth entity; a Commonwealth contractor; a person in the capacity of an employee of a Commonwealth contractor; or a person in a prescribed Commonwealth place.
Cross currency swap	The transfer between two parties of a principal amount plus associated ongoing interest payments from one currency to another, based on a fixed exchange rate. The principal is re-exchanged at maturity.
Customer Charter	The Customer Charter is Centrelink's primary service offer to all its customers. The Charter sets out the type of service customers can expect, their basic rights and responsibilities, and how they can give Centrelink feedback.
Customer Experience Strategy	The Customer Experience Strategy document describes Centrelink's Customer Experience Management Model and uses the model to build the Customer Experience Strategy for 2004-06. The focus is on the customer experience, encompassing the actual physical and emotional experience of Centrelink customers across all moments of contact with Centrelink.
Customer Relations Units	The central point for handling customer feedback in a Centrelink Area. It provides a medium for customers to raise issues and have them resolved. Feedback is received in the form of complaints, compliments and suggestions. CRUs also receive general information requests.
Customer Response Bias	A source of potential bias in a survey denoted by the behaviour and attitude of the people who respond to the survey. Possible reasons for this bias may be respondents' poor recall of events, or respondents not answering openly because they are protecting their interests, or because they are fearful that there will be unintended consequences in providing a frank and open response.
Customer Service Centre Survey	A rolling annual telephone survey of Centrelink customers who have visited a Customer Service Centre.

Dealing	<p>The activities of controlled persons in relation to controlled material and controlled apparatus. 'To deal with' means any of the following:</p> <ul style="list-style-type: none">(a) possess, or have control of, the apparatus or material;(b) use or operate the apparatus, or use the material; and(c) dispose of the apparatus or material.
Edge	<p>The original contract for Edge was for a Life Events Expert System (LEES). The project was renamed Edge in 2001.</p>
Exclusions	<p>Customer records that are excluded from the final sample for a Centrelink survey. These exclusions include customers who have no phone, a silent phone number, those in an institution, or those who only have a mobile phone number.</p>
Guiding Coalition	<p>The Guiding Coalition is Centrelink's internal corporate Board. It comprises all the Senior Executive Staff (SES) officers of Centrelink and meets every six to eight weeks to discuss strategic issues of importance as well as make decisions about Centrelink's management and business directions. The role of the Guiding Coalition is to guide the organisation, set direction and lead change, establish a culture for the future, be an educative forum, and communicate decisions.</p>
In the money	<p>The AOFM has, at current prices, made an unrealised profit by entering into the swap transaction, meaning that, after allowing for the time value of money, future swap receipts are expected to exceed future swap payments.</p>
Indigenous Australians	<p>Aboriginal and Torres Strait Islander Peoples.</p>
Interest rate swap	<p>The exchange between two parties of interest payments associated with a notional principal amount.</p>
Ionising radiation	<p>Electromagnetic or particulate radiation capable of producing ions directly or indirectly, but not including electromagnetic radiation of a wavelength greater than 100 nanometres.</p>

ISIS	Income Security Integrated System. ISIS is a suite of systems for recording customer claims, and processing Centrelink payments. It operates on the Centrelink central computer (generally called the mainframe). In this report ISIS is sometimes referred to as the mainframe system.
Life Events Approach	This approach delivers services based on a customer's 'life events'. 'Life events' are experiences such as having a baby, looking for a job, planning for retirement or arriving to settle in Australia. The approach supports Centrelink's mission to provide opportunities for individuals during transitional periods in their lives. Steps have been taken to focus on customer needs at particular points in their lives to progress the implementation of Centrelink's service delivery model.
M204	Model 204: Centrelink's main database management system. Model 204 is a powerful database management system for IBM-compatible mainframe systems, designed to handle large volumes of data with thousands of simultaneous users.
More Choice for Families	More Choice for Families is a policy package that was announced on 17 September 2002. It provides families who have been overpaid for part of the year, because of a change in income or circumstances, the opportunity to choose to be paid for the rest of the year at a rate that reduces the potential for any overpayment. Families can also choose to receive part of their entitlement to Family Tax Benefit and Child Care Benefit during the year and the rest as a lump sum after the end of the year.
National Customer Survey	An annual telephone survey of all Centrelink customers.
Non-ionising radiation	Electromagnetic radiation of a wavelength greater than 100 nanometres.
Non-probability Sample	A non-probability sample is one in which the probability of selection for each unit in the population is unknown, or cannot be calculated.

Non-response bias	A form of non-sampling error. Non-response occurs when customers included in the sample, are contacted, but for whatever reason do not complete the survey. The possibility of non-response bias occurs if there is any significant difference in the characteristics of those who completed the interview, and those who refused to have, or did not complete, the interview for other reasons.
Non-sampling Error	Non-sampling error consists of systematic and variable error.
Nuclear installation	Any of the following: (a) a nuclear reactor for research or production of nuclear materials for industrial or medical use (including critical and sub-critical assemblies); (b) a plant for preparing or storing fuel for use in a nuclear reactor; (c) a nuclear waste storage or disposal facility with an activity that is greater than an activity level prescribed in the regulations; (d) a facility for production of radioisotopes with an activity that is greater than the activity level prescribed in the regulations.
Original Decision Maker	The CSO who made the original decision regarding a customer's payment or circumstances.
ODM reconsideration	The first stage of the review and appeals process where the Original Decision Maker reassesses his/her decision, and decides whether to revise the decision.
Out of the money	The AOFM has, at current prices, made an unrealised loss by entering into the swap transaction.
Prescribed radiation facility	A facility or installation that is prescribed by the regulations.
Principal	The initial, or current, amount borrowed or invested.
Quota Sampling	A type of non-probability sample with a quota on the number of interviews.
Reactive inspection	An inspection of a nuclear installation in response to a matter that arises from compliance monitoring activities, such as licence holder quarterly reports, incident reports or from whistleblower information. Such inspections are often carried out at short notice to the licence holder. They are not part of the pre-planned inspection program.

Source	Radioactive material or a radiation apparatus.
Swap	A financial transaction in which each party to the contract agrees to exchange (swap) their respective payment obligations.
Term premium	The margin over the implied path of cash rates that investors in long-term debt require to compensate them for bearing the market value risk and liquidity risk associated with long-term debt, as opposed to a series of short-term investments such as cash deposits. The term premium is typically estimated by calculating the difference between the cash rate and the ten-year bond rate on average through time.
Top-line Satisfaction Number	The top line satisfaction number is the percentage of Centrelink customers who rated the level of service received overall (including the quality of the people, services and information) as good or very good. The top line satisfaction numbers from the CSC and Call Centre Surveys are used in Centrelink's Balanced Scorecard as a key performance indicator of the agency's national performance under the Customer Goal. In addition, the CSC Survey top line satisfaction number is also used as a performance measure for individual CSCs.
Value Creation Workshop	VCWs are structured and facilitated focus groups that involve both the customers of the services delivered by Centrelink and the providers of these services (that is relevant Centrelink staff). The workshops are intended to allow customers to provide direct feedback to Centrelink and its staff regarding the services that they receive.
Vulnerable Customers	Vulnerable customers may include those customers who are homeless; have a drug or alcohol dependency; have low levels of literacy or numeracy; have a mental health condition; are Indigenous; and/or come from a diverse cultural and linguistic background.



List of recommendations

2 Investment of Public Funds and Commonwealth Debt Management

Recommendation 1 14

The Committee recommends that the Department of Veterans' Affairs calculate the likely amount required by the Defence Service Homes Insurance Scheme to be withdrawn from a next-day account, and invest that amount accordingly.

To counter the possibility that a larger amount may need to be drawn in an emergency, the chosen next-day account should also have provision for an overdraft facility.

The remaining funds should be invested in institutions which may provide a higher rate of return than next-day accounts.

Recommendation 2 20

The Committee recommends that the Department of Finance and Administration develop a register of information about the investment of public monies by FMA Act and CAC Act entities. The register should include:

- the dollar value of investments by each agency;
- the rate of return on investments in the previous 12 months;
- a copy of each agency's investment strategy and credit risk strategy;
- an outline of the investments made; and
- an outline of the management of investments – via an external management agent (and any applicable fees), or in-house.

This register should be updated annually, at the conclusion of the financial year.

Recommendation 3 23

The Committee recommends that the Australian Office of Financial Management and the Department of the Treasury draw up a formal agreement which states that in the event of a large movement within the AOFM investment portfolio, AOFM will provide formal advice to the Treasury as soon as possible.

3 Regulation of Commonwealth Radiation and Nuclear Activities

Recommendation 4 34

The Committee recommends that ARPANSA's new information system include standards and procedures for ARPANSA's regulatory functions, and appropriate guiding documentation to ensure that the information system is correctly and consistently utilised to ensure accurate tracking.

Recommendation 5 34

The Committee recommends that the Minister for Health re-examine the process for appointment to the position of CEO of ARPANSA. In particular, the process needs to seek a person with management expertise sufficient to manage the technical expertise that exists within the organisation.

Recommendation 6 35

The Committee recommends that the Department of Health and Ageing review and report on their obligations and efforts regarding the monitoring and support of agencies within the portfolio.

Recommendation 7 43

The Committee recommends that a checklist of standards required for granting a licence be prepared, as part of the new information system, that identifies when all conditions have been met and a licence can be granted.

Recommendation 8 43

The Committee recommends that ARPANSA provide appropriate guidance to its staff on the circumstances under which a licence condition is appropriate, and the scope and application of licence conditions.

Recommendation 9 59

The Committee recommends that ARPANSA provide a quarterly report to the Parliament on licence breaches including incidences of non-compliance. This requirement should include a short statement to the Parliament even where no breaches have occurred.

Recommendation 10..... 60

The Committee recommends that ARPANSA includes in its matrix of responses to breaches:

- clarification of responses appropriate to differing levels of breach, particularly when the safety of people is at risk; and
- an appropriate system of delegation for dealing with breaches from less severe up to the CEO for serious breaches.

This matrix is to be included in the quarterly report to Parliament on licence breaches.

Recommendation 11 66

The Committee recommends that ARPANSA's relationship with the relevant State and Territory bodies be strengthened to facilitate sharing of information in terms of uniform national standards for licensing and compliance monitoring of radiation sources and nuclear facilities.

Recommendation 12..... 66

The Committee recommends that the CEO of ARPANSA and the Radiation Health Committee more transparently fulfil their roles of formulating national policies, codes and standards for Commonwealth, States and Territories, by reporting on progress in the ARPANSA annual report.

4 The Edge Project

Recommendation 13..... 79

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

Recommendation 14..... 81

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.

Recommendation 15..... 82

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

Recommendation 16..... 84

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.

Recommendation 17..... 84

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.

Recommendation 18..... 86

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.

5 Centrelink's Customer Feedback Systems**Recommendation 19..... 102**

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.

Recommendation 20..... 103

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.

Recommendation 21..... 103

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.

Recommendation 22..... 110

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.

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- Recommendation 23** 112
- 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.
- Recommendation 24** 116
- The Committee recommends that Centrelink ensure that a ‘complaints’ link be a permanent and prominent feature of the main Centrelink webpage.
- Recommendation 25** 116
- 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.
- Recommendation 26** 117
- 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.
- Recommendation 27** 118
- The Committee recommends that the Centrelink Customer Charter be accessible permanently from the main Centrelink webpage by a simple and obvious process.

Introduction

Background to the review

- 1.1 The Joint Committee of Public Accounts and Audit (JCPAA) has a statutory duty to examine all reports of the Auditor-General that are presented to the Presiding Officers of the Australian Parliament, and report the results of its deliberations to both Houses of Parliament. In selecting audit reports for review, the Committee considers:
- the significance of the program or issues raised in the audit reports;
 - the significance of the audit findings;
 - the arguments advanced by the audited agencies; and
 - the public interest of the report.
- 1.2 Upon consideration of 21 audit reports presented to the Parliament by the Auditor-General between 12 January 2005 and 19 April 2005, the Committee selected five reports for further scrutiny at public hearings.
- 1.3 The audit reports reviewed by the JCPAA are listed below:
- Audit Report No. 22, 2004–05, *Investment of Public Funds*;
 - Audit Report No. 42, 2004–05, *Commonwealth Debt Management*;
 - Audit Report No. 30, 2004–05, *Regulation of Commonwealth Radiation and Nuclear Activities*;
 - Audit Report No. 40, 2004–05, *The Edge Project*; and
 - Audit Report No. 31, 2004–05, *Centrelink's Customer Feedback Systems* (summary of Reports Nos. 32-36 on Centrelink).

- 1.4 The public hearings for the respective reports were held on:
- Friday 19 August 2005 (ANAO Reports No. 31 and No. 40);
 - Monday 5 September 2005 (ANAO Reports No. 22 and No. 42) ; and
 - Monday 12 September 2005 (ANAO Report No. 30).
- 1.5 A list of witnesses attending all public hearings is at Appendix D.

The Committee's report

- 1.6 This report of the Committee's examination draws attention to the main issues raised at the respective public hearings. Where appropriate, the Committee has commented on unresolved or contentious issues, and has made recommendations.
- 1.7 The Committee's report is structured as follows:
- Chapter 2 – Audit Report No. 22, 2004–05, *Investment of Public Funds*; and Audit Report No. 42, 2004–05, *Commonwealth Debt Management*;
 - Chapter 3 – Audit Report No. 30, 2004–05, *Regulation of Commonwealth Radiation and Nuclear Activities*;
 - Chapter 4 – Audit Report No. 40, 2004–05, *The Edge Project*; and
 - Chapter 5 – Audit Report No. 31, 2004–05, *Centrelink's Customer Feedback Systems* (summary of Reports Nos. 32-36 on Centrelink).
- 1.8 The following appendices provide further information:
- Appendix A – Conduct of the Committee's review
 - Appendix B – List of submissions authorised
 - Appendix C – List of exhibits received
 - Appendix D – List of witnesses who appeared at the public hearings
 - Appendix E – ARPANSA action on recommendations
 - Appendix F – ARPANSA statement of regulatory policy
 - Appendix G – Centrelink action on recommendations
- 1.9 A copy of this report is available on the Committee's website at <http://www.aph.gov.au/house/committee/jpaa/reports.htm>

Investment of Public Funds and Commonwealth Debt Management

Audit Report No. 22, 2004–05

Introduction

Background

- 2.1 The Department of Finance and Administration (Finance) is responsible for developing and maintaining the financial framework for Commonwealth public sector. The framework is aimed at providing a public sector which focuses on effective governance, sound financial management, and proper accountability. At July 2005, the financial framework included 86 departments and agencies which fall under the *Financial Management and Accountability Act 1997* (the FMA Act); and 104 entities subject to the *Commonwealth Authorities and Companies Act 1997* (the CAC Act).¹ FMA Act agencies are those which are financially part of the Commonwealth (and form part of the General Government Sector); while CAC Act bodies are Commonwealth statutory authorities or

¹ The FMA Act and CAC Act can be viewed at: <http://www.finance.gov.au/finframework/>, accessed November 2005.

companies in which the Commonwealth has at least a direct controlling interest.²

- 2.2 The general default arrangement for FMA Act bodies is that a single body – the Australian Office of Financial Management (AOFM) – manages the investment of surplus cash. However, in some circumstances, FMA Act agencies have sought and obtained approval to make investments on their own behalf. Currently there are 13 such agencies, which are mostly involved in some form of quasi-commercial activity.³
- 2.3 Sections 18 and 19 of the CAC Act allow surplus funds to be invested on deposit with a bank; or in securities of the Commonwealth or a State or Territory; or in securities guaranteed by the Commonwealth, a State or Territory. Section 18 of the CAC Act also allows CAC bodies to invest in any other manner as approved by the Minister for Finance. Section 19 allows Government Business Enterprises (GBEs) and Statutory Marketing Authorities (SMAs) to invest surplus funds in any other manner that is consistent with sound commercial practice.⁴
- 2.4 At 30 June 2004, Commonwealth entities reported financial investments of some \$20.208 billion. Around \$14 billion is managed by the AOFM, leaving \$6 billion invested by other FMA Act and CAC Act entities.
- 2.5 For both the AOFM and individual agencies, it is important that the investment of public funds be prudently managed in accordance with the legislative framework. Investment activity involves a trade-off between risk and return. In this context, it is generally considered that the Commonwealth has a low tolerance for financial risk, which limits investment activity to low-risk assets. This is reflected in the legislative framework governing Commonwealth entities' investing activities, as outlined above. In particular:
- not all entities are permitted to invest; and
 - for most entities, where investment is permitted, the types of authorised investments are generally very limited.
- 2.6 The differing levels of control exerted by the Parliament over the investments of entities under the FMA and CAC Acts affect the management and reporting of risk. Responsibility for compliance and

2 Finance, internet site: <http://www.finance.gov.au/finframework/>, accessed November 2005.

3 Finance, *Transcript of Evidence*, 5 September 2005, p. 11.

4 ANAO Audit Report no. 22, 2004-05, *Investment of Public Funds*, Commonwealth of Australia, January 2005, p. 25. The audit focused on Section 18 of the CAC Act.

proper management under these Acts lies with the Chief Executives of FMA Act agencies and directors of CAC Act bodies.

Audit objectives

- 2.7 The objective of the audit was to examine the investment of public funds by selected entities, including:
- compliance with relevant legislation, delegations and instructions;
 - the value for money of investment strategies; and
 - reporting of investment activities.
- 2.8 Six entities were selected for audit. These included the following FMA Act agencies:
- the Aboriginal and Torres Strait Islander Commission (ATSIC), in respect of the Land Fund Special Account;
 - the Department of Veterans' Affairs (DVA), in respect of the Defence Service Homes Insurance Scheme Special Account; and
 - the Insolvency And Trustee Service Australia (ITSA) in respect of the Common Investment Fund.
- 2.9 The audit also included the following CAC Act agencies:
- the Special Broadcasting Service Corporation (SBS);
 - the Australian Nuclear Science and Technology Organisation (ANSTO); and
 - the National Museum of Australia (NMA).
- 2.10 The six entities had aggregate investments of \$1.64 billion as at 30 June 2004 and realised investment earnings of some \$80.4 million during 2003–04.
- 2.11 In addition to the specific entities selected for their investment activities, Finance and the Treasury were included in the audit because of their responsibilities associated with the FMA Act and the CAC Act. The ANAO also undertook a desk audit of other Commonwealth statutory authorities' investment activities, relying on the most current financial statement disclosures publicly available at the time of audit fieldwork.

Audit conclusion

- 2.12 Overall, the ANAO found that, for a number of entities, there had been instances of shortcomings in the management of the investment of public

funds. The ANAO found that some FMA Act agencies were holding investments not authorised by the relevant legislation. For CAC Act agencies, the ANAO found that records maintained by Treasury and some entities were both inaccurate and incomplete.

- 2.13 The ANAO also reported that consistently sound governance and reporting processes had yet to be developed and implemented by all audited entities. The report noted the need for entities to implement investment strategies that both comply with the investment parameters imposed by the Parliament, and optimise risk-adjusted returns.

ANAO recommendations

- 2.14 The ANAO made the following recommendations:

Table 2.1 ANAO recommendations, Audit report no. 22, 2004-05

1.	<p>ANAO <i>recommends</i> that, as a priority, internal controls over the implementation of the Land Fund's investment strategy be enhanced by:</p> <ul style="list-style-type: none"> a) segregating the roles of investment adviser and security custodian; b) conducting an open competitive tender and signing formal contracts for the provision of investment advice and custodial services; and c) wherever possible, obtaining more than one quote for each proposed investment, and/or comparing quotes to published market rates. <p><i>All responding entities agreed, with one agreeing in principle.</i></p>
2.	<p>ANAO <i>recommends</i> that entities investing public funds document, and regularly review, an investment strategy and approach.</p> <p><i>All responding entities agreed, with one agreeing in principle.</i></p>
3.	<p>ANAO <i>recommends</i> that entities investing public funds manage the risk of counterparty default on their investments by preparing, documenting and implementing credit risk management policies and procedures.</p> <p><i>All responding entities agreed, with one agreeing in principle.</i></p>
4.	<p>ANAO <i>recommends</i> that entities investing public funds:</p> <ul style="list-style-type: none"> a) implement procedures that, wherever practicable, maximise competitive processes in the selection of individual investments; and b) where open and effective competition is not possible, assure themselves that returns are being maximised by comparing the terms of proposed investments to published market rates. <p><i>All responding entities agreed, with two agreeing in principle.</i></p>
5.	<p>ANAO <i>recommends</i> that reporting of interest rate exposures be improved by the Department of Finance and Administration providing guidance to entities on the preferred approach to calculating and reporting weighted average interest rates.</p> <p><i>All responding entities agreed, with two agreeing in principle.</i></p>
6.	<p>ANAO <i>recommends</i> that the Department of the Treasury prepare and maintain a comprehensive and accurate record of all investment approvals provided by the Treasurer, and their current status.</p> <p><i>All responding entities agreed, with one agreeing in principle.</i></p>

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7. ANAO *recommends* that compliance with legislated restrictions on investing activities be promoted by:
- a) Chief Executives/directors ensuring that adequate priority and resources are allocated to achieve compliance with statutory requirements;
 - b) entities that invest public funds, integrating compliance with legislative restrictions on investing activities with their governance structures and risk management strategies; and
 - c) where necessary, relevant central agencies issuing guidance to investing entities to explain the legislative framework for investing public funds.
- All responding entities agreed, with one agreeing in principle.*
-

The Committee's review

2.15 The Committee held a public hearing on 5 September 2005, with the following witnesses:

- Finance;
- The Treasury;
- Department of Veterans' Affairs (DVA); and
- Department of Immigration, Multicultural and Indigenous Affairs (DIMIA).⁵

Governance

Investment strategies

2.16 The ANAO found that investment strategies did not exist or were out of date for three of the six audited agencies.⁶ The ANAO recommended that entities investing public funds document and regularly review an investment strategy and approach.⁷

Department of Veterans' Affairs

2.17 DVA had not reviewed its investment strategy since its initial development in 1995, when the investment portfolio was valued at \$22 million. The ANAO found that at 30 June 2004, the DVA had

5 Since retitled the Department of Immigration and Multicultural Affairs (DIMA) following a reallocation of portfolio responsibilities.

6 The Insolvency and Trustee Service Australia (ITSA) and the Australian Nuclear Science and Technology Organisation (ANSTO) did not have a policy; and DVA's Defence Service Homes Insurance Scheme (DSHIS) investment strategy had not been reviewed for nine years.

7 ANAO Audit Report no. 22, 2004-05, *Investment of Public Funds*, Commonwealth of Australia, January 2005, p. 36. The ITSA, ANSTO and DVA agreed with the recommendation.

investments of over \$58 million.⁸ At the public hearing in September 2005, DVA told the Committee that amount had increased to \$61 million.⁹ DVA told the Committee that its funds manager, UBS Global Asset Management, currently receives 0.2 per cent of the investment value as a fee for service. This equates to roughly \$120 000 per annum.¹⁰

2.18 DVA advised that the department had initiated a review of its funds management arrangements, including market testing to assess the value for money in the current arrangements with UBS, and a consideration of managing funds investment in-house.¹¹

2.19 DVA subsequently reported in May 2006 that an external investment consultant had comprehensively reviewed the Defence Service Homes Insurance Scheme's Investment Management Policy and the policy had been updated. Processes have been put in place to ensure the policy is reviewed annually.¹²

2.20 An independent consultant is developing a model for DVA, to:

enable the Scheme to perform internal investment performance benchmarking and market testing on a regular basis to ensure consistent strong returns and value for money for investment management services. As a part [of its] development, the model will be applied to the current environment in a market testing exercise.¹³

The Land Fund

2.21 In 1995 the Aboriginal and Torres Strait Islander Land Fund Special Account (the Land Fund) and the Indigenous Land Corporation (ILC) were established, to provide a secure and ongoing source of funds to the ILC to provide economic, environmental, social and cultural benefits for Aboriginal people and Torres Strait Islanders. At the time the Land Fund was administered by the Aboriginal and Torres Strait Islander Commission. However, following the close-down of ATSIC from July 2005, administration of the Land Fund Special Account was moved to the

8 ANAO Audit Report no. 22, 2004-5, p. 81.

9 DVA, *Transcript of Evidence*, 5 September 2005, p. 13.

10 DVA, *Transcript of Evidence*, 5 September 2005, p. 5 and 12. DVA advised that when UBS was first appointed as funds manager in 1995, the management fee was set at 0.45 per cent. The fee has been renegotiated several times since 1995, and is currently set at 0.2 per cent. DVA submission no. 4, p.2.

11 DVA, *Transcript of Evidence*, 5 September 2005, p. 3.

12 DVA, submission no. 6.

13 DVA, submission no. 6.

Department of Immigration, Multicultural and Indigenous Affairs (DIMIA).

- 2.22 The legislation which established the Land Fund provided that between 1995-96 and 2003-04 (defined in the Act as 'Category A Years'), the Australian Government made an annual appropriation of \$121 million (indexed to 1994 values) to the Land Fund. The aim was for the fund to be built up to become a self-sustaining capital fund by 30 June 2004. The target amount was \$1.33 billion.¹⁴ At 30 June 2004 the Land Fund was valued at \$1.34 billion – thereby meeting the target.¹⁵
- 2.23 A Consultative Forum, comprising two ILC Directors, and the Finance Minister's Delegate (previously the Chief Financial Officer of ATSIC, and subsequently the Director, Financial Management and Reporting, DIMIA), is required to meet at least two times each financial year, to discuss the investment policy of the Land Fund.
- 2.24 In 1995, at the request of the Consultative Forum, ATSIC contracted an international investment consultant to provide a business plan for the Land Fund. The ANAO found that although the consultancy was originally intended to be completed by December 1995, the same firm has been contracted, with no competitive tender, since 1995. Subsequent contracts have been for provision of strategic reviews, reinvestment program advice, and investment reporting, rather than business planning as in the original contract. Total fees paid under these contracts from 1995 to June 2004 amounted to \$655 200.¹⁶
- 2.25 The ANAO also found that separate to the firm engaged to provide investment advice, most Land Fund investments were made through the institutional banking divisions of a large Australian bank. The bank provided three services to the Land Fund:
- investment advice;
 - purchase and sale of securities and provision of cash accounts; and
 - custodial services with respect to securities.
- 2.26 The ANAO found that in the seven years this arrangement was in place, ATSIC never tendered any of the above roles. Competitive quotes from other providers were not obtained by ATSIC, nor had ATSIC signed any

14 DIMIA, *Annual Report 2004-05*, available at: http://www.immi.gov.au/annual_report/annrep05/html/land_fund_account.htm, accessed November 2005.

15 ANAO Audit Report no. 22, 2004-05, p. 31.

16 Audit Report no. 22, 2004-05, p. 29.

contract with the bank. The ANAO noted an absence of performance benchmarks and no transparent cost structure on the margins being charged on investment transactions.¹⁷

2.27 The ANAO expressed concern at this arrangement and recommended that internal controls over the Land Fund's investment strategy be enhanced by segregating the roles of investment adviser and security custodian; conducting an open tender process and signing formal contracts for service; and obtaining more than one quote for each proposed investment, and/or comparing quotes, where possible.¹⁸

2.28 At the hearing, the Committee questioned DIMIA about its implementation of this recommendation. DIMIA advised that it was in the process of tendering for an investment adviser, investment manager and a security custodian for the Land Fund. The selection of the investment adviser was happening first, in order to establish a benchmark figure for the fund's return.¹⁹ The contract for the investment adviser will run for three years, with a two-year provision to roll on if the Consultative Forum is satisfied with the performance. The maximum contract length is five years.

2.29 DIMIA advised that following appointment of an investment adviser, it will commence a tender process for appointment of an investment manager. DIMIA's representative stated that in-house provision of investment management is one option being considered by the Consultative Forum:

We have structured our affairs so that we could go either way...the awarding of this contract to an investment manager will only go ahead if it is cost effective to do so. The increased returns have to more than offset the increased fees. If that condition does not hold, we will retain the running of the portfolio in-house.²⁰

2.30 On 27 January 2006, the office of Indigenous Policy Coordination, including management responsibility for the Land Fund, was transferred to the new Department of Family, Community Services and Indigenous Affairs (FaCSIA). FaCSIA advised the Committee that the investment adviser had been appointed prior to this transfer of responsibilities. Responses to the tender for appointment of an investment manager closed

17 Audit Report no. 22, 2004-05, pp. 30 - 31.

18 Audit Report no. 22, 2004-05, p. 32.

19 DIMIA, *Transcript of Evidence*, 5 September 2005, p. 24.

20 DIMIA, *Transcript of Evidence*, 5 September 2005, p. 24.

in March 2006 and are currently being evaluated with input from expert advisers. A decision is expected to be made by the end of June 2006.²¹

- 2.31 The Committee also asked about Finance representation or observation of the Consultative Forum. DIMIA responded that under the legislation, Finance cannot have a formal role on the Forum. However, Finance representatives had attended Forum meetings as observers on a number of occasions, including two of the last three Consultative Forum meetings.²²

Credit risk

- 2.32 Credit risk is the risk that a counterparty may default on its obligations, leading to a financial loss for the Commonwealth. Credit risk also includes the rating of a counterparty and the potential for loss on an investment in an instrument where the counterparty's rating is downgraded. The Commonwealth is exposed to credit risk when it invests public funds.²³
- 2.33 While the legislative restrictions on investments which apply to many Commonwealth agencies reduce their exposure to credit risk, it is still important for investing agencies to develop credit risk management policies and procedures that address both the probability, and economic consequences, of counterparty default or downgrading. This is particularly important for those agencies managing large amounts of money, for example the Land Fund's investment portfolio of more than \$1.4 billion.
- 2.34 Four of the six audited agencies did not have credit risk policies and procedures in place.
- 2.35 The ANAO found that ATSIC (Land Fund) and the National Museum of Australia had addressed credit risk in their overarching policy and procedures documents. Each had given explicit consideration to the credit ratings of institutions with which they planned to invest. However, while NMA had complied with its credit risk policy, ATSIC had not. While ATSIC's credit risk policy limited investments to institutions with a credit rating of A- or higher, there were a number of BBB and BBB+ rated investments. At 30 June 2004, the BBB or BBB+ investments totalled \$28.7 million.²⁴

21 Pers. Comm. Tim Youngberry, CFO FaCSIA. 26 May 2006.

22 DIMIA, *Transcript of Evidence*, 5 September 2005, p. 28.

23 ANAO Audit Report no. 22, 2004-05, p. 37.

24 Audit Report 22, 2004-05, p. 38.

- 2.36 While SBS did not have an overarching policy for credit risk management, the ANAO found that in investment planning and tendering for annuity investments, SBS had regard to credit risk. SBS told the ANAO that it would develop a formal credit risk policy to reflect its long established procedures.
- 2.37 The ANAO found that ANSTO made only a brief mention of credit risk in its investment documents.
- 2.38 At the time of the audit, DVA did not have any current credit risk policy and procedures in relation to its DSHIS investments. However, the investment strategy (developed in 1995) proposed an investment approach that was to minimise risk and ensure adequate liquidity while seeking to maximise returns. With a concentration in low risk investments, DVA considered that the advantages of diversification across fund managers would be less important than obtaining quality advice and service from a manager responsible for the whole portfolio.
- 2.39 The ANAO found that ITSA did not address credit risk management in its investment documents. However, the investment approach taken by ITSA had resulted in a low credit risk.
- 2.40 The ANAO recommended that entities investing public funds prepare, document and implement credit risk management policies and procedures.
- 2.41 The four audited agencies found not to have specific credit risk policies - SBS, ANSTO, ITSA and DVA - all agreed to this recommendation.
- 2.42 At the hearing, the Committee asked DVA about progress towards implementing a credit risk policy. DVA told the Committee that its investment manager (UBS Global Asset Management) had its own credit risk policy in place. DVA would 'reference that in terms of our internal investment strategy'.²⁵

25 DVA, *Transcript of Evidence*, 5 September 2005, p. 4.

Maximising returns

- 2.43 The ANAO outlined a number of ways in which government agencies can maximise investment returns, within a given level of risk. These include:
- quotes can be sought from a number of institutions;
 - when selecting an investment provider, agencies can consider rates and margins that will be offered on products; and
 - agencies can compare quoted rates with published market rates.²⁶
- 2.44 The ANAO found that the NMA and SBS displayed better practice in aiming to maximise returns, by obtaining quotes and validating quotes against published market figures.
- 2.45 However, the ANAO found that the other audited agencies displayed significant variability in their approach. While ANSTO had documented procedures, they were not being followed. ITSA and the Land Fund did not have procedures to maximise returns on individual investments. DVA was not included in this assessment because it invested in a managed money market trust.
- 2.46 The ANAO undertook an assessment of short-term investments against the Bank Bill Swap Rate (BBSW) as a benchmark. In this analysis, only the NMA and SBS, which were following better practice, achieved investment returns which were above the BBSW.²⁷ The ANAO estimated that the interest foregone during the period from 2000–01 to 2003–04 by the three entities obtaining rates of return lower than the BBSW rate was just over \$428 000.
- 2.47 Four of the six audited agencies did not have procedures in place to maximise risk-adjusted returns. The audit found that procedures to maximise for individual investments were not in place for the Land Fund. This was reflected in the ANAO's analysis of the returns being achieved.
- 2.48 As mentioned above, the ANAO did not include the DVA in its BBSW analysis because the majority of its funds were in a managed money market trust. The funds were placed in this account partly because it provided next-day access to funds, which DVA considered important as

26 Audit Report 22, 2004-05, p. 40.

27 The Bank Bill Swap Rate is an adjusted average of a range of bank bill rates at a specific time each day. An average of these rates, published by the Australian Financial Markets Association, can be used as an indicator that an entity has obtained a consistently higher, or lower, rate of return than the market over time. Audit Report 22, 2004-05, p. 41.

DSHIS, as an insurance provider, required ready access to funds to meet insurance claims and related expenses.

- 2.49 However, the ANAO noted that that the most DVA has required to access at any one time had been \$2 million. The return on the trust, from 1998 to August 2004, was reported at 5.15 per cent. This was below the benchmark of 5.25 per cent. The ANAO stated:

[The next day access], when funds are not so readily required, may be adversely impacting on the potential rate of return that could be paid to DVA for the amount of funds invested.²⁸

- 2.50 The Committee believes that DVA should investigate the possibility of splitting its investments, to allow a portion to be available in a next-day account to provide for emergencies, and the remainder to be invested in whatever vehicle (within statutory and credit risk limitations) will provide the best return. In the case of DVA requiring more cash than is immediately available in the next-day account, an overdraft or similar mechanism should be investigated. If, as the DVA and ANAO have suggested, the likelihood of the DSHIS requiring a large amount of cash on-call is very small, the risk of any penalty arising out of an overdraft would also be small.

Recommendation 1

- 2.51 **The Committee recommends that the Department of Veterans' Affairs calculate the likely amount required by the Defence Service Homes Insurance Scheme to be withdrawn from a next-day account, and invest that amount accordingly.**

To counter the possibility that a larger amount may need to be drawn in an emergency, the chosen next-day account should also have provision for an overdraft facility.

The remaining funds should be invested in institutions which may provide a higher rate of return than next-day accounts.

- 2.52 The Committee notes the ANAO's finding that between 2001-02 and 2003-04, fees of some \$325 680 were paid to the DVA fund manager. DVA

records did not enable the ANAO to identify the fees paid prior to 2001-02.

- 2.53 The Committee is most concerned to note that the ANAO has estimated that, based on the fees paid in that three year period, and the amount of money invested, fees exceeding \$1 million had been paid to the DVA fund manager since the investment commenced in 1995. This is almost double what the Land Fund paid its professional investment adviser for a fund 23 times larger.²⁹
- 2.54 The Committee also notes the updated Defence Service Homes Insurance Scheme's Investment Management Policy, and the model under development, which will enable the Scheme to 'perform internal investment performance benchmarking and market testing on a regular basis to ensure consistent strong returns and value for money for investment management services'.³⁰

The Legislative Framework

- 2.55 As outlined at the start of this chapter, government agencies fall under either the FMA Act or the CAC Act. A limited number of FMA Act agencies have been granted the right to invest public funds. Authorised investments can be expanded for FMA Act agencies through legislative change or changes to the regulations made under the FMA Act (FMA Regulations). Under subsection 18(3)(d) of the CAC Act, the Minister for Finance and Administration has the authority to approve CAC Act authorities (other than GBEs or SMAs) to invest surplus moneys in a manner other than that specified in the Act. Such approvals could previously be provided under subsection 63E(1)(c) of the *Audit Act 1901* as well as some entities' enabling legislation. There are still a number of instances where entities' enabling legislation provides the Finance Minister with the power to approve investment activities not specifically provided for in their legislation.³¹ As a Finance representative explained to the Committee:

The big difference between CAC Act agencies and FMA Act agencies is that the class of investments in which the FMA Act agencies may invest is not open to the minister to expand: it is

29 ANAO Audit Report no. 22, 2004-05, p. 43.

30 DVA, submission no. 6.

31 ANAO Audit Report no. 22, 2004-05, p. 51.

fixed by parliament – quite appropriately in terms of dealing with public money.³²

- 2.56 At the time of the audit, the Minister responsible for approving CAC Act investments outside those prescribed in the Act was the Treasurer. The *Financial Framework Legislation Amendment Act 2005* switched the responsibility from the Treasurer to the Minister for Finance and Administration. Finance explained the move:

The general thought was that it was sensible, given the development of the financial framework, that all of those things should be centralised. The role of the Treasurer in many cases was historical. In some cases it predated the creation of the Department of Finance and Administration.³³

- 2.57 The ANAO concluded that, at the time of audit fieldwork, Treasury did not have a comprehensive and accurate record of all current investment approvals provided by the Treasurer and his delegates for the purposes of investing public funds. The ANAO found that documentation of such approvals was also not always readily available from the entities that originally sought the approval. The ANAO recommended that the Department of the Treasury prepare and maintain a comprehensive and accurate record of all investment approvals provided by the Treasurer, and their current status.³⁴

- 2.58 At the hearing, the Committee asked Finance about their implementation of this recommendation, since the function had been transferred to Finance. Finance responded that they had fixed the problem of inaccurate or incomplete records of the approvals for investment under section 18 (3)(d) of the CAC Act.³⁵ Finance has developed a register for all current approvals. A submission from Finance noted that,

While CAC directors are responsible for investments they manage, Finance requires entities to submit a robust business case that explains why the approvals are needed and why the existing authority is insufficient. Finance will subsequently assess each case on its merits.³⁶

- 2.59 The ANAO noted that, in addition to the 25 Acts included in the *Financial Framework Legislation Amendment Act 2005*, there were a further three Acts
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32 Finance, *Transcript of Evidence*, 5 September 2005, p. 11.

33 Finance, *Transcript of Evidence*, 5 September 2005, pp. 15-16.

34 ANAO Audit Report no. 22, 2004-05, p. 56.

35 Finance, *Transcript of Evidence*, 5 September 2005, p. 16.

36 Finance, submission no. 1, p. 2.

that also currently provide the Treasurer with the power to approve additional types of investments. While two of the entities that were empowered to invest are no longer in existence, the investment activities continue to occur under the *Native Title Act 1993* (Native Title Act). The Native Title Act was not included in the *Financial Framework Legislation Amendment Act 2005*. Therefore at this stage, approval for investment outside the CAC Act remains with the Treasurer, for entities which are covered by the Native Title Act. The ANAO considered that there would be merit in Finance seeking to have all relevant investment approval powers transferred to the Finance Minister.

- 2.60 At the time of the audit, Finance advised the ANAO that it was liaising with DIMIA regarding an amendment to the Native Title Act being included in a future bill to transfer the approval power from the Treasurer to the Finance Minister. Finance stated that consultation with Treasury would also be required.³⁷ The Committee asked Finance about progress on the bill. Finance advised that a bill is being developed which, if passed by Parliament, would include the transfer of the investment approval power contained in the *Native Title Act 1993* from the Treasurer to the Finance Minister.³⁸

Unauthorised investments

- 2.61 During the course of the performance audit, the ANAO identified that at least 11 entities, and up to 13 entities, had purchased and reported holding investments not authorised by the relevant legislation. In total, more than \$566 million in unauthorised investments were identified.³⁹
- 2.62 DVA and ATSIC were found to have breached both Section 83 of the Constitution⁴⁰, and Section 48 of the FMA Act in relation to the purchase of unauthorised investments. Further breaches of Section 48 of the FMA Act also existed in each entity due to deficiencies in the accounts and records held in respect to their investment transactions.⁴¹
- 2.63 The ANAO found that the failure to obtain and retain sufficient information to properly inform investment decisions, combined with the development of investment strategies that permitted the purchase of unauthorised investments, led to at least \$415.5 million of the Land Fund's

37 ANAO Audit Report no. 22, 2004-05, p. 56.

38 Correspondence between Finance and the Committee secretariat, 24 November 2005.

39 ANAO Audit Report no. 22, 2004-05, p. 13.

40 Section 83 of the Constitution states that "No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law."

41 ANAO Audit Report no. 22, 2004-05, p. 62.

30 June 2004 investments being noncompliant with Section 39 of the FMA Act. In addition, due to the absence of proper accounts and records in respect of many investments, there were doubts about the compliance of a further \$70.5 million of Land Fund investments.⁴²

- 2.64 At the time of the audit, ATSIC agreed with the ANAO that there were a number of investments that were not authorised by the FMA Act. ATSIC had agreed to trade out of those holdings.
- 2.65 The Committee asked DIMIA and DVA if they had now traded out of all unauthorised investments. Both agencies responded that they had done so.⁴³ DVA also told the Committee that it now monitors the UBS investments on a monthly basis to ensure that they are compliant with relevant legislation.⁴⁴

Guidance from central agencies

- 2.66 In its Audit Report, the ANAO argued that there is a role for relevant central agencies to promote a shared understanding of limits in the financial framework legislation on Commonwealth entities' investment activities. The ANAO recommended that compliance be promoted by central agencies issuing guidance to investing entities to explain the legislative framework for investing public funds. The Treasury replied to the ANAO in November 2004:

Treasury is strongly of the view that compliance with Section 18 of the CAC Act lies firmly with the directors of CAC Boards and that the Treasury does not perform a compliance audit function.⁴⁵

- 2.67 Similarly, Finance noted that the responsibility for compliance with statutory obligations lies with investing agencies. However, Finance did agree that, where there was a lack of clarity, central agencies could assist by issuing guidance, where required.⁴⁶

42 ANAO Audit Report no. 22, 2004-05, p. 65.

43 DVA and DIMIA, *Transcript of Evidence*, 5 September 2005, pp. 17 and 30.

44 DVA, *Transcript of Evidence*, 5 September 2005, p. 17.

45 ANAO Audit Report no. 22, p. 70.

46 ANAO Audit Report no. 22, p. 70.

- 2.68 A submission from Finance outlined their response to the ANAO recommendations, including a number of Finance Circulars that have been developed since the audit.⁴⁷
- 2.69 The Committee is pleased to note the development of guidance from Finance to agencies, regarding investment of public monies. Finance also indicated that it has a training program on the FMA Act for departments, and that a number of other strategies are in train.⁴⁸
- 2.70 The Committee believes there may be some use in a central register of information about the investments being undertaken by FMA Act agencies and CAC Act agencies. This information could include the amount being invested, each entity's investment and credit risk strategy, the investment vehicles being used, and the management process – whether outsourced to an investment firm (and if so, what management fees are being charged), or if investments are managed in-house.
- 2.71 As there are only a small number of FMA Act agencies who invest public monies, it would not seem an onerous task to collect such information. There are a larger number of CAC Act agencies with investments, however, reporting such information to Finance once a year would not seem a large task for each agency to perform.
- 2.72 The development of such a register would allow this Committee, and other interested parties, to keep track of investment of public monies. It may also facilitate further information-sharing between agencies, if they notice that other departments have investment practices different to their own.

47 In particular, Finance Circulars no. 2005/05 and 2005/11 outline the statutory obligations under the CAC Act and the FMA Act for investment of public monies. The Finance Circulars can be found at: http://www.dofa.gov.au/finframework/finance_circulars.html, accessed November 2005.

48 Finance, *Transcript of Evidence*, 5 September 2005, p. 26.

Recommendation 2

2.73 The Committee recommends that the Department of Finance and Administration develop a register of information about the investment of public monies by FMA Act and CAC Act entities. The register should include:

- the dollar value of investments by each agency;
- the rate of return on investments in the previous 12 months;
- a copy of each agency's investment strategy and credit risk strategy;
- an outline of the investments made; and
- an outline of the management of investments – via an external management agent (and any applicable fees), or in-house.

This register should be updated annually, at the conclusion of the financial year.

Audit Report No. 42, 2004–05

Background

2.74 The Australian Office of Financial Management (AOFM) was established on 1 July 1999. The AOFM is responsible for the administration, financial and operational risk management, and financial reporting of the Australian Government's portfolio of Commonwealth Government Securities and associated financial assets. The AOFM issues Treasury bonds and Treasury notes, invests in term deposits with the Reserve Bank of Australia, manages the Government's cash and conducts interest rate swaps.

- 2.75 ANAO Audit Report No.14 of 1999–2000, tabled in October 1999, examined Commonwealth Debt Management. The report made six recommendations, all of which were agreed to by the AOFM and the Department of the Treasury (Treasury).
- 2.76 The JCPAA conducted an inquiry into Commonwealth Debt Management during 2000, and released its report in November 2000. The JCPAA noted the AOFM's progress to date and made three recommendations. One of these was that the AOFM move as quickly as possible to implement all of the recommendations made in the ANAO's 1999 audit report.
- 2.77 A number of other reviews in relation to the management of the Commonwealth debt have also been undertaken since the 1999 audit. In September 2001, the Treasurer agreed to the gradual elimination of all foreign currency exposure from the Commonwealth debt portfolio following an internal AOFM review. Around February 2002, there was considerable media and Parliamentary attention, particularly in Senate Estimates hearings, surrounding the performance of the cross currency swaps component of the Commonwealth debt portfolio. In addition, in 2002–03, the Government reviewed the future of the Commonwealth Government Securities market. In the 2003–04 Budget, the Government announced its decision that, in the future, it would issue sufficient Treasury bonds to support the bond futures market.

Audit objectives

- 2.78 The objective of this follow-up audit was to assess the extent to which the recommendations and major findings of the ANAO's 1999 audit of Commonwealth Debt Management had been addressed, and the impact of any changes.

Overall conclusion

- 2.79 Overall, the ANAO found that the majority of the recommendations from the ANAO's 1999 audit report had been implemented or satisfactory progress has been made on their implementation.

ANAO recommendations

Table 2.2 ANAO recommendations, Audit report no. 42, 2004-05

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1. The ANAO *recommends* that the AOFM establish a reporting trigger to inform the Treasurer and Treasury Secretary when the swap portfolio has significant unrealised losses.
- AOFM Response: Agreed with qualification.*
-

2. The ANAO *recommends* that, to improve transparency and accountability, the AOFM report more comprehensively and consistently on the efficiency of its swap dealings in future Annual Reports.

AOFM Response: Agreed.

The Committee's review

- 2.80 The Committee undertook this review to assess the AOFM's implementation of the ANAO recommendations. The Committee also had some interest in the cost of maintaining the bond market, versus retiring government debt.
- 2.81 Witnesses from the Australian Office of Financial Management, and the Department of the Treasury, gave evidence at a public hearing held on 5 September 2005.

Reporting on the swap portfolio

- 2.82 At the time of the audit, the AOFM had not established any boundaries regarding the extent that it remains comfortable when the swap portfolio goes significantly 'out of the money' (that is, the maximum level of unrealised losses that the AOFM deems to be an acceptable risk). The ANAO observed that the Treasurer was consulted about significant matters and, in particular, was regularly briefed by the AOFM on progress following the decision to wind-up the cross currency swaps program. However, the ANAO considered that there was scope for improving advice to the Treasurer about the level of unrealised losses when the interest rate swaps portfolio was significantly 'out of the money'.⁴⁹
- 2.83 The ANAO recommended that the AOFM establish a reporting trigger to inform the Treasurer and Treasury Secretary when the swap portfolio has significant unrealised losses. The AOFM agreed, with qualification, stating that reporting should apply to the physical net debt portfolio as well as to swaps, since both generate interest rate risk exposures and should be considered together. At the time the Audit Report was published, the AOFM was considering whether reporting should be done on a regular basis or using a trigger.
- 2.84 At the hearing, the Committee questioned AOFM about its implementation of this recommendation. AOFM told the Committee that it now reports to the Treasurer and to Treasury on the market value of the

49 ANAO Audit Report no. 42, 2004-05, p. 37.

total portfolio and the swaps, on a two-monthly basis. These reports are made via reporting to the AOFM board, which meets every two months. The Secretary of the Treasury is a member of the AOFM board. The AOFM also noted that its annual financial statements include a report on the market value of the portfolio, including the market value of the swap component of the portfolio.⁵⁰

- 2.85 The Committee also asked Treasury and the ANAO if they were happy with these arrangements. Treasury responded that they were happy with the current arrangements.⁵¹ The ANAO noted that in spite of the regular reporting requirements:

...one would still expect that, if there was a sudden untoward very large adverse movement, advice would come forward more quickly – rather than just the specified regular [meeting].⁵²

- 2.86 The Committee is pleased to note that there are now regular reports to Treasury, via the AOFM board meetings, on the market value of the total portfolio and the swaps. However, the Committee agrees with the ANAO that there should remain a trigger mechanism for a separate report, in the event of a sudden large movement within the portfolio.

Recommendation 3

- 2.87 **The Committee recommends that the Australian Office of Financial Management and the Department of the Treasury draw up a formal agreement which states that in the event of a large movement within the AOFM investment portfolio, AOFM will provide formal advice to the Treasury as soon as possible.**

Conduct of swap tenders

- 2.88 The second ANAO recommendation was that the AOFM report more comprehensively and consistently on the efficiency of its swap dealings in future Annual Reports. At the time the Audit Report was published, the

50 Australian Office of Financial Management (AOFM), *Transcript of Evidence*, 5 September 2005, pp. 41-43.

51 Treasury, *Transcript of Evidence*, 5 September 2005, p. 41.

52 ANAO, *Transcript of Evidence*, 5 September 2005, p. 42.

AOFM was considering how, in practical terms, reporting on the efficiency of swap transactions might best be developed.

- 2.89 The Committee asked the AOFM about progress against this recommendation. The AOFM responded that for the forthcoming annual report (2004-05), it was intending to make a number of changes in light of the audit findings. The AOFM indicated that it was looking to include an efficiency measure on the swap, bearing in mind the need to provide information that is comprehensible to the reader.⁵³
- 2.90 The Committee notes that the AOFM annual report was tabled in October 2005. The Committee is pleased to see that the AOFM has provided further information in this annual report, including an efficiency measure for the swap.⁵⁴

Maintenance of the bond market

- 2.91 While outside the parameters of Audit Report no. 42, at the public hearing the Committee also discussed with AOFM the cost of maintaining the bond market on an interest basis, and the total returns on term deposits and swap books. This discussion can be read in the Transcript of Evidence for the public hearing.⁵⁵

53 AOFM, *Transcript of Evidence*, 5 September 2005, p. 43.

54 AOFM, *Annual Report 2004-05*, p. 25. See Figure 2 regarding an efficiency measure for the swap. Available at:
http://www.aofm.gov.au/content/publications/reports/AnnualReports/2004-2005/download/04_Part_2.pdf, accessed November 2005.

55 AOFM, *Transcript of Evidence*, 5 September 2005, pp. 34 – 40.

Regulation of Commonwealth Radiation and Nuclear Activities

Audit Report No. 30, 2004–05

Introduction

- 3.1 The Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) is charged with protecting the health and safety of people and the environment from the harmful effects of radiation. The chief executive officer (CEO) of ARPANSA has powers to regulate Commonwealth activities involving radiation sources and nuclear facilities, including nuclear installations.¹
- 3.2 Entities must be authorised under licence if undertaking activities involving radiation sources or facilities.² A licence is issued after an application for the proposed activity is determined to be compliant with the *Australian Radiation Protection and Nuclear Safety Act 1998* (the ARPANS Act) and the *Australian Radiation Protection and Nuclear Safety Regulations 1999* (the ARPANS Regulations).

1 Australian National Audit Office (ANAO), Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.13.

2 The ARPANS Act covers *controlled persons*, that is: a Commonwealth entity; a Commonwealth contractor; a person in the capacity of an employee of a Commonwealth contractor; or a person in a prescribed Commonwealth place. The ANAO's report refers to controlled persons as entities.

- 3.3 Compliance with legislative requirements is monitored by ARPANSA. Where an entity is not compliant with the ARPANS Act and Regulations, ARPANSA has a range of enforcement options available to it to enable the protection of the health and safety of people and the environment from the harmful effects of radiation.

The audit

- 3.4 The ANAO's audit objective was to assess ARPANSA's management of the regulation of Commonwealth radiation and nuclear activities to ensure the safety of their radiation facilities and sources. The audit examined ARPANSA's:
- key governance arrangements supporting the regulatory function;
 - recovery of regulatory costs;
 - licensing processes;
 - monitoring of compliance; and
 - management of non-compliance and unlicensed activity.
- 3.5 The audit was in response to an Order of the Senate requesting that the ANAO investigate aspects of ARPANSA's licensing processes.³
- 3.6 The audit report was tabled on 2 March 2005.

Overall audit conclusion

- 3.7 The ANAO concluded that improvements were required in the management of ARPANSA's regulatory function. While initial under-resourcing impacted adversely on regulatory performance, ARPANSA's systems and procedures were still not sufficiently mature to adequately support the cost-effective delivery of regulatory responsibilities.
- 3.8 In particular, deficiencies in planning, risk management and performance management limited ARPANSA's ability to align its regulatory operations with risks, and to assess its regulatory effectiveness.
- 3.9 The ANAO also found that procedures for licensing and monitoring of compliance had not been sufficient, particularly as a licence continued in force until it was cancelled or surrendered. Arrangements did not adequately support the setting of fees in a user-pays environment, nor

3 Senate Hansard, No .8, Thursday, 29 August 2002, p. 3997.

ARPANSA's responsibilities for transparently managing the potential for conflict of interest.

- 3.10 ARPANSA recognised the need to address these gaps, and advised that it intended to review and improve the business processes supporting its regulatory function to address this audit's recommendations.

ANAO recommendations

- 3.11 The ANAO made the following recommendations:

Table 3.1 ANAO recommendations, Audit report no. 30, 2004-05

1.	That ARPANSA's Corporate and Branch plans address key priorities and strategies for delivering regulatory outcomes. This would include clearer articulation of objectives and prioritisation of those objectives. <i>ARPANSA response: Agreed</i>
2.	That ARPANSA develop key performance indicators and targets for the regulatory function that inform stakeholders of the extent of compliance by controlled persons, and of ARPANSA's administrative performance. <i>ARPANSA response: Agreed</i>
3.	That ARPANSA enhance its risk management framework to identify risks to achievement of regulatory outcomes, mitigation strategies to manage those risks, residual risks, and a process of systematic monitoring of residual risks and their treatment. <i>ARPANSA response: Agreed</i>
4.	That ARPANSA strengthen management of the potential for, or perceptions of, conflict of interest, in accordance with legislative responsibilities, by: <ul style="list-style-type: none"> • ensuring adequate documentation of all perceived or potential conflicts of interest; • taking action to better manage the conflict of interest arising from its regulatory role in respect of its own sources and facilities; and • implementing and ensuring compliance with instructions issued. <i>ARPANSA response: Agreed</i>
5.	That ARPANSA: <ul style="list-style-type: none"> • review and assess performance against customer service standards in its customer service charter; and • systematically action and report on all complaints received. <i>ARPANSA response: Agreed</i>
6.	That, in order to provide assurance that cost recovery is consistent with better practice and Government policy, ARPANSA: <ul style="list-style-type: none"> • develop a policy framework to guide its cost recovery arrangements; and • have sufficiently reliable data, and analysis, on cost elements to support management decisions on cost recovery—such analysis should include the alignment of fees and charges with the costs of regulation for particular groups of clients or types of licences, to the extent that this is cost-effective. <i>ARPANSA response: Agreed</i>
7.	That ARPANSA enhance guidance to applicants to better reflect the requirements of the ARPANSA Act and Regulations and, in particular, to provide guidance on the statutory matters that the CEO must take into account. <i>ARPANSA response: Agreed</i>

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8. That ARPANSA introduce appropriate systems to ensure its application processing complies with the requirements of the ARPANS Act and Regulations.

ARPANSA response: Agreed

9. That ARPANSA enhance its licence application assessment processes by ensuring that:
- guidance to staff explicitly addresses specified statutory matters that the CEO must take into account; and
 - regulatory assessment reports provided to the CEO on each application explicitly address the extent to which an application addresses these matters.

ARPANSA response: Agreed

10. That ARPANSA develop a risk-based decision-making process for the use of additional licence conditions. This would require clear procedures and documentation addressing, inter alia, why and how conditions will be applied, monitoring of those conditions, and their costs and benefits.

ARPANSA response: Agreed

11. That ARPANSA develop and implement a central database for the management of applicant and licence-holder information.

ARPANSA response: Agreed

12. That ARPANSA monitor the timeliness of licence approvals against service standards, and report on this in its annual report.

ARPANSA response: Agreed

13. That ARPANSA develop and implement an explicit, systematic and documented overall strategic compliance framework that:

- identifies and articulates the purpose, contribution, resourcing and interrelationships of the various compliance approaches;
- is based on systematic analysis of the risk posed by licensees and the sources and facilities under their management; and
- targets compliance effort measures in accordance with assessed licensee risk.

ARPANSA response: Agreed

14. That, to facilitate licensee understanding of and compliance with their obligations, ARPANSA revise or replace the Licence Handbook to address identified weaknesses.

ARPANSA response: Agreed

15. That ARPANSA enhance its reporting guidelines by:

- implementing procedures to keep the guidelines up to date;
- specifying the level of supporting evidence required in reports;
- providing feedback to licensees on reports; and
- seeking client feedback on its guidelines.

ARPANSA response: Agreed

16. That ARPANSA monitor compliance by licensees with reporting requirements.

ARPANSA response: Agreed

17. That ARPANSA develop standard procedures, for the consideration and assessment of reports, that address:

- processes to provide assurance that licensee reports are appropriately assessed and acted upon; and
- the collation and monitoring of reported information for risk management purposes.

ARPANSA response: Agreed

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18. That ARPANSA establish a systematic, risk-based framework for compliance inspections that includes:
- an integrated inspection program based on systematic and transparent assessment of the relative risks of facilities and hazards;
 - inspection reporting procedures that clearly assess the extent of licensee compliance with licence conditions;
 - recording of report findings in management information systems, to facilitate future compliance activity, and analysis of licence compliance trends;
 - accountable and transparent procedures for discretionary judgements, where compliance inspections vary from standard procedures; and
 - reporting on ARPANSA's performance in conducting inspections.

ARPANSA response: Agreed

19. That, in order to provide greater assurance that failures to meet licence conditions are dealt with and reported appropriately, ARPANSA:
- develop internal systems, policies and procedures to support a consistent approach to defining non-compliance and breaches;
 - have a robust framework to support a graduated approach to enforcement action; and
 - maintain a database of non-compliance and enforcement actions taken and their resolution.

ARPANSA response: Agreed

The Committee's review

3.12 The Committee held a public hearing to examine this audit report on Monday 12 September 2005. Witnesses representing ARPANSA appeared at the hearing, as well as representatives from the ANAO.

3.13 The Committee took evidence on the following issues:

- Regulatory business processes;
- Departmental oversight;
- Licensing;
 - ⇒ Guidance to applicants
 - ⇒ Acceptance of applications without a fee
 - ⇒ Unsupported assessments
 - ⇒ Additional licence conditions
 - ⇒ Licensee reporting
 - ⇒ Incident or ad hoc reports
 - ⇒ Quarterly reports
 - ⇒ Annual reports
 - ⇒ Guidance to licence holders

⇒ ARPANSA's consideration of reports

- Monitoring;
 - ⇒ Non-compliance
 - ⇒ Unlicensed activity
 - ⇒ Identifying prohibited activity
 - ⇒ Inspections
 - ⇒ Enforcement and reporting
- Conflict of interest;
- Cost recovery;
- National uniformity; and
- Complaints.

3.14 ARPANSA provided a submission to the inquiry, which included an implementation schedule setting out the proposed timeframe in relation to each of the 19 ANAO recommendations. The stated intention was for all recommendations to be addressed by March 2006. This implementation schedule is reproduced at Appendix E. ARPANSA further informed the Committee that as of 26 May 2006 all recommendations have been addressed and are in the process of being implemented.⁴

3.15 The Committee feels it is important, before further discussion, to make clear that ARPANSA's responsibility is limited to Commonwealth licences. Therefore ARPANSA does not have responsibility for the private sector, State or Territory entities (eg. hospitals) as these licensing arrangements come under the jurisdiction of the State and Territory government regulatory functions.

Regulatory business processes

3.16 The ANAO found that the size and scope of the regulatory function were underestimated when ARPANSA was set up in 1998 and resources were allocated to the organisation.

3.17 Although initial underresourcing was bound to impact adversely on regulatory performance, the ANAO asserts that by the time of the audit, ARPANSA's systems and procedures were 'still not sufficiently mature to

4 Pers. Comm. Rhonda Evans, Director Regulation and Policy, ARPANSA. 26 May 2006.

adequately support the cost-effective delivery of regulatory responsibilities'. In particular, deficiencies were cited in planning, risk management and performance management which 'limit ARPANSA's ability to align its regulatory operations with risks, and to assess its regulatory effectiveness'.⁵

3.18 ARPANSA's objectives and activities were not prioritised in terms of specific action and accountabilities, and performance measurements were weak in terms of responsibility and follow-up.

3.19 On establishment, ARPANSA also had a large backlog of licences to activate. It was caught up in such a heavy workload that the underlying planning processes were overlooked. The Committee recognises that an organisation can become consumed by its workload to the extent that planning and regulatory functions get overlooked. ARPANSA needs to step back, clearly identify its core business and equate appropriate priority to the issues of regulation and consistently review these operations.

3.20 ARPANSA's response to the audit included the statement that:

ARPANSA acknowledges the work of the ANAO in this audit and agrees that the business processes supporting its regulatory functions need improvement. A formal review has been established to recommend changes to business processes and to oversee their implementation. The review will act upon all the ANAO recommendations.

The review will be directed by an SES officer recruited from outside ARPANSA and reporting to the CEO. It will consult stakeholders and staff. There will be an external consultative group of people with relevant expertise and backgrounds to advise the review.⁶

3.21 The senior executive of ARPANSA and the leader of the review team appeared before the Committee at a public hearing. The Committee feels that the response from ARPANSA has been a genuinely positive one. The CEO has agreed that there were not only resource issues but also that there is a need for the organisation to reconsider the way it prioritises its work.

3.22 This Committee agrees that ARPANSA needs to commit to making such changes and also to ensuring that the changed culture will continue.

5 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.18.

6 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, Appendix 6: Agency response. p.92.

- 3.23 ARPANSA's inconsistencies in key regulatory processes and documentation can be partially attributed to a lack of corporate guidance for ARPANSA staff or published policies and frameworks to underpin the work of the organisation.
- 3.24 ARPANSA has an overarching Corporate Plan which articulates ARPANSA's role: its principal aim, strategic planning framework, and focus on outputs for the next three years. This is supported by branch and section plans.
- 3.25 The ANAO found the nature and purpose of the Regulatory Branch plan (which contains tasks, timelines and responsibilities) was not well articulated. Of the 41 objectives, some were not clearly specified or varied substantially in scope. In addition, the objectives were not prioritised or allocated resources.
- 3.26 As the ANAO asserts:
- Management of a large number of objectives, without prioritisation, risks diffusing both strategic direction and operational implementation. In particular, it does not provide a clear distinction between those objectives necessary to meet ARPANSA's legislative obligations, and those that contribute in other ways (eg. to ARPANSA being more efficient or effective).⁷
- 3.27 While the Committee is confident that the technical expertise of the scientists at ARPANSA is of a very high level and that their understanding of the importance of safety and appropriate mechanisms to ensure that the community is safe is beyond doubt, there is concern that the management ability within the organisation is deficient. There appears to be a focus on scientific issues to the detriment of the management framework required for smooth operation of the regulatory processes.
- 3.28 ARPANSA's CEO, Dr John Loy, admitted that:
- ...it is a fair criticism in that our focus has certainly been on getting radiation protection and nuclear safety right as a technical assessment, a scientific assessment and as an engineering judgment. We have not, until recently, focused as much attention on systematising our management. ... the way we tended to do things was to incrementally develop policies and approaches. Often we failed to finish them off in the sense of formalising them, documenting them and making sure they were fully implemented

7 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.38.

and so forth. So I think the criticism that we had not – and have not yet – arrived at a fully mature management system of the regulation is fair.⁸

3.29 ARPANSA's CEO is appointed by the Governor-General as a statutory officer and the position has no performance indicators other than that the Act is implemented.⁹ The current CEO was initially appointed to the position for a five-year period which was then renewed for a further five years from 2004. ARPANSA resides within the Australian Government Health and Ageing portfolio.

3.30 The Committee notes that the technical knowledge needed for ARPANSA's research and other scientific functions is different from the expertise needed to regulate appropriately. The Committee feels that ARPANSA has, to date, not had the necessary management direction required for a regulator. Technical competency alone is not sufficient to ensure an appropriate regulatory environment, particularly in an area which is of such concern to the general public. There has to be clear documentation that assures everybody - including the Australian public - that the work of the regulator has been done and the appropriate protections are in place.

3.31 ARPANSA agreed that management and assessment should be separated out from the scientific process in order to give a clearer and stronger organisational focus on the management of regulation, supported by technical assessment and scientific advice. They also recognised that, to this end, a new regulatory management information system bringing together all the licence holders and the different forms of licence to track the history of each licence holder and their performance is required:

... we cannot fully and adequately deal with the issue of risk based regulation without building and applying a new information system that will allow us to analyse the risks we are endeavouring to regulate and to ensure that the system is useful and used by licence holders as well as by ARPANSA staff. We are commencing a major project in this area.¹⁰

8 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA21.

9 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA21.

10 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA3.

- 3.32 ARPANSA's new strategic regulatory framework, setting out the fundamental ways ARPANSA seeks to achieve regulatory outcomes, has been incorporated into the ARPANSA 2005/08 Corporate Plan and a more strategic Regulatory Branch Business Plan has also been prepared.¹¹
- 3.33 The Committee is concerned that there have been no proper standards or procedures in the organisation, and applauds the decision to develop a regulatory management information system. With appropriate stand alone systems in place and guidance provided by documentation, a CEO with extensive management experience should be able to run the assessment and monitoring functions of ARPANSA without requiring any particular technical knowledge.
- 3.34 Accordingly, the Committee makes the following recommendations:

Recommendation 4

- 3.35 **The Committee recommends that ARPANSA's new information system include standards and procedures for ARPANSA's regulatory functions, and appropriate guiding documentation to ensure that the information system is correctly and consistently utilised to ensure accurate tracking.**

Recommendation 5

- 3.36 **The Committee recommends that the Minister for Health re-examine the process for appointment to the position of CEO of ARPANSA. In particular, the process needs to seek a person with management expertise sufficient to manage the technical expertise that exists within the organisation.**

Departmental oversight

- 3.37 As previously stated ARPANSA resides within the Australian Government Health and Ageing portfolio.
- 3.38 ARPANSA informed the Committee that although people in the Department of Health and Ageing were aware of the ANAO's report, they

11 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2005*, p.1.

were not involved in ARPANSA's formal review to act on the ANAO's recommendations:

They were given an opportunity during the first stage of this project to make any comments or provide any information in relation to current processes. The department chose not to do that but they have asked to be kept informed of progress at the moment.¹²

3.39 The JCPAA has previously examined another agency within the Health and Ageing portfolio. The Therapeutic Goods Administration (TGA) was examined¹³ following a critical ANAO audit into the regulation of non-prescription medicinal products.¹⁴

3.40 Given the issues raised in these two separate audits, the Committee emphasises the importance of the Department of Health and Ageing providing an adequate level of monitoring and support to its portfolio agencies. This is particularly so with agencies such as ARPANSA and TGA which have significant roles in terms of the health and safety of the Australian public.

3.41 Accordingly, the Committee makes the following recommendation:

Recommendation 6

The Committee recommends that the Department of Health and Ageing review and report on their obligations and efforts regarding the monitoring and support of agencies within the portfolio.

Licensing

3.42 One of ARPANSA's key regulatory activities is licensing. Licences are issued for a source or for a facility, to authorise a controlled person to

12 Mr Brandt, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA.21.

13 JCPAA, *Report 404 - Review of Auditor-General's Reports 2003-2004 Third & Fourth Quarters; and First and Second Quarters of 2004-2005*, October 2005. Chapter 12: Audit Report No. 18, 2004-2005.

14 Australian National Audit Office, *Audit Report No. 18 2004-05, Regulation of Non-prescription Medicinal Products, Department of Health and Ageing and the Therapeutic Goods Administration*, December 2004.

undertake activities that would otherwise be prohibited under the ARPANS Act and Regulations. Depending on the circumstances, entities may require a source licence, a facility licence or both.

- 3.43 Under the ARPANS Act, licensing decisions ultimately rest with the CEO, or the CEO's delegate. The CEO has not delegated this power. The Act lists the statutory matters that must be taken into account by the CEO in a licensing decision. A licence continues in force until it is cancelled or surrendered, reinforcing the need for robust and systematic licensing processes and monitoring of compliance.

Guidance to applicants

- 3.44 ARPANSA provided guidance to licence applicants through a guide document and application packs. However, the ANAO found that this guidance did not explicitly ask applicants to address the statutory matters against which they would be assessed. Consequently, applicant documentation was often found to correlate poorly with the ARPANSA legislation and clarification was required from applicants during the assessment process.
- 3.45 The Committee was concerned to hear that ARPANSA provided a guide which applicants were required to address, but to which ARPANSA did not refer when assessing those applications.

Licensee advice to the ANAO confirmed that they considered the guidelines did not adequately specify the level of detail required in reports. Licensees also advised that they were not provided with feedback on the quality of reports submitted. Overall, ARPANSA does not monitor satisfaction with such guidance.¹⁵

- 3.46 In response to the ANAO report, ARPANSA stated that:

The intention of the applicant guidance provided by ARPANSA is to draw out how ARPANSA reviewers will assess information provided by the applicant ... so as to inform the CEO of the findings that are open for him to make about that material. Once he has made his findings of fact, it is then the responsibility of the CEO to consider issues of relevance and weight in his overall decision making process.

It is to be expected that, at least for applications of any complexity, there will be a need for ARPANSA reviewers to seek clarification

15 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.71.

and additional information from applicants. This is not indicative of a flaw in the application process rather it is a common occurrence in review of applications in the wider context of administrative decision making.¹⁶

- 3.47 When questioned by the Committee, ARPANSA asserted that the information contained in applications and staff advice has been sufficient when assessing applications against the statutory matters:

The statutory matters are matters 'to be taken into account' in my licensing decisions ... The taking into account of the statutory matters flows from assessment of the information identified in Schedule 3, Parts 1 and 2 of the Regulations in the light of the internationally accepted framework of radiation protection and nuclear safety.¹⁷

- 3.48 In response to the ANAO report, the application pack is currently being reviewed and enhanced, however it still does not explicitly ask applicants to address the statutory matters against which they are to be assessed. Rather, the application packs and guides focus on the plans and arrangements with which licence holders are required to comply. ARPANSA feels that the information sought through the application pack is sufficient for assessors 'to fully consider the statutory requirements'.¹⁸

Acceptance of applications without a fee

- 3.49 The ANAO stated that:

Some 60 per cent of applications accepted for assessment have been processed without a fee. Accepting applications without a fee is a breach of ARPANS legislation.¹⁹

- 3.50 The Committee was very concerned to hear that ARPANSA was found to be in breach of its own legislation.

- 3.51 ARPANSA assured the Committee that although 'the fee did not come at the time of the application, as the Act said it should [it] was subsequently

16 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, Appendix 6: Agency response. p.93.

17 ARPANSA, Submission no. 3. p.3.

18 ARPANSA, Submission no. 3. p.4.

19 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.16.

collected.²⁰ Further, Dr Loy assured the Committee that the system has since been modified so that licence applications are no longer accepted without the fee upfront, and that all ARPANSA staff are aware of this requirement.

3.52 As ARPANSA explained:

... in the first instance, until we had made an assessment and made a decision on the licence, these licence holders were effectively not regulated at all. Until we brought them into the system by making the assessment and the decision, they were outside of it.²¹

Unsupported assessments

3.53 The Committee was very concerned to find that a major regulatory authority was operating without a robust procedure for its assessments of applications, as revealed by the ANAO's finding that:

The bulk of license assessments – some 75 per cent – were made without the support of robust, documented procedures. Assessments of applications were supported by draft procedures only, which staff were not required to follow.²²

3.54 Most of the assessments reviewed by the ANAO were made prior to June 2003, which was when ARPANSA finalised standard operating procedures (SOPs) addressing receipt; assessment and recommendation; and issuing of a licence:

Previously, ARPANSA had draft procedures only. The draft procedures did not provide guidance on a number of matters, such as:

- form of letters to applicants (for example, acknowledgement of applications);
- entering applicant information on information systems;
- the correct form for a regulatory assessment report to the CEO; and

20 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA.17.

21 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA18

22 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.16.

- how to undertake, record and document site visits and inspections.

In addition, there was no formal requirement for the draft procedures to be followed.²³

3.55 The ANAO reported that:

In reviewing applications, staff are guided by the *Regulatory Guideline on Review of Plans and Arrangement* [and] may also have regard to relevant codes or standards of practice, international best practice and public submissions.²⁴

3.56 However, while these sources address many key aspects of radiation and nuclear safety, they:

are not explicitly aligned to the legislative matters that the CEO must take into account in making a decision. In particular, the guideline on plans and arrangements - the primary assessment guideline - does not specifically address the statutory matters specified in the legislation.²⁵

3.57 This increased the risk that the matters specified in the ARPANS Act and Regulations may not be consistently or adequately addressed in reports and recommendations to the CEO. Dr Loy told the Committee that:

the issue that we are still grappling with a little bit is the difference between matters to be taken into account on the one hand and the information required of the applicant on the other and how to get that balance right.²⁶

3.58 ARPANSA responded to the Committee by saying that the process 'was not ad hoc, but certainly we have strengthened those procedures and we can do further work on them'.²⁷ Dr Loy described the path of an assessment as having involved an assessment officer, possible review by a

23 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.53-54.

24 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, pp.55-56.

25 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.56.

26 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA15.

27 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA15.

section head, review by the branch head, review by the legal adviser and then the CEO, providing 'fairly consistent scrutiny of licence applications'.

- 3.59 ARPANSA's new standard operating procedures (SOPs) have now been implemented. In response to Committee questioning on whether or not training had been provided to ensure that staff operate effectively within the procedures, ARPANSA stated:

Yes, certainly. I really do not think the assessment procedures could be subject to quite the same criticism now as they were then. That is not to say that they could not still be improved, of course.²⁸

- 3.60 The Committee was also concerned at the appearance of a lax attitude in ARPANSA's licensing or regulation due to their clients being government agencies or government funded organisations. Dr Loy appeared before Senate estimates in June 2005, where he stated (regarding the specific case of costs for the assessment of the construction licence for the OPAL reactor) that 'the costs were underrecovered from the client [ANSTO] but they have not been underrecovered from the government'²⁹ as ANSTO is a government funded organisation. The Committee requested assurance from ARPANSA that the approach to regulation was no different than it would be if they were dealing with private entities.

- 3.61 Dr Loy responded that:

In terms of assessment and our general treatment of licence holders, we take the duties given to us by the act seriously. I do not think we resile because they are government agencies that we are regulating.³⁰

- 3.62 The Committee accepts that ARPANSA recognises their licensing and regulatory responsibilities are serious even though their clients are government agencies.

Additional licence conditions

- 3.63 Licences issued by ARPANSA for source dealings and facility conducts are accompanied by a framework of licence conditions. The standard
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28 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA.18.

29 Dr Loy, **Budget Estimates**, Community Affairs Legislation Committee, *Senate Estimates*, Thursday, 2 June 2005, pp. CA90-91.

30 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA.16.

licence conditions, and special licence conditions relating to general plans and arrangements for managing safety, have been set out in the 'General Handbook'. This handbook previously formed part of the licence.

3.64 ARPANSA explained to the Committee that:

The aim of the Licence Conditions Handbooks [was] to assist licence holders by bringing together in one place the licence conditions imposed by the Act, the Regulations and the CEO at the time of issuing the licence; providing a single reference point in relation to licence holder obligations, rights and responsibilities; and ensuring consistency in licence conditions between licence holders. ...[it] was never intended to be a substitute for the licence holder's obligation to understand the legislative framework and the licence holder's obligations under the legislation.³¹

3.65 ARPANSA has advised that it now issues new and revised licences which explicitly include Standard Licence Conditions in a schedule forming part of the licence, rather than by reference to the Handbook. In addition:

The Licence Handbook is currently being revised with the intention of the Handbook being a general reference to legislative requirements and ARPANSA licensing processes.³²

3.66 At the time of the ANAO audit, ARPANSA had not rejected any applications for a licence; it had, however, imposed additional special conditions on all licences issued:

Some of these conditions appear to be significant aspects of recognised international best practice, which is a necessary requirement for a licence.

ARPANSA advised that it does not consider that these applicants were deficient in demonstrating *radiation protection and nuclear safety*. However, ARPANSA does not have systematic arrangements in place to provide assurance that special conditions are not being used to overcome deficiencies within applications.

Nor does ARPANSA provide guidance to its staff on the circumstances under which a licence condition is appropriate, and the scope and application of licence conditions.³³

31 ARPANSA, Submission no. 3. p.5.

32 ARPANSA, Submission no. 3. p.5.

33 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.16.

3.67 ARPANSA responded that:

There is a distinction between the matters of fact relevant to a decision to award a licence and subsequent imposition of licence conditions on a licence. Apart from those licence conditions that are mandated by the Act and the Regulations, the CEO has a power to impose additional licence conditions. ARPANSA does not accept the suggestion in the ANAO report that additional licence conditions were used to address fundamental deficiencies in applications. Rather the purpose of these additional licence conditions was to provide an impetus to the licence holders to upgrade the plans and arrangements to modern standards and to encourage a culture of continuous improvement in relation to particular licence holders.³⁴

3.68 The Committee was surprised to note that of all the licence applications that had been received by ARPANSA, none were rejected. In response to Committee questioning, ARPANSA asserted that no applications were accepted as a *fait accompli*. Rather, with the exception of straightforward applications, the assessment process always involves ARPANSA assessors asking questions and providing feedback to the licence applicant, seeking more information and adding this to the initial application.

There is a kind of subtext to the idea that we have not refused a licence – the idea that we should have. In another sense, however, the Commonwealth has been undertaking activities using radiation and nuclear facilities for many years. It is not surprising that they were doing that in a manner that met the conditions of the act.³⁵

3.69 Subsequent information provided by ARPANSA stated that:

The use of additional licence conditions is now relatively rare as the licensing or pre-existing activities have been completed. A paper on the role of additional licence conditions will be prepared by the end of November 2005.³⁶

34 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, Appendix 6: Agency response. pp. 93-94.

35 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA.4.

36 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2905*, p.3.

- 3.70 ARPANSA informed the Committee in May 2006 that the paper is now expected to be prepared by the end of June 2006.³⁷
- 3.71 The Committee accepts ARPANSA's confidence in the appropriateness of its assessment of applications and the use of additional licence conditions. However the Committee feels that wider public confidence in the process could be achieved by ensuring all additional information gathering and special condition usage is centrally documented, ideally within the new information system.
- 3.72 In addition, ARPANSA must provide appropriate guidance to its staff on special licence conditions including their scope and application.
- 3.73 It is ARPANSA's responsibility to provide assurance that special conditions are not being used to overcome deficiencies within applications.
- 3.74 Accordingly, the Committee makes the following recommendations:

Recommendation 7

- 3.75 **The Committee recommends that a checklist of standards required for granting a licence be prepared, as part of the new information system, that identifies when all conditions have been met and a licence can be granted.**

Recommendation 8

- 3.76 **The Committee recommends that ARPANSA provide appropriate guidance to its staff on the circumstances under which a licence condition is appropriate, and the scope and application of licence conditions.**

Licensee reporting

- 3.77 The ARPANS Act and Regulations impose a number of reporting requirements on licensees and so ARPANSA requires licence holders to submit *incident or ad hoc reports* (where there has been an unanticipated

37 Pers. Comm. Rhonda Evans, Director Regulation and Policy, ARPANSA. 26 May 2006.

operational occurrence or an accident,³⁸ to be submitted within specified times), *quarterly reports* (to be submitted within 28 days of the end of the quarter) and *annual reports* (at least once each financial year).³⁹

- 3.78 The Committee was concerned at the level of licensee compliance with the reporting requirements and by ARPANSA's monitoring of this compliance, as reported by the ANAO.

Incident or ad hoc reports

- 3.79 The ANAO found some incidents, or changes to inventories, which were either not reported within the time required by the reporting guidelines, or not reported at all.⁴⁰

Quarterly reports

- 3.80 The ANAO reported that the number of quarterly reports received by ARPANSA had increased substantially in recent years. This was attributed in part to the requirement that all licensees submit reports. Prior to March 2004, quarterly reports were only required where there was a change in circumstances.
- 3.81 Despite the increasing number of reports, ARPANSA was not able to advise if all licensees were meeting reporting requirements as there was no systematic process for monitoring reporting. This included there being no benchmark or target number of expected reports and no routine collection of the number of reports.⁴¹ ARPANSA, therefore, does not have the data to enable it to assess licensees' compliance with quarterly reporting requirements.
- 3.82 The ANAO considered that a more systematic approach, including recording and monitoring of the submission of reports, was needed to ensure that quarterly reports contributed to compliance monitoring and management, as required.

38 Abnormal occurrences can occur for a number of reasons, and do not necessarily indicate a breach or poor management by the licensee.

39 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, pp.67-68.

40 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.69.

41 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.70.

3.83 ARPANSA advised the Committee that it has:

developed a comprehensive electronic reporting proforma and accompanying guidance document for prescribed facilities and source licence holders. This includes 'nil' returns which are still reported quarterly. Reminders about compliance reporting obligations are sent to licence holders quarterly.⁴²

3.84 In 2005 ARPANSA published online Quarterly Reporting Proformas for license holders, supplemented by new 'Guidance for Licence Holder Quarterly Reporting' to assist entities in identifying the types of information which should be included in quarterly reports, and advising of the nature and scope of changes and incidents that need to be reported to APANSA.⁴³

Annual reports

3.85 As reported by the ANAO:

The ARPANS Act and Regulations require that *all* licensees report to ARPANSA at least once each financial year.⁴⁴

3.86 ARPANSA does not routinely identify how many annual reports should be received, the timeliness or extent to which they are submitted. As with the other types of reports, the ANAO also found considerable under-reporting by licensees in terms of annual reports.

3.87 The ANAO found that:

ARPANSA has not articulated and enforced the reporting requirements of licensees⁴⁵... Further, the fourth quarterly report is often treated as sufficient to meet the requirement for an annual report, notwithstanding that these are separate requirements.⁴⁶

3.88 ARPANSA conceded that:

A small amount of under-reporting previously occurred in relation to annual reviews of plans and arrangements by licence holders

42 ARPANSA, Submission no. 3. p.4.

43 URL: http://www.arpansa.gov.au/hold_comp.cfm Updated by Australian Radiation Protection and Nuclear Safety Agency - 3 August 2005

44 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.70.

45 For example, ARPANSA advised that it does not seek reports from some source licence holders.

46 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.71.

with small, low hazard inventories. Reporting by licence holders of more hazardous facilities has, in general, been good.⁴⁷

- 3.89 The ANAO asserted that 'ARPANSA does not monitor or assess the extent to which licences meet reporting requirements.'⁴⁸

Overall, the ANAO found that some entities are not fully complying with reporting requirements. ARPANSA lacks supporting procedures for monitoring reporting and for addressing non-reporting or late reporting.⁴⁹

- 3.90 The ANAO therefore recommended that ARPANSA monitor compliance by licensees with reporting requirements.

- 3.91 ARPANSA responded to the Committee that 'recent quarterly reports do clearly report on this compliance.'⁵⁰ ARPANSA also informed the Committee that:

The Regulatory Management Information System, currently being developed by ARPANSA will include a facility to generate a report of licence holders who have not provided a quarterly or annual report. This report will be run quarterly, and all licence holders who have not provided a report, as a condition of their licence, will be followed up.⁵¹

- 3.92 The Committee is pleased to see the improvements planned in the area of licensee reporting, as one of ARPANSA's key compliance approaches.

Guidance to licence holders

- 3.93 The ANAO described guidelines on reporting which had been developed by ARPANSA to facilitate licensee reporting. These guidelines were incorrectly described as draft, despite having been finalised.⁵²

- 3.94 The guidelines were found to be consistent with the ARPANS Act and Regulations. However, they did not clearly articulate some of the ARPANS Act and Regulations' reporting requirements; were out of date

47 ARPANSA, Submission no. 3. p.4.

48 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.17.

49 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.71.

50 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2905*, p.4.

51 ARPANSA, Submission no. 3. p.4.

52 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.71.

and did not reflect recent changes to reporting practices;⁵³ and did not specify a standard format for reports (resulting in markedly varied reports in terms of issues addressed and level of detail provided and therefore limiting ARPANSA's ability to extract consistent, and sufficient, information to inform it about licensees' compliance).⁵⁴

- 3.95 ARPANSA's licensees advised the ANAO that they considered the guidelines did not adequately specify the level of detail required in reports and that they were not provided with feedback on the quality of reports submitted. However, ARPANSA did not monitor satisfaction with the reporting guidance it provided.
- 3.96 The ANAO recommended that ARPANSA enhance its reporting guidelines and seek client feedback on them.
- 3.97 ARPANSA informed the Committee that:

The reporting guidelines have been revised and enhanced. There will be further consultation with licence holders on the new guidelines in the next quarter. Arrangements for regular feedback are being addressed.⁵⁵

ARPANSA's consideration of reports

- 3.98 ARPANSA advised the ANAO that reports are reviewed against obligations contained in the licence and the Licence Handbook. The regulatory branch informs the CEO if there are any issues arising from the licensee's report.
- 3.99 The ANAO found that ARPANSA did not provide guidance to staff on matters to be considered in reports, or the circumstances under which the report should be raised with the CEO in order to support the assessment. ARPANSA advised it was developing draft policies and standard operating procedures (SOPs) to address this.
- 3.100 The Committee agrees with the ANAO's assessment that the:
- absence of a systematic and transparent approach to managing reports reduces assurance that reports are consistently and

53 for example the requirement for entities to submit *nil return* quarterly reports was not included

54 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.71.

55 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2905*, p.4.

appropriately analysed and that the target level of licence compliance is occurring.⁵⁶

- 3.101 In response to the ANAO's recommendation to develop standard procedures for the consideration and assessment of reports, ARPANSA commented that the enhancement of the management information system will assist in achieving this, as will progress against the other recommendations relating to reporting.⁵⁷

Monitoring

- 3.102 Under the legislation, the CEO of ARPANSA monitors compliance of controlled persons with the ARPANS Act, whether or not they hold a licence.

- 3.103 As Dr Loy explained to the Committee:

The licence holder has the obligation to take all reasonable steps to prevent breaches and accidents. My role as regulator is to see that they are doing that... But it is not my job to do it for them.⁵⁸

- 3.104 The ANAO report describes prohibited activity under the ARPANS Act and Regulations as including unlicensed activity and non-compliance with licence conditions. ARPANSA's approaches to promoting and monitoring compliance included facilitating entities' awareness of ARPANSA's role and of their responsibilities; issuing a *Licence Handbook* to licensees; reporting by licensees; and undertaking inspections.

- 3.105 As the ANAO reports:

ARPANSA does not specify the role or emphasis to be given to the various compliance approaches. As well, its approaches have largely focused on self-regulation, and on identifying non-compliance by licence holders. That is, ARPANSA does not have

56 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.73.

57 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2905*, p.4.

58 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA13-14.

an explicit framework or a strategy for it to identify prohibited activity by non-licensed entities.⁵⁹

3.106 This means that ARPANSA often relies on notifications by others to identify unlicensed activity. The Committee agrees with the ANAO that ‘a more systematic approach to the risk of prohibited activity by non-licensed entities is warranted in order to identify mitigation measures.’⁶⁰ An overarching compliance policy is needed to assure that non-compliant and prohibited activity is being identified in a structured manner, in accordance with the ARPANS Act and Regulations.

3.107 The ANAO considered that the absence of an overall, risk-based, compliance framework reduced assurance that the compliance effort was directed to areas of greatest risk in a cost-effective manner. It therefore recommended ARPANSA develop and implement an explicit, systematic and documented overall strategic compliance framework that:

- identifies and articulates the purpose, contribution, resourcing and interrelationships of the various compliance approaches;
- is based on systematic analysis of the risk posed by licensees and the sources and facilities under their management; and
- targets compliance effort measures in accordance with assessed licensee risk.⁶¹

3.108 The ARPANSA response to the ANAO report stated that:

...ARPANSA acknowledges the need for there to be an overall compliance framework and policy, but this needs to be developed in the light of the experience gained from the careful application of the law to particular factual circumstances affecting an individual licence holder or other category of controlled person.

Reporting by licensees and the monitoring of compliance through inspections are, as noted in the ANAO report, key activities within the compliance framework. ARPANSA has been systematising its efforts in these areas and the regulatory review will continue with this process in the light of the ANAO recommendations. In

59 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.64.

60 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.64.

61 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.65. (Recommendation 13)

particular, it will address how to take an appropriately risk-based approach to establishing a program of compliance inspections.⁶²

- 3.109 The list of *Action taken/to be taken by ARPANSA in response to the ANAO recommendations*, stated that to develop such a framework, it firstly needed to address ANAO recommendations 7, 14, 15, 16 and 18.⁶³
- 3.110 The Committee believes that addressing overall compliance in parallel with the other work being done on the issue, would provide a stronger, more uniform and more timely impact than to wait until after the other recommendations have been responded to.
- 3.111 The ANAO report found that 'deficiencies in planning, risk management and performance management limited ARPANSA's ability to align its regulatory operations with risks, and to assess its regulatory effectiveness.'⁶⁴
- 3.112 The Committee questioned ARPANSA as to why the agency's risk profile did not include the risks of ARPANSA not adequately addressing unlicensed activity or non-compliance by licence holders.
- 3.113 ARPANSA responded that while generally accepting the critique made by the ANAO, the risk of 'Licensed Bodies Performance' was identified in the ARPANSA risk profile dated December 2003.

The key controls and management strategies to address this risk were seen as:

- Fully documented and robust licensing processes
- Inspection program and processes
- Compliance audit and enforcement powers.

The risks associated with unlicensed activity were considered in the ARPANSA critical success factors during the risk identification process. These risks were assessed to be low by regulatory officers.⁶⁵

62 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, **Appendix 6: Agency response**. p.94.

63 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2905*, p.3.

64 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.66.

65 ARPANSA, Submission no. 3. pp.1-2.

- 3.114 Licensees are responsible for complying with the conditions of their licences. The Committee agrees with the ANAO that despite this:
- ... it is good regulatory practice to aid licensees' understanding of their obligations and responsibilities, and to make them aware of how to conform appropriately to licence conditions and other requirements.⁶⁶
- 3.115 In order to improve licensee understanding, ARPANSA has conducted presentations for some licensees. These presentations however have focused on the 'major licensees, who manage the bulk of facilities and sources' and there was 'no explicit strategy for communicating requirements to smaller entities.'⁶⁷
- 3.116 Although the presentations were found to have appropriately addressed issues such as the requirements of the legislation, the role of ARPANSA, and important definitions, they did not address some major compliance risks.
- 3.117 The ANAO described as largely informal ARPANSA's decisions on when, and to whom, to give presentations and that there was no overall schedule for the presentations.
- 3.118 The Committee is concerned that due to there being no structured approach, ARPANSA does not provide all entities with the same opportunities when it comes to understanding their obligations and responsibilities.
- 3.119 The ANAO reported that during the process of their audit, ARPANSA had established a Regulatory Compliance Working Group to address the management of its compliance approach, and was developing a Regulatory Compliance Policy to address the role of promotion and education activities.

Non-compliance

- 3.120 The ANAO report stated that:

ARPANSA does not have a systematic and documented analysis of the likelihood and consequences of various risks for a given licence, such as potential misuse of sources or poor management

66 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.66.

67 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.66.

by licensees. In particular, there is no systematic risk ranking of licence holders that considers the likelihood and the consequences of non-compliance, which can be used to provide a consistent basis for deciding the compliance effort to be devoted to particular entities or sources.⁶⁸

3.121 ARPANSA advised the ANAO that the effort spent on compliance monitoring is roughly proportional to the level of hazard associated with the facilities and sources under licence.

3.122 ARPANSA told the Committee that:

the ANAO feels we did not put enough attention to in monitoring and assessing performance. I would accept that that has been valid at least during those times when we had this very large workload of assessment of licence applications.

... I do not think there was no monitoring. There may not have been as much as there should have been or could have been, but it was not as if there was no monitoring.⁶⁹

3.123 The ANAO found that ARPANSA did not have a policy or other guidance addressing the use of the powers it has to address non-compliance and unlicensed activities by controlled persons. This is despite ARPANSA having been responsible for enforcement since 1999.

In practice, ARPANSA has managed non-compliance with entities through a variety of means: on-site meetings, correspondence and emails.⁷⁰

3.124 The ANAO noted that for the incidences of identified non-compliance which they reviewed, 'ARPANSA generally took prompt action to raise concerns with licensees. Most licensees also responded promptly and took corrective action.'

3.125 However, the Committee agrees with the ANAO conclusion that the absence of policy guidance 'increases the risk that enforcement action may

68 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.65.

69 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p.PA18.

70 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.79.

not be consistent with the legislation, or undertaken on an equitable and risk-managed basis.⁷¹

Unlicensed activity

3.126 ARPANSA does not have a strategy for identifying prohibited activity by non-licensed entities.⁷² The ANAO noted that:

... ARPANSA's enforcement actions have focused on non-compliance by licence holders. This reflects its approach to compliance, which is predominantly focused on identifying licence holders who have not complied with conditions of licences ... That is, there have been few actions against entities undertaking unlicensed activities.⁷³

Identifying prohibited activity

3.127 ARPANSA's licensed entities are required to submit an *incident or ad hoc report* within a specified timeframe, where there has been an abnormal occurrence or a breach of licence conditions. These reports are addressed within the section on licensing above.

3.128 In addition, ARPANSA undertakes inspections to assess licensee compliance with licence requirements (see below).

3.129 The ANAO identified that ARPANSA does not have an explicit framework or a strategy for it to identify prohibited activity by non-licensed entities. Rather, in practice, it relies on notifications by others to identify unlicensed activity.

3.130 The Committee agrees with the ANAO that a 'more systematic approach to the risk of prohibited activity by non-licensed entities is warranted in order to identify mitigation measures'.⁷⁴

3.131 ARPANSA informed the Committee that:

Prior to the enactment of the *Australian Radiation Protection and Nuclear Safety Act 1998* (the Act) and the *Australian Radiation*

71 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.79.

72 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.17.

73 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.79.

74 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.64.

Protection and Nuclear Safety Regulations 1999, all Commonwealth agencies were canvassed as to whether they undertook activities that needed to be licensed under the Act. In 1999, all agencies were sent information about the legislative requirements and the agencies' responsibilities under the legislation so as to determine which agencies had controlled apparatus, material or facilities. All agencies which responded advising that they controlled items which were required to be licensed under the Act have been licensed, with various conditions attached to those licences depending on individual circumstances.⁷⁵

3.132 The ANAO suggested that a similar process should be undertaken again to ensure entities without a licence do not possess any radiation sources or facilities.

3.133 ARPANSA is presently developing a strategy to address the possibility of unlicensed activities, which includes correspondence to all Commonwealth agencies providing information in relation to the requirement to have certain radiation sources licensed under the Act, and seeking information on whether such sources are under the control of those agencies. ARPANSA also plans to undertake audits in relation to Commonwealth entities to verify that the returns from those agencies are accurate.⁷⁶

3.134 Following questioning from the Committee as to the possibility that public health and safety had been compromised by the lack of attention to unlicensed activity to date, Dr Loy responded:

Taking into account the outcomes from the activities in 1998 and 1999, and knowing the range of responsibilities undertaken by Commonwealth entities that may involve application of radiation, I judge that public health and safety is unlikely to have been compromised.

...Any unlicensed activities are likely to be for use of low hazard apparatus such as mail or baggage X-ray machines for security purposes, or non-ionizing apparatus such as ultraviolet lamps. Such apparatus are generally of negligible risk to the public.⁷⁷

3.135 However, ARPANSA conceded that there may still be Commonwealth entities with unlicensed sources which is why they are taking the action outlined above.

75 ARPANSA, Submission no. 3. p.2.

76 ARPANSA, Submission no. 3. pp.1-2.

77 ARPANSA, Submission no. 3. p.4.

Inspections

- 3.136 ARPANSA undertakes inspections to verify that entities are complying with their licences.
- 3.137 Despite annual report information and guidance to staff advising that the schedule of inspections should be risk-based, the ANAO found that ARPANSA does not have an overall program of inspections that takes account of the relative risk of each licensee. Instead, development and maintenance of inspection schedules is by individual Regulatory Branch staff members.⁷⁸
- 3.138 ARPANSA described the process of developing inspection schedules:
- Schedules for inspection of licence holders are based on the ranking, by ARPANSA officers, of the risk to people and the environment associated with the radioactive material, apparatus or facility covered by the licence. The risk “consequence” is determined from the hazard level of the source or facility and is assessed during the review of a licence application by ARPANSA staff. The risk “likelihood” is determined by ARPANSA from the level of control exercised by the licence holder over the licensed activity, commensurate with the hazard level. The assessment of likelihood is based on the licence holder’s plans and arrangements for achieving safety, and modified by the licence holder’s compliance record assessed from compliance reporting, ARPANSA inspections and incidents and accident records.
- The inspection schedules are developed by the regulatory officers, reviewed by Section Managers and approved by the Director of the Regulatory Branch.⁷⁹
- 3.139 Information on planned inspections or outcomes against the plan is not collated or readily available resulting in management being unable to monitor implementation or performance of these inspections.
- 3.140 Although inspection outcomes are documented in reports to the CEO, the extent and nature of reporting was found to vary markedly and some reports did not clearly state whether a licensee was in compliance with their licence conditions.⁸⁰

78 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.75.

79 ARPANSA, Submission no. 3. p.5.

80 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.77.

- 3.141 The Committee was concerned to hear that the process of developing schedules and documenting inspections seemed to be ad hoc in nature. This in turn raises concerns that that the system is not effectively monitoring the compliance of licensees as it should.
- 3.142 ARPANSA advised the Committee that as a result of the regulatory review process flowing from the ANAO report, ARPANSA is seeking a more systematic and overall process of regulatory risk management. This is expected to rely heavily on the Regulatory Management Information System, currently being developed.
- 3.143 In addition ARPANSA's risk assessments will be adjusted where necessary in light of information presented in quarterly and annual reports, through inspections and through the investigation of any accidents or other identified licence condition breaches.⁸¹

Enforcement and reporting

- 3.144 The ARPANS Act and Regulations carry powers to address non-compliance and unlicensed activity by controlled persons. The CEO is empowered to amend, suspend or cancel a licence, give directions to the licensee, apply for an injunction or recommend prosecution.⁸²
- 3.145 As mentioned earlier, the ANAO found that ARPANSA has to date undertaken few actions against unlicensed entities undertaking prohibited activities as its enforcement actions have focused on non-compliance by licence holders.
- 3.146 The ANAO stated that ARPANSA does not have a policy or other guidance addressing use of enforcement powers, including a process for escalating its enforcement approach. In its place, ARPANSA has managed non-compliance with entities through a variety of means including on-site meetings, correspondence and emails.⁸³
- 3.147 ARPANSA provided the following description to the Committee of their processes when a breach of the conditions of a licence is identified:

A licence is issued with conditions determined by the Act and regulations, and [the CEO] may impose additional conditions on a particular licence ... Often when we undertake an inspection of a

81 ARPANSA, Submission no. 3. p.6.

82 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.79.

83 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, pp.79-80.

licence holder the inspectors will draw attention to matters where a licence holder is in breach. It may be as simple as they are not displaying the licence in the workplace through to the situation where they are not managing the particular source in the way they said they would in the licence application. Often my approach is to say, 'My inspectors have identified this potential breach or non-compliance; what is your response?' If the licence holder responds by saying, 'I have demonstrated how I have remedied this matter,' I normally would not proceed to make any formal finding of a breach in such a circumstance. It is a matter of the licence holder having remedied the breach. ... [The breach] is recorded in our files, in the knowledge that we have. I do not formally make a finding of a breach if it is a matter of a lower order and it is remedied. In other cases I have, and do, proceed to making a formal finding of a breach where I consider the matter to be more significant and if I feel that making that formal finding will improve the licence holder's continuing commitment to following the licence conditions. It is true that I have been feeling my way a little in this area of what is the most effective way of enforcing compliance.⁸⁴

- 3.148 The ANAO described ARPANSA's action on incidents of identified non-compliance as generally being prompt in raising concerns with licensees. Most licensees were also prompt to responded and take corrective action.
- 3.149 However the Committee agrees that policy guidance for the use of ARPANSA's enforcement powers is still essential in order to ensure that enforcement action is equitable and consistent with the legislation.
- 3.150 ARPANSA is required under the ARPANS Act and Regulations to report any breach of licence conditions to Parliament.
- 3.151 ARPANSA has reported only one designated breach to Parliament. This is notwithstanding that there have been a number of instances where ARPANSA has detected non-compliance by licensees.
- 3.152 ARPANSA advised the ANAO that the two terms 'breach' and 'non-compliance' were synonymous:

The use of the alternatives is rather a product of the fact that the Act talks of 'monitoring compliance' on the one hand and 'breach' on the other.

84 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, pp.PA4-5.

The practice [by ARPANSA staff] has developed of referring to it as non-compliance rather than breach.⁸⁵

- 3.153 In response to the ANAO's report, ARPANSA described their approach to non-compliance as follows:

ARPANSA operates on the basis of providing procedural fairness to any controlled person whose interests are affected by a preliminary view that they are in breach of the Act or Regulations. Hence, initial views about 'non-compliance' are put to controlled persons, including the factual basis upon which that view of possible 'non compliance' has been formed. Very often, the controlled person will respond with acceptable actions and in those circumstances, whilst a breach may have occurred, the rectification of that breach usually means that subsequent enforcement action is not required.⁸⁶

- 3.154 While ARPANSA may consider some non-compliance minor, the ANAO noted that other examples have had implications for safety. In addition, legal advice obtained by the ANAO held that non-compliance, such as in the example listed in the report,⁸⁷ is a breach of licence conditions. Further it should be classified as such and reported to the Parliament in accordance with the ARPANSA Act and Regulations.⁸⁸

- 3.155 The Committee is concerned by the ANAO identification of instances where there has been a failure to report and act properly on breaches. This raises questions as to whether enough is being done to ensure that there are adequate controls in place for reporting and for the re-issuing of licenses.

- 3.156 The ANAO considers that more comprehensive reporting of non-compliance, whether or not deemed to be a breach, was warranted to provide greater assurance to Parliament and other stakeholders that ARPANSA is discharging its responsibilities effectively.⁸⁹

85 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p 80.

86 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, Appendix 6: Agency response. p.94

87 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, Table 6.1, page 81.

88 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.81

89 ANAO Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.82.

- 3.157 The Committee strongly agrees that there is a need for more comprehensive reporting of non-compliance.

Recommendation 9

- 3.158 The Committee recommends that ARPANSA provide a quarterly report to the Parliament on licence breaches including incidences of non-compliance. This requirement should include a short statement to the Parliament even where no breaches have occurred.**

- 3.159 The ANAO recommended steps for ARPANSA to take in order to provide greater assurance that failures to meet licence conditions were dealt with and reported appropriately. ARPANSA responded that a matrix of responses to potential situations would be developed to 'provide a consistent and appropriate graduated regulatory response ... known to all licence holders'.⁹⁰ The regulatory action taken is to be recorded on a central database and monitored.

- 3.160 The Committee feels that within this matrix it is important to clarify the responses as appropriate to the level of breach, particularly when the safety of people is put at risk.

- 3.161 Additionally, the Committee recognises that the CEO is formally the decision maker however consideration should be given to appropriate delegation in terms of having someone other than the CEO deal with the interaction for lower level breaches.

90 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2905*, p.5.

3.162 Accordingly, the Committee makes the following recommendation:

Recommendation 10

3.163 **The Committee recommends that ARPANSA includes in its matrix of responses to breaches:**

- **clarification of responses appropriate to differing levels of breach, particularly when the safety of people is at risk; and**
- **an appropriate system of delegation for dealing with breaches from less severe up to the CEO for serious breaches.**

This matrix is to be included in the quarterly report to Parliament on licence breaches.

Conflict of interest

3.164 The issue of conflict of interest is specifically addressed in the ARPANS Act to address parliamentary concern that the regulatory function be managed independently of the range of commercial services ARPANSA provides to Commonwealth, State, Territory and private sector organisations. The CEO is required to take all reasonable steps to manage conflict of interest between the regulatory function and the CEO's other functions.⁹¹

3.165 ARPANSA's Chief Executive Instructions (CEI) guide staff on what constitutes a conflict of interest and how it should be handled, including the requirement that where the CEO has given written advice to an entity on any issue of radiation protection or services, this advice must be maintained in a register. The ANAO found that ARPANSA had not established such a register.⁹² The CEI did not require the response to a potential or perceived conflict to be documented.

91 ANAO, Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.41.

92 ANAO, Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.41.

3.166 The ANAO gave specific examples of the potential for conflict of interest and the means of managing it not being documented, and stated that:

The licensing of ARPANSA's own activities, in particular, warrants more robust governance arrangements.⁹³

3.167 The CEO of ARPANSA advised the committee that:

... the issue of conflict of interest has not proved as problematic as [we] first thought that it might. The existence of established guidance through the Radiation Protection Series and other national publications and a number of private sector bodies able to supply radiation protection advice and services has meant that ARPANSA advice has not needed to be sought on matters affecting regulated entities to the extent initially expected.⁹⁴

3.168 ARPANSA concedes that despite being generally satisfied that the approach set out in the CEI is adequate, conflict of interest remains an issue and as such, the CEI is being reviewed and will be updated to take into account the ANAO's comments. Following this, ARPANSA staff will be notified to comply fully with this Instruction and training will be provided where appropriate.

3.169 The revised CEI is expected by the end of August 2006.⁹⁵

3.170 ARPANSA asserts that the legal requirements for self-licensed material or apparatus are the same as for other licence holders and that there is no exemption for ARPANSA from the requirement for a licence. Compliance with such licences is also monitored by the Regulatory Branch in the same way as for other licence holders. However, the CEO advised that, in order to increase the transparency of ARPANSA's self licensing processes:

ARPANSA is currently negotiating with a State radiation regulator to be involved in undertaking compliance inspections of ARPANSA facilities and contributing to inspection reports which would form part of the submissions to me in relation to those sources and facilities. ... the participation of an independent radiation regulator in the recommendations to me will reduce any perception of conflict of interest. ⁹⁶

93 ANAO, Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.42.

94 ARPANSA, Submission no. 3. p.3.

95 Pers. Comm. Rhonda Evans, Director Regulation and Policy, ARPANSA. 19 July 2006.

96 ARPANSA, Submission no. 3. p.3.

- 3.171 The Committee is pleased that ARPANSA has recognised the need to mitigate any perception of conflict of interest and hopes that the revised CEI and the inclusion of the Victorian State regulator⁹⁷ as an independent radiation regulator in the self-licensing process will, as the ANAO stated, 'strengthen management of the potential for, or perceptions of, conflict of interest, in accordance with legislative responsibilities.'⁹⁸

Cost recovery

- 3.172 On its establishment, ARPANSA was required to establish user-pays initiatives in regard to its regulatory costs as soon as possible, in order to meet the Government's requirements that entities regulated should bear the costs of such regulation. ARPANSA's costs of regulation include the licensing process and ongoing management of licensee compliance with licence conditions. ARPANSA is empowered to charge license application fees under the ARPANS Act and regulations and annual license charges under the *Australian Radiation Protection and Nuclear Safety (Licence Charges) Act 1998*.⁹⁹

- 3.173 ARPANSA explained the initial situation as:

...when we were set up, although the government said, 'Thou shalt cost recover,' they also said, 'In the first instance, here's some money to be going on with as you introduce cost recovery.'

[This was not the Nuclear Safety Bureau funds], this was further funds. There were funds made available in the first instance, so cost recovery was phased in. We then moved to full cost recovery.¹⁰⁰

- 3.174 ARPANSA described the approach being used at the time of the ANAO audit as having been phased in over a short period of time following implementation of the legislation:

97 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2905*, p.1.

98 ANAO, Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.42.

99 ANAO, Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.45.

100 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA.11-12.

The schedules of application fees and annual licence charges set out in the regulations were established by dividing the best estimate of the total costs of regulation by the projected level of activities in relation to nuclear installations, prescribed radiation facilities, and radiation sources.

The application fees and annual licence charges were established in 1999 and 2000 based upon *a priori* estimates of the time, about the degree of *direct regulatory activities* that would be required by each category of licence, together with an allocation of *supporting regulatory activities* and ARPANSA's standard indirect costs allocation. The fees and charges were generally increased in 2004 ... simply based upon increased costs since 2000.¹⁰¹

- 3.175 ARPANSA acknowledged that the link between the charges imposed and the regulatory activity was an estimate, and that it had not been reviewed in the light of experience and further information.¹⁰² Further, the system was described as not encouraging licence holders to improve their safety performance as the only way for a Commonwealth entity to reduce the charges it was paying was to reduce the number of facilities or sources it used.¹⁰³
- 3.176 As recommended by the ANAO, ARPANSA prepared a draft policy framework on cost recovery setting out the basis for the current fees and charges and future models for cost recovery. This draft policy was provided to the Committee.¹⁰⁴ ARPANSA has said that where possible it follows the *Australian Government Cost Recovery Guidelines (July 2005)* whilst bearing in mind that those Guidelines exempt cost recovery from other Government agencies.¹⁰⁵
- 3.177 As part of the new approach, ARPANSA is using software to record and cost regulatory activity in relation to individual licence holders. This is to form the basis of a more transparent recording of regulatory costs by licence holder and by source and facility licence.¹⁰⁶

101 ARPANSA, Exhibit No. 3. p.6.

102 ARPANSA, Exhibit No. 3. p.9.

103 ARPANSA, Exhibit No. 3. p.10.

104 Australian Radiation Protection and Nuclear Safety Agency, 'Recovering the Costs of Regulation of Commonwealth Entities under the Australian Radiation Protection and Nuclear Safety Legislation' - Draft Policy Framework. September 2005. Exhibit No. 3.

105 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2905*, p.2. and ARPANSA, Exhibit No. 3. p.3.

106 ARPANSA, Submission No. 3. Attachment *Action taken/to be taken by ARPANSA in response to the ANAO recommendations as at 24.10.2905*, p.2.

By the end of 2005-2006, ARPANSA should have a great deal more information available on regulatory resource usage and how it relates to individual licence holders and to the different charging categories... This information will feed into a review of ARPANSA's system for setting application fees and annual licence charges.¹⁰⁷

3.178 The ANAO reported that initially ARPANSA's funding base included appropriation funding transferred from the former Nuclear Safety Bureau (NSB), to subsidise fees to major licensees, which were incorporated into the overall ARPANSA appropriation. However, ARPANSA had not 'clearly defined whether an equivalent, or other amount, of appropriation funding [was] still used to subsidise fees in general for the costs of particular licence applications, or used for other purposes'.

3.179 ARPANSA advised the Committee that historically:

the government was funding the Nuclear Safety Bureau, which 'regulated' the HIFAR at Lucas Heights. So when that task was taken up by ARPANSA, the NSB appropriation for the regulation of the HIFAR continued. So, instead of ANSTO having to pay a licence fee, it was reduced by that NSB appropriation.¹⁰⁸

3.180 The Committee was told that although fees were still being subsidised by the NSB funds at the time ARPANSA appeared before them, this was 'fading' and not expected to continue to occur:

There is the issue of the NSB appropriation that we need to clear off the table in the future, but it has been an issue in the past that we have not fully cost-recovered because we still had an appropriation prior to that that was for the regulation of HIFAR.¹⁰⁹

3.181 The Committee is pleased to see that ARPANSA is working towards a system that will allow for more accurate monitoring of regulatory activities and resource usage relating to individual licence holders and different categories, which in turn will form the basis for a more transparent system for setting application fees and annual licence charges.

107 ARPANSA, Exhibit No. 3. p.11.

108 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA12.

109 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA25.

National uniformity

- 3.182 State and Territory Government activities and private undertakings are regulated by State and Territory radiation laws, while since 1999 Commonwealth agencies have been covered by the regulatory framework provided by the ARPANS Act and the formation of ARPANSA.
- 3.183 Given that there must be similarities in the regulation function of the States and that of ARPANSA, the Committee is concerned at the low level of commonality between the State and Federal approaches to dealing with licences, including uniformity of standards and best practice for regulating radiation activities and compliance levels. The Committee feels that despite ARPANSA's clients being commonwealth agencies, or at least working on a commonwealth site, it is important that regulation of nuclear safety activities across the nation is as consistent as possible.
- 3.184 The role of ARPANSA's Radiation Health Committee is to:
- advise the CEO and the Radiation Health & Safety Advisory Council on matters relating to radiation protection, including formulating draft national policies, codes and standards for consideration by the Commonwealth, States and Territories.¹¹⁰
- 3.185 ARPANSA advised that the regular meetings of this committee (three times a year) allowed ARPANSA the opportunity to work closely with the States and learn from each other regarding best practice for regulation.¹¹¹
- 3.186 Under the Act, the CEO is responsible for the promotion of uniformity and consistency between the Commonwealth and the States.
- 3.187 ARPANSA also stated that:
- the Commonwealth jurisdiction is actually also quite different for regulation than the States. There are different clientele entirely. If you are in the States your view of radiation regulation is that it is medical ... It is about industrial radiographers in certain industries. In the Commonwealth it is quite a different thing.¹¹²

110 URL: <http://www.arpansa.gov.au/rhc.htm> Updated by Australian Radiation Protection and Nuclear Safety Agency - 3 June 2005

111 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA10.

112 Dr Loy, ARPANSA. Committee Hansard, Joint Committee of Public Accounts and Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Monday, 12 September 2005, p. PA10.

3.188 The Committee feels that ARPANSA should look more closely to the experience of the existing State agencies, which have been operating for a longer time period, for areas where the Commonwealth regulator could draw on their structures and practices in improving their own and in creating greater national uniformity. This is particularly so in terms of licensing and levels of compliance.

3.189 Accordingly, the Committee makes the following recommendations:

Recommendation 11

3.190 **The Committee recommends that ARPANSA's relationship with the relevant State and Territory bodies be strengthened to facilitate sharing of information in terms of uniform national standards for licensing and compliance monitoring of radiation sources and nuclear facilities.**

Recommendation 12

3.191 **The Committee recommends that the CEO of ARPANSA and the Radiation Health Committee more transparently fulfil their roles of formulating national policies, codes and standards for Commonwealth, States and Territories, by reporting on progress in the ARPANSA annual report.**

Complaints

3.192 The ANAO reported that ARPANSA had a documented process for recording and actioning complaints lodged by customers or members of the public; however, the Regulatory Branch did not maintain a complaints register, as required by ARPANSA's *Quality Assurance Manual*. Also, information on complaints was not managed and assessed for the purpose of monitoring and performance management (including reporting in annual reports); and the ANAO found several instances where written complaints were not reported in ARPANSA's annual report.¹¹³

113 ANAO, Audit Report No. 30, 2004-2005, *Regulation of Commonwealth Radiation and Nuclear Activities*, Commonwealth of Australia, p.43.

3.193 ARPANSA informed the committee that:

The Regulatory Branch took the view that keeping information about complaints and their resolution on licence holder and subject files met the intent of the Chief Executive Instructions (CEI). The Regulatory Branch now maintains a complaints register. Summary information from this register, and information in relation to the resolution of the complaints, will be reported in future Annual Reports.¹¹⁴

3.194 In line with the above undertaking, the 2004–05 ARPANSA Annual Report includes a table summarising ‘*Details of complaints received for ARPANSA activities in 2004–05.*’¹¹⁵

3.195 The Committee is satisfied that the above response, combined with appropriate quality assurance procedures should address the concerns expressed by the ANAO regarding the maintenance of a complaints register and accurate reporting on complaints resolution in the annual report.

114 ARPANSA, Submission no. 3. p.2.

115 Commonwealth of Australia, *Annual Report of the Chief Executive Officer of the Australian Radiation Protection and Nuclear Safety Agency 2004–05*, 2005, p. 69.

The Edge Project

Audit Report No. 40, 2004–05

Introduction

Background

- 4.1 Edge was a joint information technology project between the Australian Government Department of Family and Community Services (FaCS) and Centrelink to develop an expert system for the Family Assistance Office (FAO). Edge was a processing application, for the administration of claims and payments for people applying for entitlement to family-related payments. SoftLaw, a private sector company, was the successful tenderer for the project, supplying software and expertise for the application's development.¹
- 4.2 Development of Edge (then called the Life Events Expert System, LEES) commenced in March 2000. In June 2002, pilots of the system were assessed as successful and progressive roll out of the system started in July 2002.
- 4.3 However, in August 2003, FaCS and Centrelink jointly commissioned a review of the project to assess whether there was a viable business case for further development of the Edge system. In November 2003, the report of

1 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.13.

that review recommended discontinuing development of the project. FaCS and Centrelink accepted the recommendation.

4.4 The four reasons given in the 2003 review were:

- Edge in its planned form was no longer properly aligned with the business needs of the Families program
- the operation of Edge in parallel with ISIS was unsustainable
- changes to the Families program meant Edge could have only limited effect on a key driver – improvement in accuracy; and
- the level of anticipated benefits were unlikely to be realised, leading to a negative return on investment.²

4.5 The ANAO found that although the Edge project was terminated in November 2003, documents indicate that it would have been completed according to contract by December 2003. However, there would have been no guarantee that Edge would have been able to replace the equivalent part of ISIS at that time, or into the foreseeable future.

4.6 In addition to the reasons stated in the 2003 review report, the ANAO listed a number of other issues which adversely impacted on the project, including:

- the lack of an MOU between FaCS and Centrelink; including issues such as funding, savings, relative responsibilities, and what constituted work on Edge;
- Centrelink became reluctant to continue funding a project that had no clear finalisation. Savings were to have been shared between the two agencies, providing little incentive for Centrelink to conclude the project and then have to give up savings to FaCS, unless they could clearly obtain those savings. Assessment of the actual savings had been deferred until the Edge system was implemented;
- Centrelink had difficulties in integrating the expert system into its IT environment, due both to the constraints of that environment, and the complexities of the solution developed for integrating Edge with the mainframe;
- frequent legislative and other changes³ after the commencement of the project necessitated modifications to Edge. Ultimately, frequent

2 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.22

3 including formation of the Family Assistance Office in 1999 and introduction of the More Choice for Families initiative in 2002

adjustments of the Edge rulebase were required, which would have required redesign. Based on these issues, the 2003 Business Case Review team concluded that the system no longer met the requirements of the business;

- comparison with ISIS in 2001 indicated significant improvements were potentially achievable in the accuracy, consistency, and completeness of assessment decisions, by using Edge. The annual reconciliation process⁴ reduced these potential benefits of Edge, and a further comparison with ISIS in 2003 indicated little, if any, difference between the two systems; and
- early predictions of the functionality of Edge for processing customer claims were optimistic. Edge gained a poor reputation with Customer Service Officers (CSOs) who were mandated to attempt to process claims with Edge before using ISIS, which they felt was more reliable.⁵

4.7 The development, from an initial trial in 1997 to the end of 2003, had taken some six years and come at significant cost – for example contractual payments to SoftLaw of around \$30 million, and involving up to 150 staff from three organisations; FaCS, Centrelink, and SoftLaw. Information provided by FaCS and Centrelink, confirmed to the extent possible by the ANAO, estimated the total expenditure on the Edge project to be around \$64.4 million, for the almost four years from contract signing to termination.

FaCS and Centrelink

4.8 During the period of the Edge project, the Family and Community Services Portfolio was responsible for providing advice on a broad range of social policy issues affecting Australian society and the living standards of Australian families, communities and individuals. FaCS was the principal policy formulating and advising body in the portfolio. Centrelink was the service delivery agency in the portfolio, delivering a range of Commonwealth services, such as pensions, benefits and allowances to the Australian community.

4.9 Since the termination of Edge, in October 2004, as part of machinery of government changes affecting several departments and agencies, FaCS'

4 the Family Tax Benefits requirement for annual reconciliation had implications including fewer client interviews and more posted forms and call centre work, for which Edge was not originally designed

5 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.22-24

responsibilities have changed.⁶ In addition, Centrelink now resides within the Human Services Portfolio.

- 4.10 The fieldwork for this audit was completed before the agencies were restructured. The relationship between FaCS and Centrelink was a significant issue during the project, and is discussed in some detail in the ANAO report. In particular the agencies were unable to resolve disagreements in funding Edge. While the two agencies will still have a business relationship under the new administrative arrangements, the nature of the ongoing relationship is not yet clear. The ANAO has, therefore, made no specific recommendations on that relationship. However, the ANAO suggested that both agencies consider their processes for resolving disputes with other agencies.

The environment

- 4.11 Payments made by Centrelink are subject to increasingly complex, and frequently changing, rules. These changes follow from revised government policies and from new and revised legislation. At the start of the Edge project it was estimated there were 8000 such rules for Family Assistance payments. It was, therefore, appropriate that Centrelink, and its partner agencies, explore and research more sophisticated solutions to delivering the required services, with a view to reducing the administrative costs of delivery, while increasing the accuracy of advice and payments to recipients of the services. "Expert systems"⁷ promised both cost reductions, and greater accuracy of advice and payments.
- 4.12 Therefore, the ANAO considered that the question for the Edge project was not whether it should have been attempted, but whether management of the project, and decisions made during the project, were in accordance with better practice.
- 4.13 There was evidence of tension between some personnel of both FaCS and Centrelink during the project. The ANAO observed that it would have been surprising if there were not, as the two agencies had somewhat differing needs from the project. Generally, work on the project progressed despite the tensions. The tensions were greater at more senior

6 "The focus of the department [is] on providing policy advice, income support and assistance to families and their children, senior citizens and community groups. The department [is also] responsible for women's issues" Prime Minister of Australia, Media Release, *Fourth Howard Ministry*, 22 October 2004

7 Expert systems are computing systems that, when provided with basic information and a general set of rules for reasoning and drawing conclusions, can mimic the thought processes of a human expert. Decision support and rulebase systems are forms of expert systems. (ANAO Audit Report No 40 2004-05 *The Edge Project*. p.33)

levels, where funding could not be agreed, and effective high-level governance of the project was not evident.

The audit

- 4.14 The objectives of the audit were to determine whether FaCS and Centrelink had:
- a valid Business Case for the Edge project, as revised from time to time, including estimated costs, actual costs, and expected benefits;
 - effective governance of the project, including reviews at critical points in the project and subsequent decisions to continue or, in the final analysis, to discontinue;
 - an appropriate contract with SoftLaw, which was adequately managed;
 - delivered appropriate advice on progress, project viability, and acceptable solutions to technical issues to Executive of FaCS and Centrelink during the project; and
 - valid reasons for discontinuing the project.
- 4.15 The ANAO began this audit in March 2004, four months after the Edge project was terminated, following the Auditor-General's agreement to a suggestion by the Joint Committee of Public Accounts and Audit that the project was a suitable subject for audit.
- 4.16 The audit report was tabled on 14 April 2005.

Overall audit conclusion

- 4.17 In short, the ANAO described the Edge project as over time, over budget, and terminated before completion. Direct financial savings from the project were not realised and the project was unsuccessful when assessed against its aims. There were deficiencies in the project, particularly in the governance of the project, from which lessons for the future can be learnt. While FaCS and Centrelink advised the ANAO that they did gain some benefits from the project, nevertheless it was appropriate for the agencies to terminate the project.

ANAO recommendations

4.18 The ANAO made the following recommendations:

Table 4.1 ANAO recommendations, Audit report no. 40, 2004-05

1.	The ANAO recommends that FaCS and Centrelink include in future Business Cases, metrics for measuring the ongoing success or otherwise of the project. <i>Both agencies agreed.</i>
2.	The ANAO recommends that FaCS and Centrelink ensure that all project steering committees accord with the project policy and framework developed by the agencies, including regular meetings. The ANAO also recommends that, in future projects, FaCS and Centrelink identify and allocate responsibility to a Senior Responsible Owner. <i>Both agencies agreed</i>

The Committee's review

4.19 The Committee held a public hearing to examine this audit report on Friday 19 August 2005. Witnesses representing Centrelink, the Department of Family and Community Services, the Department of Human Services and Softlaw Corporation appeared at the hearing, as well as representatives from the Australian National Audit Office.

4.20 The Committee took evidence on the following issues:

- the joint agency nature of the project;
- connectivity of Edge with existing systems;
- aspects of the project contracting, including:
 - ⇒ Scoping; and
 - ⇒ Project management/responsibility: and
- the effect of changes to legislation.

JCPAA and Edge

4.21 The JCPAA had previously heard of the Edge project in hearings on the ANAO's audits into the assessment of new claims for the age pension.⁸

8 ANAO, Audit Report No. 34 2000-2001, *Assessment of New Claims for the Age Pension by Centrelink*, May 2001; and ANAO, Audit Report No. 35 2000-2001, *Family and Community Services' Oversight of Centrelink's Assessment of New Claims for the Age Pension*, May 2001

4.22 The then CEO of Centrelink, Ms Suzanne Vardon, made a number of references to the new software system:

We have a partnership with Softlaw which is helping us develop a smart internet ready computer program called Edge which incorporates the thousands of rules within the family tax benefit system. Edge means that our staff, and eventually our customers, will only need to answer the personalised questions on the screen and they will get an accurate assessment of their entitlement.⁹

...the solution to some of our issues lies in enhancements to our computer system. [Such as] Edge, which is an expert decision support system, whereby we have taken the 8,000 rules in families and we have put them in the computer rather than in the heads of our staff ... The standard of decision that comes out of those is very high, ... we are working hard and using our technology to improve correctness every day.¹⁰

... our staff will be forced to go through the steps. There can be no shortcuts. When it comes to those errors that relate to process, we believe there will be a great improvement. When it comes to those errors that might be in determination, we know already that there is an improvement as well. So we hold a lot of hope for the new decision support systems.¹¹

... the failure to enter data is a human condition; so, to the best that we can, we want to get the data entry done at the front, when a person comes in, with a very experienced officer. [The Edge system] ... spits out what we call an 'offer' in writing ... that you sign it as a correct document. ... The paper record out of the machine is the form ... and people have a chance to inspect the information that has been put in and confirm it. That is a very significant improvement in data accuracy.¹²

4.23 The Committee would like to comment at this point to say that it is disappointing that a system which appeared to hold such promise was developed but never fully implemented.

9 Ms Vardon, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports, fourth quarter 2000-2001*, Tuesday, 30 April 2002, p. PA32.

10 Ms Vardon, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports, fourth quarter 2000-2001*, Tuesday, 30 April 2002, p. PA44.

11 Ms Vardon, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports, fourth quarter 2000-2001*, Tuesday, 30 April 2002, p. PA45.

12 Ms Vardon, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports, fourth quarter 2000-2001*, Tuesday, 30 April 2002, p. PA46-47.

- 4.24 At the same time, Centrelink still comes under criticism for errors in its data.¹³ The Committee is concerned that in the wake of the development of the Edge system, Centrelink should maintain the momentum to improve the systems in place overall to reduce the rate of errors in its data.

Joint agency project

- 4.25 The Committee explored the governance of the Edge project as a joint venture between Centrelink and FaCS.
- 4.26 The ANAO found no major problems with the governance that existed in each of the agencies individually, concluding that “the FaCS Executive Board was appropriately advised of the progress of the project¹⁴” and “the Centrelink governance committees were appropriately informed of the progress of the Edge project”¹⁵.
- 4.27 The ANAO did note that despite being the largest IT development undertaken by FaCS since its creation in 1997, the IT Committee was not involved on an ongoing basis with the Edge project.
- 4.28 The ANAO summarised the relationship between both agencies in Chapter 4 of the audit report:

Following the formation of Centrelink (under the *Commonwealth Service Delivery Agency Act 1997*) on 1 July 1997, FaCS (then the Department of Social Security) and Centrelink developed a Business Partnership Agreement (BPA) as a framework for managing the relationship between the two agencies. The BPA was revised in 1999, 2000, 2001, and in 2004 as part of the FaCS-Centrelink Alliance 2004 relationship project.

A Joint Project Agreement (JPA) for the Edge project was included in the 1999 BPA, and mentioned in later versions of the BPA. The

13 For example: ANAO, Audit Report No. 29 2005–2006, *Integrity of Electronic Customer Records*, February 2006; and ANAO, Audit Report No. 43 2005–2006, *Assuring Centrelink Payments – The Role of the Random Sample Survey Programme*, May 2006.

14 However, the ANAO could not determine whether the FaCS Executive Board was appropriately informed of the lack of progress on agreeing funding arrangements, between FaCS and Centrelink, for Edge. ANAO Audit Report No 40 2004–05 *The Edge Project*. p.79.

15 There are some exceptions, for example the Guiding Coalition was not briefed on the termination of Edge. Also, there is no evidence that the Centrelink Board of Management was kept informed of the lack of progress in completing the MOU between FaCS and Centrelink on the project. ANAO Audit Report No 40 2004–05 *The Edge Project*. p.82.

2001–04 BPA, which concluded on 30 June 2004, stated ‘details of funding allocated for and the financial principles governing the Edge (expert system) project are specified in the memorandum of understanding between FaCS and Centrelink’.

The two organisations developed a new version of the JPA during 1999 and 2000. ... the agencies were unable to provide a copy signed by both parties. However, the ANAO was informed by both agencies that they operated according to the agreement.

Work continued on a further JPA. In November 2001, an email between FaCS and Centrelink stated that the document was still undergoing revisions in mid 2001, and that FaCS was refusing to sign until the MOU was agreed. The ANAO obtained further versions of both the draft MOU and the JPA dated as late as 2003. However, the ANAO was unable to locate any further agreed and signed version of the JPA.¹⁶

- 4.29 The audit report stated that the memorandum of understanding (MOU) was never agreed between the two agencies and was still outstanding at the termination of the project, and that consequently, a number of issues defining the relationship between FaCS and Centrelink were never agreed.
- 4.30 Centrelink stated that “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”.¹⁷
- 4.31 At the time, FaCS accounted for 90 per cent of Centrelink’s business, and there was a huge amount of interplay between the two organisations. Centrelink argued that for the Edge project they were trying to act as one organisation, albeit with different accountability and reporting lines.
- 4.32 FaCS expenditure on the project was made up of around \$12.3 million principally associated with supporting the FaCS project team, and approximately \$4 million which was paid to Centrelink for shared expenses.¹⁸ The FaCS representative was unable to explain why any money was paid to Centrelink without a signed MOU regarding the contract.

16 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.83.

17 Mr Wadson, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General’s reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA46

18 Mr Hunter, FaCS. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General’s reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA45

4.33 The absence of a signed MOU meant that the financial responsibilities of the agencies were never clearly articulated. When additional funding was needed for the project, ANAO reported, there were disagreements between FaCS and Centrelink as to the contribution of each agency and the Centrelink Edge team had to continually approach the BIC for additional funding:

FaCS wished to fund its contribution from expected savings.
Centrelink needed cash from FaCS to complete the development.
There was also disagreement between the agencies as to whether some developments associated with Edge should be considered part of the Edge project¹⁹.

4.34 The joint FaCS–Centrelink Steering Committee for the project was charged with managing the relationship between FaCS and Centrelink, including achieving agreement on the MOU. This was the steering committee that the ANAO reported “met regularly, at intervals of one to two months, in 1998 and 1999, once in 2000, and four times in 2001, but never as a full committee after November 2001, although the Edge project continued until November 2003²⁰”. The ANAO was advised that senior executives of the two agencies preferred to work ‘one-on-one’ to obtain agreement on various issues and such meetings were frequently not documented.²¹

4.35 The ANAO noted that the Edge project was of sufficient importance to be included in the Business Partnership Agreement between the two agencies, and therefore considered it “would have been appropriate for the Boards of both agencies to have been informed of the lack of progress on the MOU, and for both Boards to have stated their views on the situation.²²”

4.36 The Committee does not agree that any joint agency project, let alone one of such a large scale, can be conducted without the agencies involved first developing and signing a memorandum of understanding.

19 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.146

20 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.18

21 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.87

22 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.102

4.37 Accordingly, the Committee makes the following recommendation:

Recommendation 13

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

Connectivity

4.39 The connectivity/mapping between Edge and M204 (the Database Management System Centrelink used on its central computer) was identified by the ANAO as an issue that “was not treated appropriately in the risk management plan²³” right from the outset.

4.40 When questioned as to why there wasn’t further examination of connectivity within the system prior to embarking upon the program, the Centrelink response included:

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. ... 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. ... If you read the papers of the time ... 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.²⁴

4.41 The ANAO expressed the view that the difficulties Centrelink had in successfully integrating the expert system into its current IT environment was one of the reasons the Edge project was unsuccessful.

23 Ms Holbert, ANAO. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General’s reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA33

24 Mr Wadeson, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General’s reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA33-34

This was due both to the constraints of that environment, and the complexities of the solution developed for integrating Edge with the mainframe²⁵. The solution was being developed concurrently with Edge. Connectivity with the mainframe was a major source of delays to the project. Edge had more functionality (that is: ability to process customer claims) than it was able to process through to Centrelink's mainframe. The communications and data matching needs of interfacing Edge with the mainframe had been identified as a high risk in the original Edge Business Case. However, the mitigation strategies were inappropriate and proved to be ineffective.²⁶

4.42 Information provided to the ANAO by Centrelink outlined two aspects to the connectivity problems:

- the mapping from detailed EDGE data items to more granular Income Security Integrated System (ISIS)²⁷ data items²⁸; and the need to capture extra items needed for ISIS processing or management information purposes which were not explicitly mentioned in the legislation; and
- at the technical level, EDGE needed to sponsor the creation of a large number of transactions to handle all of the Families program data and hence 'scale up' the usage of this expert technology from its developing use other applications.

4.43 As Softlaw described:

the connectivity proved very difficult ... 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. ... It was always going to take time to make sure that the two systems operated correctly together.²⁹

4.44 The parties had agreed that the expertise around the mainframe to manage the connectivity issues lay with Centrelink rather than the

25 In the ANAO report, and therefore in this report, the Income Security Integrated System (ISIS) is sometimes referred to as the mainframe system.

26 ANAO Audit Report No 40 2004-05 *The Edge Project*. p.23

27 ISIS is a suite of systems for recording customer claims, and processing Centrelink payments. It operates on the Centrelink central computer (generally called the mainframe).

28 for example yes/no on sub-sections in the Act, to the 3-character codes staff enter on screens

29 Mr Dayal, Softlaw. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA37

software contractor. Therefore the responsibility for the mainframe connectivity ultimately sat with the project steering committee.

4.45 As the ANAO reported, this was the joint FaCS–Centrelink Steering Committee which “did not accord with the project management rules of the two agencies [or] the project governance structure as stated in the contract with SoftLaw.³⁰”

4.46 The Committee notes that despite the risks associated with connectivity being identified very early on, and the responsibility for mitigating these risks residing with Centrelink, the issue was still identified by the ANAO as contributing to the unsuccessful project.

4.47 The Committee is concerned that the project contract did not contain provisions for Centrelink to withhold payments based on the inability to mitigate identified risks.

4.48 Accordingly, the Committee makes the following recommendation:

Recommendation 14

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.**

Contracting

Scoping

4.50 According to Centrelink, “the Edge contract was originally signed by the Deputy Chief Executive Officer who held the necessary financial and contract signing delegations assigned by the Chairman of the Centrelink Board”.³¹

4.51 When questioned as to how Centrelink spent \$30 million on software without a stronger initial milestone of a scoping study, and how the agency then spent a total resource of \$60.4 million on the project, Centrelink’s response was:

30 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.86

31 Centrelink, Submission no. 2, p.8

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.³²

4.52 The ANAO was advised by FaCS and Centrelink that since the Edge procurement process, each agency has implemented readily-available, improved frameworks to assist staff with procurement activities.³³

4.53 This was confirmed to the Committee by Centrelink, however the lack of Ministerial oversight remains:

In the present day, the procurement process for a complex procurement is subject to multiple control points in accordance with Centrelink Chief Executive Instructions, procurement policy and financial delegations. The process can include obtaining external legal and independent probity reviews. Ministerial approval is not sought or required for the Centrelink delegate to sign a contract.³⁴

4.54 The Committee remains concerned that without appropriate oversight, there is the possibility of an agency becoming caught up in the enthusiasm of a project and being blind to some potentially major problems. An outside appraisal of the governance and technical aspects of the situation could provide a more objective viewpoint and enable early intervention to mitigate issues identified.

4.55 Accordingly, the Committee makes the following recommendation:

Recommendation 15

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

32 Mr Wadeson, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA33

33 ANAO Audit Report No 40 2004-05 *The Edge Project*. p.73

34 Centrelink, Submission no. 2, p.8

Project management/responsibility

4.57 Ultimate responsibility for contract and project management of the Edge project lay with Centrelink as representative of the Commonwealth in the contract³⁵. Delegations within Centrelink were outlined to the Committee:

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 one³⁶.

4.58 Centrelink's National Manager responsible for the Edge project was authorised to sign off on deliverables. This position was held by a very senior officer in Centrelink whose delegation "would have effectively come from the chair of the Centrelink board through the CEO to officers, including this project manager³⁷". The person who held this position through most of the contract dealings between Centrelink and Softlaw is no longer with Centrelink's IT division.

4.59 The Centrelink CEO said of the Edge project, "I do not think it was a failure of the project team. Nor ... a failure of the project team manager ... I think it is a failure of governance³⁸".

4.60 The Committee is concerned by the apparent trend in Public Service project management in which no one is willing to take responsibility for mistakes occurring within those projects. It is the Committee's opinion that greater care needs to be taken in all aspects of project management, regardless of how promising the outcome of the project looks.

4.61 According to Centrelink, "the then Chief Executive Officer of Centrelink and the then Secretary of the Department of Family and Community Services accepted the recommendations of the [Edge Business Case] review and so took responsibility for the cessation of the Edge project³⁹".

4.62 It is recognised that both agencies have accepted there were problems with the management of the project, however the Committee finds it

35 The Department of Family and Community Services was not a direct party to the contract

36 Mr Whalan, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA44

37 Mr Whalan, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA44

38 Mr Whalan, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA48

39 Centrelink, Submission no. 2, p.8

unacceptable that no one is willing to claim responsibility for the difficulties that led to the decision to terminate the project, particularly when there are substantial amounts of money involved.

4.63 The Committee is concerned that governance lessons learnt from the Edge project be incorporated in future projects, particularly the IT Refresh⁴⁰ project described as “the biggest project that is happening in Centrelink at the moment”.⁴¹

4.64 Accordingly, the Committee makes the following recommendation:

Recommendation 16

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.**

4.66 The Committee considers that this issue is important enough to warrant further investigation of the progress of improvements in contracting procedures in Centrelink.

4.67 Accordingly, the Committee makes the following recommendation:

Recommendation 17

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.**

40 Information Technology Refresh is a \$312 million, five-year program announced in the 2002-03 Budget to improve government service delivery by providing technology to support self-service options. Refresh aims to enhance Centrelink's existing computer systems and develop new information and technology capabilities to support the delivery of services via the phone, Internet and emerging technologies; and allow for online exchange of simple, high volume, routine information for validating customer compliance requirements (Centrelink Annual Report 2004-05, p.171).

41 Mr Whalan, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA56

Legislative changes

- 4.69 The Committee notes that the Edge project was extremely complex and required the consideration of legislative, policy, and business rules for the Family Assistance Office which, at the start of the project, were estimated to number over 8000.⁴²
- 4.70 Appendix 1 to the ANAO report lists the Family Assistance Legislation changes which impacted on the Edge project. The legislative and other changes were frequent and required changes to Edge. For example, the introduction of the More Choice for Families (MCFF) initiative in 2002 required changes to ISIS, and Edge necessarily had to be changed to match it. This “resulted in a requirement for the ability to continuously adjust the Edge rulebase. This was not envisaged in the original design and would require some redesign”⁴³.
- 4.71 But as Softlaw explained, “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 project⁴⁴”. Softlaw explained that the problem was then taking that rule base and marrying it up with the mainframe, which had been developed over 15 years of adding to those rules.
- 4.72 Amongst the key findings from the 2003 review was a statement that “the operation of Edge in parallel with ISIS ... places an unsustainable workload of dual development and maintenance on the available information and technology (I&T) resources⁴⁵”. This situation was exacerbated by the degree of legislative change that had to be accommodated.
- 4.73 The issue of struggling to keep pace with changing legislation is relevant at a larger scale than just those areas covered by Centrelink.

42 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.32

43 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.23-24

44 Mr Dayal, Softlaw. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General’s reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA40

45 ANAO Audit Report No 40 2004–05 *The Edge Project*. p.141

4.74 Accordingly, the Committee makes the following recommendation:

Recommendation 18

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's Customer Feedback Systems

Audit Report No. 31, 2004–05 (Summary of Audit Reports Nos. 32-36 on Centrelink)

Introduction

Background

- 5.1 In 2003–04, Centrelink delivered services to 6.5 million customers, or approximately one-third of the Australian population¹. Customers include retired people, families, sole parents, people looking for work, people with disabilities, carers, Indigenous Australians and people from diverse cultural and linguistic backgrounds (DCALB)². A number of these customers are the most vulnerable³ in our society, and are those who have a heavy dependence on Centrelink.
- 5.2 Centrelink has recognised the importance of regularly seeking feedback from its large customer base on the quality of the services provided by the

1 ANAO Audit Report No.31 2004–05 *Centrelink's Customer Feedback Systems – Summary Report*

2 DCALB is a term used by Centrelink to describe people of diverse cultural and linguistic background, other than Indigenous Australians.

3 The ANAO report says that vulnerable customers may include those customers who: are homeless; have a drug or alcohol dependency; have low levels of literacy or numeracy; have a mental health condition; are Indigenous; and/or come from a diverse cultural and linguistic background.

agency's extensive customer service network. To this end, Centrelink has a number of processes in place from which to obtain customer feedback. Some of these are Centrelink initiated, such as customer surveys; others are customer initiated, such as complaints and use of the review and appeals system.

- 5.3 This summary audit report on Centrelink's customer feedback systems brings together the findings and recommendations of five audit reports which examine Centrelink's major individual customer feedback systems.⁴ The summary report also provides an overall audit opinion regarding Centrelink's overarching customer feedback system.

Audit approach

- 5.4 Until the machinery of government changes following the October 2004 Federal Election,⁵ Centrelink's delivery of services on behalf of the Department of Family and Community Services (FaCS) constituted the overwhelming bulk of Centrelink's activities.⁶ Given the importance of customer feedback to Centrelink's business, the ANAO considered it timely to conduct a series of performance audits relating to Centrelink's customer feedback systems, particularly in relation to its delivery of the services then provided on behalf of FaCS.
- 5.5 The overarching objective of this series of ANAO performance audits of Centrelink's customer feedback systems was to assess whether Centrelink had effective processes and systems for gathering, measuring, reporting

4 See ANAO Audit Report No.32 2004-05, *Centrelink's Customer Charter and Community Consultation Program*; ANAO Audit Report No.33 2004-05, *Centrelink's Customer Satisfaction Surveys*; ANAO Audit Report No.34 2004-05, *Centrelink's Complaints Handling System*; ANAO Audit Report No.35 2004-05, *Centrelink's Review and Appeals System*; and, ANAO Audit Report No.36 2004-05, *Centrelink's Value Creation Program*.

5 On 22 October 2004, the Prime Minister announced machinery of government changes affecting, among other things, the administration of policy relating to income support payments and related programs. Previously, Centrelink was located in the FaCS Portfolio and, while it had agreements in place with other agencies such as Department of Employment and Workplace Relations (DEWR) and the Department of Education Science and Training (DEST) for the delivery of some services, the overwhelming bulk of Centrelink's activities related to its delivery of services on behalf of FaCS. As a result of the changes announced by the Prime Minister, Centrelink is now part of the newly established Department of Human Services Portfolio. In addition, DEWR now has policy responsibility for the delivery of working age income support payments (including Newstart, Parenting Payment (partnered and single), Youth Allowance for non-students, Disability Support Pension and Mature Age Allowance) and DEST has policy responsibility for income support payments for students (including Youth Allowance for students which had previously been administered by FaCS).

6 Accordingly, until October 2004, FaCS was Centrelink's major source of revenue, providing approximately 91 per cent of Centrelink's revenue in 2003-04. *Centrelink Annual Report 2003-04*, p. 196.

and responding effectively to customer feedback, including in relation to customer satisfaction with Centrelink services and processes.

5.6 The ANAO consulted with Centrelink to establish the agency's key customer feedback systems to be included in the series of audits to be undertaken. The feedback systems identified were:

- Customer Charter and community consultation program;
- customer satisfaction surveys;
- complaints handling system;
- review and appeals system; and
- Value Creation program.

5.7 A separate report was prepared for each of these systems, including detailed analysis and findings of the audit of the particular system.

Audit methodology

5.8 The ANAO undertook an in-depth examination of each of the contributing feedback systems. Details of the audit methodology used for each system are contained in the individual reports.

5.9 For the series of audits, fieldwork was conducted primarily between October 2003 and July 2004. The ANAO analysed key Centrelink documentation, files and information on Centrelink's intranet. The ANAO conducted interviews with Centrelink managers, key National Support Office staff and staff in Area Support Offices and Customer Service Centres in six of the 15 Areas. The Areas visited were in New South Wales, Victoria and the Australian Capital Territory. The ANAO also held discussions with key community and government stakeholders.⁷

5.10 In January 2005, the ANAO issued to Centrelink the proposed reports. In response, the Chief Executive Officer of Centrelink advised the ANAO on 7 February 2005 that he welcomed these audit reports and agreed with all of the 44 recommendations.

7 The ANAO interviewed 28 stakeholder organisations, including advocacy groups, peak bodies representing various customer groups (ranging from the aged to the homeless), and organisations that provide services directly to customers (including assisting customers in their dealings with Centrelink). Accordingly, the stakeholder groups interviewed varied from national peak bodies with substantial resources and high level access to Centrelink through to customer advocates and groups that provide assistance to Centrelink's most vulnerable customers. The results of these interviews have been used to inform the findings of all of the audits in the Centrelink Customer Feedback Systems series.

- 5.11 In addition, in accordance with natural justice principles, copies or relevant extracts of particular proposed reports in the series were issued to parties with a special interest, namely:
- FaCS;
 - the Social Security Appeals Tribunal (SSAT);
 - Ms Sue Vardon, the former Chief Executive Officer of Centrelink; and
 - the Value Creation Group Pty Ltd.⁸
- 5.12 All comments received were considered in the preparation of the final audit reports. The series of audits was conducted in accordance with ANAO Auditing Standards at a total cost to the ANAO of some \$975 000.
- 5.13 Audit Report no. 31 provided an overall opinion against the overarching objective for this series of audits of Centrelink's customer feedback systems, followed by five chapters providing the summary of key findings and the audit conclusion from the each of the five audits of Centrelink's customer feedback systems.
- 5.14 The audit report was tabled on 9 March 2005.

Overall audit opinion

- 5.15 The ANAO found that Centrelink had recognised the importance of regularly seeking feedback from its large customer base on the quality of the services provided by the agency's extensive customer service network. Centrelink, therefore, had invested significant resources to obtain customer feedback, through developing and maintaining a number of individual feedback systems. Some of these systems are Centrelink initiated, such as Centrelink's customer satisfaction surveys and the Value Creation program; others are customer initiated, such as the complaints handling system and use of the review and appeals system. A number of these systems also collect information from the community.
- 5.16 In addition, the Centrelink Customer Charter is important in setting up customer expectations with respect to service delivery; outlining customers' obligations and rights; identifying feedback tools; and

8 The ANAO also provided copies or relevant extracts of particular proposed reports to the consultants who provided the ANAO with assistance in the conduct of individual audits in the series. Comments provided by the consultants were also considered in the preparation of the final audit reports.
The Value Creation Group Pty Ltd (VCG) is an Australian consulting practice which provides consultancy services, and licenses the use of certain intellectual property for the conduct of VCWs.

communicating to customers so as to help them understand their rights and the feedback tools available to them. As such, it is also an important part of the overall feedback system.

- 5.17 The ANAO concluded that, while Centrelink had a range of systems for gathering, measuring, reporting and responding to customer feedback, there was no overarching system for bringing all of this information together in a systematic way, to better inform Centrelink of opportunities for service delivery improvement.
- 5.18 Centrelink informed the ANAO that it was developing a Business Intelligence Framework to enable all forms of data gathered or received by Centrelink regarding customer satisfaction and customer feedback to be meaningfully compared, measured, and used to add value to the customer experience.⁹ However, the ANAO understood that completion of this system was 'some time away'. The ANAO stated that, more importantly, while bringing the information together was one step towards developing an overall system, it was predicated on the information from the individual systems being accurate.
- 5.19 The ANAO found a range of identifiable performance issues with each of the individual Centrelink customer feedback systems included in the audit. The ANAO also identified a number of common themes among these issues. The common themes related to:
- a low level of customer awareness of the individual systems;
 - the lack of a national mandate for processes, and a lack of robust cost information;
 - a lack of quality assurance procedures; and
 - monitoring and reporting problems with each system.
- 5.20 These all impacted adversely on the effectiveness and efficiency of the individual systems and the robustness of the data generated from each system.
- 5.21 The ANAO concluded that there was a low level of awareness amongst customers of the individual feedback systems, and little information on customer satisfaction with the systems. The low awareness impeded customers' access to the systems and affected the accuracy of the information generated by the systems. More importantly, lack of

9 Centrelink, *Memorandum – Business Intelligence Framework (BIF) Outline*, 9 October 2003.

awareness could mean that customers do not pursue their rights to access feedback systems, such as for complaints or appeals.

- 5.22 'Fear of retribution' was consistently raised as an issue during the ANAO's discussions with stakeholders.¹⁰ The ANAO found that Centrelink did not undertake any analysis of the existence, or extent, of any fear of retribution customers may experience in using the various feedback systems.
- 5.23 The ANAO found that Centrelink had not mandated procedures nationally within the various feedback systems. Accordingly, there was a risk of inconsistency across the network in the manner feedback is recorded, analysed and resolved.
- 5.24 Centrelink had little information on the actual cost of most of its individual feedback systems, and no ability to mandate quality assurance procedures across the network. Without a mechanism to provide an oversight of national quality, and to ensure better practice across the network, the ANAO argued that there was a risk that Centrelink was not providing a consistent, as well as high quality, service across its network. A lack of national oversight and mandate also limited Centrelink's ability to use the information generated from the feedback systems to improve service delivery. Without adequate information on the cost of the systems, the ANAO found that Centrelink was hampered in identifying efficiencies or better practices which could lead to better service delivery and cost savings.
- 5.25 The ANAO concluded that the data generated from the individual systems was limited and not robust. This compromised the reliability and integrity of Centrelink feedback data, and the ability to identify opportunities to improve service delivery and organisational processes. In addition, the ANAO concluded that Centrelink's reporting was compromised by the quality of the data. This inhibited Centrelink from adequately reporting information regarding customer feedback to Parliament and the public. Apart from the data quality issues, the reports from the feedback systems were generally not used across the network to improve service delivery.

10 'Fear of retribution' is a term used by both the Commonwealth Ombudsman in the guide, *A Good Practice Guide for Effective Complaint Handling*, and by other stakeholders whom the ANAO interviewed during audit fieldwork.

5.26 Overall, the ANAO concluded that:

while Centrelink has a well developed, extensive and diverse range of customer feedback systems, there are identifiable opportunities to improve the effectiveness, efficiency and economy of the systems and the data they produce. Such improvements would make the systems more accessible to customers, and provide more robust information to Centrelink for use in enhancing its service delivery and identifying cost savings.¹¹

ANAO recommendations

5.27 The ANAO made the following 44 recommendations in the series of five audit reports which were summarised by Audit Report no. 31:

Table 5.1 ANAO recommendations, Audit reports no. 32-36, 2004-05 (listed by report)

Centrelink's Customer Charter and Community Consultation Program (Audit Report No.32 2004–05)

32-1. The ANAO recommends that, in accordance with the guidance set out in the Australian Government's Client Service Charter Principles, Centrelink include in its Customer Charter measurable service standards to:

- (a) better inform customers of the level of service to expect; and
- (b) provide an improved basis for measuring, monitoring and reporting, both internally and externally, the agency's performance against its Charter.

Centrelink agreed

32-2. The ANAO recommends that Centrelink:

- (a) implement adequate systems to monitor community consultation nationally, and to identify, at the national level, common issues/trends that are emerging at the local level to allow identification of service improvement and cost savings; and
- (b) put in place quantitative indicators, such as targets and cost effectiveness measures, in addition to descriptive indicators, when assessing and reporting its consultations with community stakeholders.

Centrelink agreed

Centrelink's Customer Satisfaction Surveys (Audit Report No.33 2004–05)

33-1. The ANAO recommends that Centrelink include:

- (a) the objectives of the satisfaction surveys in all reports from the surveys;
- (b) in the objectives, for all its satisfaction surveys, the accuracy requirements for each survey; and
- (c) in the CSC survey's objectives, advice that the survey data are used for performance management of individual CSCs.

Centrelink agreed

33-2. The ANAO recommends that Centrelink include in reports from the satisfaction surveys the type of sample used and the effect of a quota approach on calculating error estimates.

Centrelink agreed

11 ANAO Audit Report No.31 2004–05 *Centrelink's Customer Feedback Systems – Summary Report* p 22.

33-3. The ANAO recommends that Centrelink:

- (a) undertake further research on the characteristics of those customers who are excluded from the survey sample, in order to ascertain whether any significant bias is introduced from the exclusions; and
- (b) in reporting information from the surveys, inform users of the data as to the nature of the exclusions from the survey, the rationale for them, and the related implications for the interpretation of survey results.

Centrelink agreed

33-4. The ANAO recommends that Centrelink:

- (a) undertake research into the reasons that a significant number of customers selected for the CSC survey, on the basis of DOCs raised indicating they had visited a CSC, subsequently advise the market research company they have not visited a CSC at the time reported in the DOC;
- (b) undertake further research into the inclusion in the CSC survey of those customers who only lodged a form or updated personal details during their visit to the CSC, to ascertain whether any significant bias is introduced from their inclusion; and
- (c) in reporting information from the surveys, inform users of the data as to the related implications of these inclusions for the interpretation of survey results.

Centrelink agreed

33-5. The ANAO recommends that Centrelink:

- (a) regularly analyse the non-response rates for each of the major satisfaction surveys to identify the nature of the non-response and any associated bias;
- (b) include this information in any reports of the survey data; and
- (c) consider weighting the data appropriately to minimise non-response bias.

Centrelink agreed

33-6. The ANAO recommends that Centrelink:

- (a) undertake research to identify whether concerns regarding anonymity and confidentiality impact adversely on customers' willingness to participate in Centrelink surveys, and whether these concerns lead to significant bias in the survey results;
- (b) include clear indications at the beginning of the survey regarding the uses and purpose of the survey; and
- (c) include clearer statements in the introductory and closing sections of the surveys regarding the confidentiality of customer information, particularly that identifying information is kept confidential from Centrelink.

Centrelink agreed

33-7. The ANAO recommends that Centrelink review the quality of its satisfaction survey questionnaires, and where appropriate, make changes to increase the usefulness and accuracy of the information gathered.

Centrelink agreed

33-8. The ANAO recommends that Centrelink undertake quality assurance checking of data and analysis provided to it by its satisfaction survey consultants.

Centrelink agreed

33-9. The ANAO recommends that Centrelink, in its reports which use survey data, ensure the reporting is transparent regarding the source of the data and its limitations, to enable readers to properly interpret the data and have confidence in the results.

Centrelink agreed

33-10. The ANAO recommends that Centrelink ensure that performance measures under the purchase/provider arrangements with the various portfolio departments now responsible for income support payments are appropriate for the purpose, and that targets are set at a sufficient level to assess performance achievement.

Centrelink agreed

33-11. The ANAO recommends that Centrelink review its use of an average for its top line KPI Overall Customer satisfaction with last Contact with Centrelink, in its Balanced Scorecard. Other KPI measures under Goal C: Customer also be reviewed to ensure they measure what they purport to measure.

Centrelink agreed

33-12. The ANAO recommends that Centrelink:

- (a) introduce an internal quality control process to ensure that performance measures in Area and CSC Business Improvement Plans are appropriate and adequate, and that the use of the top line satisfaction number is supplemented by other selected measures; and
- (b) provide additional training to staff at the Area and CSC levels on performance indicators, to ensure they have a good understanding of their use and limitations.

Centrelink agreed

33-13. The ANAO recommends that Centrelink include confidence interval information in its Area and CSC satisfaction reports.

Centrelink agreed

Centrelink's Complaints Handling System (Audit Report No.34 2004–05)

34-1. The ANAO recommends that Centrelink take prompt action to address the finding of its October 2003 internal audit report on Customer Complaint Management, which identified that there is a significant inconsistency across the customer service network in the frequency of prompt resolution of complaints at the point at which they are received.

Centrelink agreed

34-2. The ANAO recommends that Centrelink:

- (a) re-commence surveying customers regarding their awareness of its complaints handling system; and
- (b) as part of its overall communications strategy, identify ways to enhance customer awareness of its complaints handling system.

Centrelink agreed

34-3. The ANAO recommends that Centrelink redesign its Internet website to:

- (a) ensure that a search on the term 'complaint' provides pertinent information to customers and stakeholders on its complaints handling system;
- (b) provide customers and stakeholders with more explicit information as to the various avenues by which to lodge a complaint;
- (c) ensure that information on Centrelink's complaints handling system is easily identifiable by customers and stakeholders; and
- (d) allow customers, and stakeholders to lodge a complaint without being required to navigate through numerous webpages.

Centrelink agreed

34-4. The ANAO recommends that Centrelink regularly survey its customers and staff regarding their satisfaction with the complaints handling process.

Centrelink agreed

34-5. The ANAO recommends that Centrelink, in accordance with the Commonwealth Ombudsman's Good Practice Guide for Effective Complaint Handling:

- (a) include, in each avenue available for the lodgement of a complaint, an explicit statement that assures customers and stakeholders of the confidentiality of the information they provide; and
- (b) establish an internal follow-up procedure to address the risk of discrimination against customers or stakeholders who lodge a complaint.

Centrelink agreed

34-6. The ANAO recommends that Centrelink implement a system to:

- (a) improve and monitor national consistency in the way in which complaints are recorded, analysed and resolved by CRUs; and
- (b) facilitate the timely promulgation and adoption of better practice across all CRUs.

Centrelink agreed

34-7. The ANAO recommends that Centrelink:

- (a) improve controls for ensuring that all oral complaints are recorded in an appropriate and timely manner within the CFAD; and
- (b) revise the CFS to include a greater range of relevant information to facilitate improved recording and analysis of oral complaints lodged at a CSC.

Centrelink agreed

34-8. The ANAO recommends that Centrelink:

- (a) improve controls for ensuring that all completed comment cards are forwarded to the relevant CRU;
- (b) redesign the comment card to enhance customer awareness of its availability as an avenue to lodge a complaint;
- (c) identify ways of more generally improving customer awareness regarding the availability of comment cards as a feedback channel; and
- (d) identify ways of improving the current communication strategies implemented by Centrelink to increase DCALB customer awareness regarding the availability of comment cards and DCALB fact sheets.

Centrelink agreed

34-9. The ANAO recommends that Centrelink develop the necessary functionality within the CFAD to allow for the recording, monitoring and analysis of complaints lodged by all stakeholders within the business and community sectors.

Centrelink agreed

34-10. The ANAO recommends that Centrelink develop the necessary functionality within the CFAD to allow for the recording, monitoring and analysis of multiple complaints about the same issue, a particular staff member and/or CSC.

Centrelink agreed

34-11. The ANAO recommends that Centrelink:

- (a) report on the full range of performance information on its complaints handling system identified as good practice by the Ombudsman's Good Practice Guide;
- (b) commence monitoring and reporting on telephone call wait times and telephone call drop out rates across the CRU network;
- (c) accurately report the true nature of all customer contacts recorded by the CRU network; and
- (d) implement a system to develop national consistency in the reporting and use of data obtained by its complaints handling system.

Centrelink agreed

34-12. The ANAO recommends that Centrelink implement an effective quality assurance mechanism for the administration and monitoring of its complaints handling system.

Centrelink agreed

Centrelink's Review and Appeals System (Audit Report No.35 2004-05)

35-1. The ANAO recommends that Centrelink monitor and report on customer awareness of, and satisfaction with, the ODM reconsideration process.

Centrelink agreed

35-2. The ANAO recommends that Centrelink develop a separate form for customers to request an ODM review, which records the customer's agreement not to proceed directly to an ARO review.

Centrelink agreed

35-3. The ANAO recommends that Centrelink explicitly inform customers, who request a review, that they are not obliged to agree to an ODM review but have a legislative right to go directly to an ARO.

Centrelink agreed

35-4. The ANAO recommends that Centrelink:

- (a) require staff to record all ODM reconsiderations on the APL system; and
- (b) include in relevant Centrelink internal reports information gathered through monitoring and reporting of ODM reconsiderations.

Centrelink agreed

35-5. The ANAO recommends that Centrelink develop and implement quality control processes for ODM reconsiderations.

Centrelink agreed

35-6. The ANAO recommends that Centrelink monitor and report on customer awareness of their appeal rights and satisfaction with the appeals process, including any disincentive effects.

Centrelink agreed

35-7. The ANAO recommends that Centrelink develop, in consultation with DEWR, FaCS and DEST, performance indicators for the quality and cost of the appeals system.

Centrelink agreed

35-8. The ANAO recommends that Centrelink mandate and implement quality assurance processes for ARO decisions across the Centrelink network.

Centrelink agreed

35-9. The ANAO recommends that Centrelink develop and implement a process for the accreditation of AROs, and monitor delivery of the training package and AROs' participation.

Centrelink agreed

35-10. The ANAO recommends that Centrelink develop and implement national systems for the identification of better practice in ARO reviews and its timely distribution across the Centrelink network.

Centrelink agreed

Centrelink's Value Creation Program (Audit Report No.36 2004–05)

36-1. The ANAO recommends that Centrelink undertake a study to determine the impact of the presence of Centrelink staff during the conduct of a VCW on the willingness of customers to provide open feedback.

Centrelink agreed

36-2. The ANAO recommends that Centrelink put in place systems for monitoring the selection of customers for a VCW and the selection process used, in order to better understand how representative the selected customers are of Centrelink's customer base.

Centrelink agreed

36-3. The ANAO recommends that Centrelink put in place systems for monitoring the participation of staff in VCWs, to ensure coverage of staff and to facilitate the assessment of the extent of cultural change within the organisation.

Centrelink agreed

36-4. The ANAO recommends that Centrelink put in place systems for monitoring the implementation of outcomes from a VCW.

Centrelink agreed

36-5. The ANAO recommends that Centrelink put in place systems for monitoring:

- (a) the location of VCWs to facilitate the achievement of national coverage; and
- (b) better practice in the conduct of VCWs and any alternative processes used by Centrelink Area offices.

Centrelink agreed

36-6. The ANAO recommends that Centrelink:

- (a) put in place systems to effectively monitor the costs of the VCW program; and
- (b) inform customers that the payment they receive for attending a VCW is income for taxation purposes.

Centrelink agreed

36-7. The ANAO recommends that Centrelink takes the necessary actions to put in place systems to ensure that, in future procurements, it complies fully with the requirements of the Commonwealth's procurement policies and applicable legislation.

Centrelink agreed

The Committee's review

5.28 The Committee held a public hearing to examine this audit report on Friday 19 August 2005. Witnesses representing Centrelink and the Department of Human Services appeared at the hearing, as well as representatives from the ANAO.

5.29 The Committee took evidence on the following issues:

- Overarching system for collecting and collating feedback;
 - ⇒ Complaints handling;
- Costs and benefits;
 - ⇒ Value Creation Workshops (VCWs);
- Customer Charter;
- Original Decision Maker (ODM) reviews;
- Centrelink surveys;
- Surveying disadvantaged persons;
- Fear of retribution; and
- Accessibility;
 - ⇒ Website.

5.30 Centrelink subsequently provided a submission to the inquiry, which included an update on compliance against all of the ANAO recommendations. This summary of action against each of the 44 ANAO recommendations is at Appendix G.

Overarching system for collecting and collating feedback

- 5.31 The ANAO report provided an overall audit opinion regarding Centrelink's overarching customer feedback system – or lack thereof.

The ANAO concluded that, while Centrelink has a range of systems for gathering, measuring, reporting and responding to customer feedback, there is no overarching system for bringing all of this information together in a systematic way, to better inform Centrelink of opportunities for service delivery improvement.¹²

- 5.32 In response to the audit, a customer experience branch has been created within Centrelink to bring together the collection, analysis and use of customer feedback and therefore improve the consistency of dealing with such feedback.¹³

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.¹⁴

- 5.33 This branch forms a part of the service delivery group created in the organisational restructure of Centrelink which occurred after the ANAO audit was conducted. The service delivery group has 'a stronger focus ... 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'.¹⁵

- 5.34 Centrelink advised the Committee that it has also developed the Centrelink Corporate Reporting Framework to identify better practice
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12 ANAO Audit Report No.31 2004–05 *Centrelink's Customer Feedback Systems – Summary Report* p 20.

13 Mr Whalan, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA2.

14 Ms Ross, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, pp. PA19-20.

15 Mr Whalan, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA19.

across key business areas and a "multidimensional view of service quality, cost and [human resources] metrics at an organisational and at an Area level", using specific data from the Customer Service Centre Satisfaction Survey.¹⁶

The results relating to customer services are integrated with other information (relating to the correctness of program outlays, timeliness of decisions, and whether or not key performance standards have been met) to provide a combined service quality measure. Results are published at the National and Area level on a monthly basis.

The responsibility for monitoring performance and developing cross-Area improvement strategies sits at the national level, while the implementation of national and local service improvement initiatives for both service quality and cost efficiency is the responsibility of Areas.¹⁷

- 5.35 The Committee applauds Centrelink's efforts to provide a more systemic approach to the collection and use of feedback information nationally across the agency, and encourages further refinement in this area.

Complaints handling

- 5.36 The ANAO considered that the lack of an effective quality assurance mechanism for the handling of complaints prevented Centrelink from ensuring that all complaints were recorded, analysed, reported and resolved in an appropriate and timely manner. This may also affect the reliability, integrity and quality of the information Centrelink obtains through complaints, and the subsequent analysis of this information.¹⁸
- 5.37 Centrelink informed the Committee that:

A mandatory national quality assurance regime for resolution of complaints will be in place by January 2006. The design of the regime is complete, it is to be agreed and then staff training and system support will be implemented across Centrelink's 15 Areas.¹⁹

16 Centrelink, Submission no. 2. p.3.

17 Centrelink, Submission no. 2. p.3.

18 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.56.

19 Centrelink, Submission no. 2. p.4.

- 5.38 This regime was to consist of data integrity and procedural checking at the Area and National level, and post-complaint follow-up surveying of customers.²⁰
- 5.39 Centrelink updated the Committee in May 2006²¹ to say that:
- A major revision of Centrelink's Complaints Handling Protocols has been completed and the revised protocols were issued to CRUs in May 2006 with an expectation that complaints will be resolved within required standards by the end of June 2006.
 - The post-complaints quality assurance process is to be based on 'a quality check of a sample of customer complaint records and follow-up survey of customers who have lodged recent complaints.' The sampling and survey specifications are under development with a tender process planned to select a provider to conduct the surveys. The quarterly surveys are expected to commence in August-September 2006.
 - The national Induction Training Program has been revised to reflect the revised CRU protocols and further work is proposed to expand training in complaints handling as part of an overall service complaints management strategy being developed. This work is scheduled to begin later in 2006 once funding has been approved.
- 5.40 The Committee is pleased at Centrelink's progress towards addressing the deficiencies identified by the ANAO, and looks forward to receiving an update on how the system is functioning once it has been implemented.

Costs and benefits

- 5.41 The ANAO found a range of identifiable performance issues along a number of common themes with each of the individual Centrelink customer feedback systems, one such theme listed was a lack of robust cost information.

Centrelink has little information on the actual cost of most of its individual feedback systems ... Without adequate information on the cost of the systems, Centrelink is hampered in identifying

20 Centrelink, Submission no. 2. Appendix 1 *Progress against audit recommendations – customer feedback systems*, p.8.

21 Centrelink submission no.5. p.1.

efficiencies or better practices which may lead to better service delivery and cost savings.²²

5.42 The Committee was concerned to find that despite significant investment in the various feedback systems utilised by Centrelink, comprehensive costings cannot be provided for any of these systems. Without full knowledge of the cost of each system, it is very difficult to ensure that cost savings are identified and achieved.

5.43 Accordingly, the Committee makes the following recommendation:

Recommendation 19

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.**

5.45 The Committee was advised that Centrelink could not identify costs associated with work which needed to be redone due to errors or subsequent additional information, because they do not have a full appreciation of the cost of the various activities they are doing. If an effective feedback system is in place, it should allow for improvements which in turn should reduce re-work.

5.46 The Committee notes that:

The responsibility for monitoring performance and developing cross-Area improvement strategies sits at the national level, while the implementation of national and local service improvement initiatives for both service quality and cost efficiency is the responsibility of Areas.²³

22 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.21.

23 Centrelink, Submission no. 2. p.3.

5.47 Accordingly, the Committee makes the following recommendation:

Recommendation 20

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.**

5.49 The Committee is interested in an assessment of what financial impact the ANAO recommendations are likely to have on Centrelink, particularly if there is likely to be a cost impost or a cost benefit for the agency and where any savings are likely to be.

5.50 Centrelink advised that the ANAO recommendations are being implemented as part of Centrelink's routine approach to continuous improvement and that an 'evaluation of the cost benefit realised from the collection and use of customer feedback is being considered for inclusion in Centrelink's Internal Audit and Evaluation Program.'²⁴

5.51 The Committee considers that it is important for Centrelink to undertake such a cost-benefit evaluation. Accordingly, the Committee makes the following recommendation:

Recommendation 21

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.**

Value Creation Workshops

5.53 The Value Creation Program involves a range of different Value Creation Workshops (VCWs) conducted across the Centrelink network. The VCWs are structured and facilitated focus groups involving both the 'customers'

24 Centrelink, Submission no. 2. p.8.

and the 'providers'²⁵ of the services delivered by Centrelink, and are intended to provide customers with the opportunity to give direct feedback to Centrelink and its staff regarding these services.²⁶

- 5.54 Centrelink set up the Value Creation program in 1997 with a number of objectives in mind, but advised the ANAO that the pre-eminent purpose was to facilitate cultural change within the organisation to improve the customer focus. The program also generates a range of data that Centrelink advised the ANAO was an important component of its customer feedback systems.²⁷
- 5.55 The Committee was disturbed to read that the ANAO was 'unable to assess the actual total cost of the VCW program, as Centrelink was not able to provide costings on all of the elements of the program'. Additionally, most of the Area and CSC managers interviewed by the ANAO were unable to provide as much as a 'guesstimate' on the total or average cost of a VCW workshop.²⁸
- 5.56 In its submission, Centrelink advised the ANAO during the audit that the agency was to undertake an evaluation of the program's effectiveness in achieving the objectives sought from it by Centrelink. The Committee agrees with the ANAO that such an evaluation will 'enable Centrelink to assess the value for money of the program and assess the appropriateness of continuing the program in its current form.'²⁹
- 5.57 Centrelink advised the Committee that an upgrade of the financial system to collect and record full VCW costs had been completed and that this would enable monthly reporting on VCW costs.³⁰
- 5.58 The Committee is pleased with Centrelink's response and agrees with the ANAO that better monitoring of the cost of the VCW program, to ascertain relative productivity and cost efficiency, should result in future cost savings and greater effectiveness.

25 According to the ANAO, Customers can include; recipients of social security entitlements, community group representatives and business partners, whereas Providers can include Customer Service Officers (CSOs), Centrelink Managers, and Specialist Officers.

26 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.74.

27 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.75.

28 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.79.

29 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.80.

30 Centrelink, Submission no. 5. p.2

Customer Charter

- 5.59 The Customer Charter is regarded by Centrelink as central to improving service delivery.
- 5.60 Centrelink was one of the first Australian Government agencies to develop and implement a customer charter, and in fact it won awards under the Service Charters - Awards for Excellence scheme in 1999 and 2000.
- 5.61 However, the ANAO found that Centrelink's Customer Charter only partially followed the mandatory elements and either partially, or fully, met some of the recommended elements of the Australian Government's *Client Service Charter Principles* (the Principles).³¹ Significantly, the Charter was found to have no explicit measurable service standards which, according to the Principles, are the main purpose of a charter.
- 5.62 The ANAO stated that 'given the minimal collection, analysis and reporting of performance data on the Charter, it is difficult to identify how the Charter is used to help drive service improvement'.³²
- 5.63 The ANAO also found that the Charter was not very accessible to vulnerable groups, such as illiterate or semi-literate customers and that there was no monitoring undertaken in relation to access to translated versions of the Charter for DCALB customers.
- 5.64 The Committee was informed that in response to the ANAO report, Centrelink is undertaking a major review of its Customer Charter and that the new Charter, due for release in February 2006, will include measurable standards that 'customers have identified as important to them and will provide a basis for measuring, monitoring and reporting Centrelink's performance against the Charter.'³³
- 5.65 The Committee was further advised that the review was being finalised in May 2006 with it expected to be launched in June 2006.³⁴ The Communication strategy associated with the new Charter is expected to strengthen Centrelink's customer focus and in particular address

31 Revised in 2000, originally developed in 1997. The Principles contain a number of mandatory and recommended components intended to assist Government agencies in their development of a charter.

32 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p 30.

33 Centrelink, Submission no. 2. Appendix 1 *Progress against audit recommendation – customer feedback systems*, p.1.

34 Centrelink, Submission no. 5. p.2

promotion and awareness of the Charter amongst DCALB, Indigenous and vulnerable customers.

- 5.66 The Committee is pleased that Centrelink is reviewing its customer charter and has recognised the importance of including measurable service standards. The Committee is keen to see the new charter finalised as soon as possible.

Original Decision Maker (ODM) reviews

- 5.67 The ANAO report stated that 'Centrelink has an extensive internal review and appeals system, which is mature and underpinned by legislation.'³⁵
- 5.68 Centrelink's internal review processes are the Original Decision Maker (ODM) reconsideration, followed by the Authorised Review Officer (ARO) review.

The *Social Security (Administration) Act 1999* (SSA Act) allows a person affected by a decision of a Centrelink officer to apply to the Secretary of the Department of Family and Community Services (FaCS) for review of the decision. If a person applies for review of a decision, the Secretary, the CEO or an ARO must review the decision. However, in practice, Centrelink policy includes another step in the process prior to the ARO review. This is the Original Decision Maker (ODM) reconsideration step, where the Customer Service Officer (CSO) who originally made the decision reviews the case.³⁶

The ARO review is the first step in the legislated appeals process. There are around 180 Authorised Review Officers (AROs) in the Centrelink network. AROs are experienced officers who are not involved in the original decision making process. This removal from the original decision is important as it allows the ARO to provide a more independent review of a decision, when a customer requests such a review.³⁷

35 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.71.

36 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* pp.63-64.

37 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.67.

- 5.69 The ANAO concluded that there are 'opportunities to improve the effectiveness, efficiency and economy of the system through improvements to Centrelink's methods for gathering, measuring, reporting and responding to requests for ODM reconsiderations and ARO reviews'.³⁸ The ANAO expects that such improvements would make the system more transparent and accessible to customers, as well as providing more accurate review and appeals information to Centrelink which could in turn assist in enhancing service delivery.
- 5.70 The ANAO made ten recommendations in the audit report into Centrelink's review and appeals system, five of them directly concerning the role of the ODM in Centrelink's review process. Centrelink told the Committee that the fourth of these recommendations has been implemented.³⁹
- 5.71 The Centrelink submission stated that the other ODM-related recommendations were being actioned as part of a broad examination of Centrelink's internal review processes, where trials of three alternative models for internal review have commenced. Two of these models involve retention of the Original Decision Maker in the internal review process; the third does not.⁴⁰
- 5.72 Centrelink advised the Committee that the trials were completed in November 2005 and the report on the project in December 2005. Following further consultation within Centrelink, including with AROs, the results are currently with Centrelink's Executive and a decision is yet to be made on the changes to be put in place.⁴¹

38 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.71.

39 ANAO recommends that Centrelink:

- (a) require staff to record all ODM reconsiderations on the APL system; and
- (b) include in relevant Centrelink internal reports information gathered through monitoring and reporting of ODM reconsiderations

Centrelink response:

- (a) In October 2004 all Centrelink staff were instructed to use the ODM/ARO referral script for ODM reconsiderations which automatically records them in the APL (appeals) management information system.
- (b) Monthly management information reports on ODM reconsiderations are now prepared and distributed to the Area network with comments.

Centrelink, Submission no. 2. Appendix 1 *Progress against audit recommendation – customer feedback systems*, p.9.

40 Centrelink, Submission no. 2. p.6.

41 Centrelink submission no. 5. p.2

- 5.73 The Committee is interested to see what outcome results from the examination of Centrelink's review processes, particularly with regard to the ODM reconsideration and the cost implications for the whole of the review process.

Centrelink surveys

- 5.74 Centrelink commissions a number of surveys of its customers to obtain direct feedback about the quality of the services provided by the agency's extensive customer service network. The major customer satisfaction surveys conducted are the Customer Service Centre (CSC) Survey, the Call Centre Survey, and the Centrelink National Survey. The major satisfaction surveys are all telephone surveys.⁴²
- 5.75 The Committee requested some more information on these different types of surveys and Centrelink provided the following snapshot of the current situation:

Customer Service Centre Customer Survey

In the 2004-05 financial year, 62,290 interviews were conducted as part of the Customer Service Centre survey program to gauge customer perceptions of service quality on their last visit to a Centrelink Customer Service Centre. Quarterly reports from this program provide Areas and Customer Service Centres with comparative performance data. These reports are used to measure performance and to identify better practice.

Satisfaction with 'the overall quality of people, services and information at the last visited Customer Service Centre' has been measured since November 1997. From November 1997 to November 2002 there was a steady increase in customer satisfaction (from 75.3 per cent in November 1997 to 85.5 per cent in November 2002).

In January 2003 Centrelink changed from yearly surveys to weekly collection of data throughout the year. This change to continuous polling from a point-in-time annual survey resulted in an increase in the proportion of students surveyed. As January is the time of year that students claim payments, January's result of 80.8 per cent was lower than the November 2002 result. Since then, at the

42 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p 33.

national level, reported levels of satisfaction with the overall quality of Centrelink's people, services and information in Customer Service Centres have steadily increased with a reported 83.9 per cent customer satisfaction level in August 2005.

Call Centre Customer Survey

In the 2004-05 financial year, 16,524 interviews were conducted as part of Centrelink's Call Centre Monitor Survey to gauge customer perceptions of service quality on their last call to a Centrelink Call Centre.

As with the Customer Service Centre survey program, quarterly comparative reports are provided to Call Centres and used as the basis for identifying better practice and service improvement opportunities.

Satisfaction with 'the overall quality of people, services and information at the last contact with a Centrelink Call Centre' has been measured since November 1997. From the period November 1997 to November 2001 customer satisfaction with the service received from the Call Centre network increased from 66.5 per cent to 85.3 per cent.

In February 2001 Centrelink changed from yearly surveys to weekly collection of data throughout the year. Over this time results have increased with a reported 88.5 per cent customer satisfaction with the overall quality of service from the Call Centre network in August 2005.

Information from both the Customer Service Centre and Call Centre survey programs is used in the Centrelink Balanced Scorecard and the Centrelink Comparative Reporting Framework.

National Customer Survey

Under the National Customer Survey program, 1,600 customers are interviewed annually. This survey is used to identify national level, cross-channel issues in relation to the quality of Centrelink's service delivery. These reports are provided to relevant National Office teams so they can identify possible service improvement opportunities.

Satisfaction with 'the overall quality of people, services and information from Centrelink' has been measured since November 1997. At the national level, overall reported levels of satisfaction have increased from 72 per cent in November 1997 to 81 per cent in November 2004.

Centrelink makes use of customer feedback to inform work programs at both the local and national levels. At the local level, business planning takes account of location-specific feedback (eg. from Value Creation Workshops and the results of regular customer satisfaction surveying). Managers are responsible for putting in place improvement strategies and interventions to address any particular performance issues, including responding to customer feedback.⁴³

- 5.76 The Committee notes that data from the satisfaction surveys are used extensively in a number of Centrelink reports and for performance monitoring. However often 'the way the data are reported suggests that the data reflect the views of **all** customers' when ANAO analysis showed that over half of customers in the target population were not given the opportunity to participate in the CSC Survey.⁴⁴ The ANAO stated that:

The reporting needs to be transparent regarding the source of the data and its limitations, to enable readers to properly interpret the data and have confidence in the results.⁴⁵

- 5.77 The Committee agrees with this suggestion but further believes that, in the interests of transparency, information on the surveys should be publicly available. This information should include:

- the type of surveys conducted and resources utilised;
- analysis of the information gathered by the surveys; and
- an indication of where improvement opportunities have been identified and how they will be addressed.

- 5.78 Accordingly, the Committee makes the following recommendation:

Recommendation 22

- 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.**

43 Centrelink, Submission no. 2. p.4-5.

44 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p .40.

45 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p .40.

Sample validity

- 5.80 The ANAO audit raised issues about the sampling of customers used for some of the feedback systems, including the use of a quota approach and exclusions from a sample.
- 5.81 The major satisfaction surveys are telephone surveys and all use non-probability sampling as there is a quota on the number of interviews. The ANAO reported that Centrelink's survey reports did not include information on the effect of a quota approach on the calculation of confidence intervals, considered important for tolerable confidence, along with transparency of the type of sample used.
- 5.82 Both the CSC and National Surveys had a large number of customers excluded from selection as part of the sample. Exclusions included customers without a phone or with a silent phone number, those in an institution, and those who only have a mobile phone number.⁴⁶
- 5.83 Centrelink responded that by the end of 2005, an explanation of the context of results and exclusions information for the major satisfaction surveys would be included in reports. In addition, a decision on sampling strategies and appropriate weighting of results will be made by the end of December 2005.⁴⁷
- 5.84 Selection of customers was also raised by the ANAO as an issue for the Value Creation Workshops. The report gave the following account of Centrelink's customer selection procedures for VCWs.

There are no mandated selection procedures for the recruitment of customers to a VCW, though Centrelink guidance outlines options that could be used using a quota approach (such as asking every third person until enough customers have been recruited). The Australian National University's Research School of Social Sciences has advised the ANAO that there is considerable evidence in public opinion surveys to suggest that, where quota sampling is utilised to select respondents, interviewers often select those respondents whom they believe will be the easiest to handle and the most compliant in an interview context. Centrelink staff interviewed by the ANAO indicated that they selected customers

46 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p.35-36.

47 Centrelink, Submission no. 2. Appendix 1 *Progress against audit recommendation – customer feedback systems*, p.2.

from the CSC public contact area whom they felt would be most likely to participate.⁴⁸

Centrelink advised the ANAO on 1 September 2004 that 'in addition to selecting customers at random, the customer must be willing and able (literate) to participate'. This may lead to an under-representation of the most vulnerable customers⁴⁹.

- 5.85 The Committee agrees with the ANAO's conclusion that 'A non-random selection process may lead to the sample becoming biased, and the intelligence obtained by the process being skewed, as well as being potentially unreliable'.⁵⁰
- 5.86 In addition, the Committee is concerned that the format of the VCWs is such that any of Centrelink's vulnerable customers who may attend are likely to feel more isolated than any less-vulnerable participants and therefore may not participate fully in the process.
- 5.87 Accordingly, the Committee makes the following recommendation:

Recommendation 23

- 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.**

Fear of retribution

- 5.89 The ANAO reported the issue of fear of retribution as being 'consistently raised as an issue during the ANAO's discussions with stakeholders'. Within the series of audit reports, the ANAO made two recommendations aimed at this area to which Centrelink responded with such actions as:

48 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* pp .76-77.

49 Centrelink's vulnerable customers may include those who are homeless; have a drug or alcohol dependency; have low levels of literacy or numeracy; have a mental health condition; are Indigenous; and/or come from a diverse cultural and linguistic background.

50 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p .77.

- a change to the introduction for surveys to stress anonymity and confidentiality;
- research commissioned to investigate whether anonymity and confidentiality concerns create bias in survey results, following which, the introduction of further changes may be undertaken;
- the preparation of a Centrelink Statement of Commitment to Service Recovery (covering complaints, review and appeals, and Charter commitments, and including a statement of assurance on confidentiality of customer information and non-discrimination) which will be available externally through various channels;
- the development of other communication products which will also carry this assurance statement; and
- the establishment of an internal review mechanism as part of a quality assurance process to assess customer satisfaction with the complaints handling system, including cases of alleged retribution or discrimination arising from the submission of a complaint or other feedback to Centrelink.

5.90 In evidence provided to the Committee, Centrelink explained that the ANAO had indicated that the issue has arisen from a range of sources including discussions with a particular stakeholder at the management level. In response, Centrelink has included that stakeholder on one of the steering committees, specifically to deal with fear of retribution relating to review and appeals matters.⁵¹

5.91 Centrelink also reported that:

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. ... some people will always worry that there will be repercussions even if there are not any.⁵²

51 Mr Walker, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA23.

52 Mr Whalan, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA24.

- 5.92 The Committee notes that the raising of this issue impacted on staff morale:

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.⁵³

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.⁵⁴

- 5.93 The Committee is satisfied with Centrelink's response on the issue of fear of retribution. In particular the inclusion of clear anonymity and confidentiality statements in survey documentation, and systems to monitor allegations of retribution or discrimination based on feedback to the organisation, should address what appears to be a small but concerning issue.

Accessibility

- 5.94 The Committee is surprised that the 2002 *Centrelink National Customer Satisfaction Study* identified some 26 per cent of customers who were unable to identify at least one way in which they could make a complaint to Centrelink about its service. This figure rose to 39 per cent for participants identified as being Indigenous Australians.⁵⁵
- 5.95 The Committee considers that it is very important that each of Centrelink's clients is given the best opportunity to know and understand their rights as well as their responsibilities with respect to Centrelink. This is particularly so for those who are disadvantaged and do not understand the system.

53 Mr Walker, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA23.

54 Mr Whalan, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA24.

55 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report* p 51.

- 5.96 The Committee is concerned that for Centrelink's customers, their rights are less well understood than their obligations. This imbalance needs to be rectified by Centrelink doing more to highlight customers' rights in correspondence with them, including mention of the Ombudsman.

Website

- 5.97 The ANAO found that it was 'difficult for customers and business and community stakeholders to locate information on Centrelink's complaints handling system from its website' and further, that 'a search for the term 'complaints' on the Centrelink website did not provide customers or stakeholders with information as to all the avenues available to lodge a complaint (such as directly with a Centrelink staff member).'⁵⁶
- 5.98 Centrelink agrees that this is a legitimate issue which needed to be addressed, and explained that their website had already been changed so that finding information on complaints is more explicit.⁵⁷
- If you go onto the web site at the moment, you will find on the front page⁵⁸ 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.
- 5.99 Centrelink also informed the Committee that there was a similar icon titled 'complaints' available on the main web page to make it simpler for clients to access that section of the site.
- 5.100 The Committee was very disturbed to note that while the icon for 'complaints' was available on Centrelink's main webpage for a few months following their public hearing, the icon was not present on 15 November 2005 (apparently due to site updates), nor was there a suitable alternative option at that time.
- 5.101 Further updates to the site since that time have led to one of the more stable page elements of the site being revised to read 'Customer service including charter and complaints.' The Committee is pleased that a direct link to the complaints section was reinstated on Centrelink's main

56 ANAO Audit Report No.31 2004-05 *Centrelink's Customer Feedback Systems – Summary Report*, p.51.

57 Mr Whalan, Centrelink. Committee Hansard, Joint Committee of Public Accounts And Audit, *Review of Auditor-General's reports tabled between 18 January and 18 April 2005*, Friday, 19 August 2005, p. PA4

58 <http://www.centrelink.gov.au/>

webpage, however it is concerned at the unpredictable nature of the existence of such a basic link.

5.102 The Committee makes the following recommendation:

Recommendation 24

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

5.104 Centrelink advice to the Committee in relation to the progress against recommendation 3 of Audit Report No. 34 2004-05 (Centrelink's Complaints Handling System) states that 'action has been taken to enable quick access to feedback mechanisms', and although 'other developmental work on the website is continuing to support these initial changes', this item is marked as completed.⁵⁹

5.105 The Committee is concerned that part (d)⁶⁰ of the recommendation has not yet been addressed appropriately. The Committee found that from the 'complaints' page on the web it took a further four mouse-clicks to locate the most appropriate postal address or Customer Service Centre.

5.106 The Committee also notes that the Centrelink "Tell us what you think" factsheet includes a Reply Paid address.

5.107 The Committee makes the following recommendation:

Recommendation 25

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.**

59 Centrelink, Submission no. 2. Appendix 1 p.5

60 The ANAO recommends that Centrelink redesign its Internet website to allow customers, and stakeholders to lodge a complaint without being required to navigate through numerous webpages.

- 5.109 If a customer follows the links from the 'complaints' page to "to send a secure message online", the page displayed again does not include the term 'complaint' and instead refers to 'service feedback'.
- 5.110 The Committee notes that although many of the other secure online message options include a section for the customer to include their email address for follow-up contact from Centrelink if they would like to, this is not the case for the 'service feedback' form.
- 5.111 The Committee makes the following recommendation:

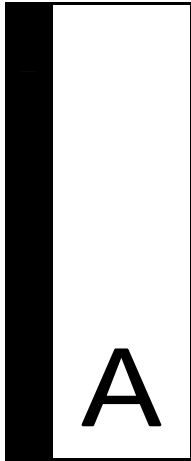
Recommendation 26

- 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.**
- 5.113 The Committee notes that although the 'Customer Charter' button was available on the site at the time of the hearing, it was not available when the site was accessed on 20 October, 2 November 2005 or 25 May 2006. Although the Charter can still be accessed online, it is no longer as easy to find as was described to the Committee. For example two methods were used by the Committee in May 2006, with the following results:
- when "About Us" is selected from the main webpage the resulting page titled "About Us Index", does not mention the Customer Charter or provide a link to it; and
 - the results listing for a search on the term "customer charter" conducted on the website showed the link to "About Us - Centrelink Customer Charter" at item five.
- 5.114 The Committee is concerned that Centrelink's Customer Charter is still not prominent enough on the agency's website to communicate service commitments to its customers. The Committee is also concerned that future updates to the site do not result in the Charter becoming more difficult to locate.

5.115 Accordingly, the Committee makes the following recommendation:

Recommendation 27

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



Appendix A - Conduct of the Committee's review

Selection of Audit Reports 2004-05

In June 2005 the Committee considered the following Audit Reports which were tabled in Parliament in the period from the 12 January– 19 April 2005:

- No. 21 Financial Statement Audit
Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2004
Across Agency
- No. 22 Performance Audit
Investment of Public Funds
Across Agency
- No. 23 Audit Activity Report
Audit Activity Report: July to December 2004
Audit Activity Report
- No. 24 Performance Audit
Integrity of Medicare Enrolment Data
Health Insurance Commission
- No. 25 Performance Audit
Army Capability Assurance Processes
Department of Defence

- No. 26 Performance Audit
Measuring the Efficiency and Effectiveness of E-Government Across Agency
- No. 27 Performance Audit
Management of the Conversion to Digital Broadcasting
Australian Broadcasting Agency and Special Broadcasting Service Corporation
- No. 28 Performance Audit
Protecting Australian Missions and Staff Overseas
Department of Foreign Affairs and Trade, Australian Trade Commission
- No. 29 Performance Audit
The Armidale Class Patrol Boat Project: Project Management
Department of Defence
- No. 30 Performance Audit
Regulation of Commonwealth Radiation and Nuclear Activities
Australian Radiation Protection and Nuclear Safety Agency
- No. 31 Performance Audit
Centrelink's Customer Feedback Systems- Summary Report
Centrelink
- No. 32 Performance Audit
Centrelink's Customer Charter and Community Consultation Program
Centrelink
- No. 33 Performance Audit
Centrelink's Customer Satisfaction Surveys
Centrelink
- No. 34 Performance Audit
Centrelink's Complaints Handling System
Centrelink
- No. 35 Performance Audit
Centrelink's Review and Appeals System
Centrelink
- No. 36 Performance Audit
Centrelink's Value Creation Program
Centrelink

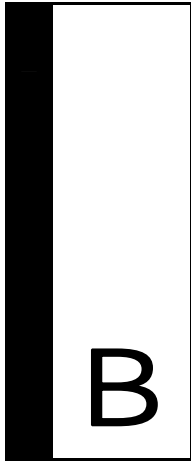
- No. 37 Business Support Process Audit
*Management of Business Support Service Contracts
Across Agency*
- No. 38 Performance Audit
*Payment of Goods and Services Tax to the States and Territories
Across Agency*
- No. 39 Performance Audit
*The Australian Taxation Office's Administration of the Superannuation
Contributions Surcharge
Australian Taxation Office*
- No. 40 Performance Audit
*The Edge Project
Department of Family and Community Services, Centrelink*
- No. 41 Protective Security Audit
*Administration of Security Incidents, including the Conduct of Security
Investigations
Across Agency*
- No. 42 Performance Audit
*Commonwealth Debt Management Follow-up Audit
Australian Office of Financial Management*

The JCPAA discussed the above audit reports and considered whether the issues and findings in the reports warranted further examination at a public hearing. In making this assessment the Committee considered, in relation to each audit report:

- the significance of the program or issues canvassed in the audit report;
- the significance of the audit findings;
- the response of the audited agencies, as detailed in each audit report; and
- the extent of any public interest in the audit report.

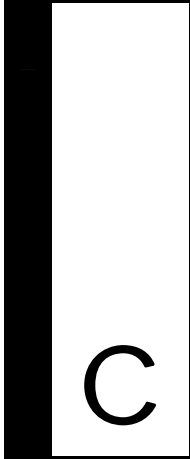
The Committee selected the following reports for review:

- No. 22 Performance Audit
Investment of Public Funds
Across Agency
- No. 30 Performance Audit
Regulation of Commonwealth Radiation and Nuclear Activities
Australian Radiation Protection and Nuclear Safety Agency
- No. 31 Performance Audit
Centrelink's Customer Feedback Systems- Summary Report
Centrelink
- No. 40 Performance Audit
The Edge Project
Department of Family and Community Services, Centrelink
- No. 42 Performance Audit
Commonwealth Debt Management Follow-up Audit
Australian Office of Financial Management



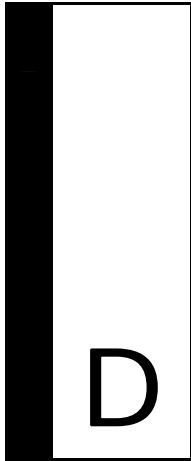
Appendix B – List of Submissions

- 1 Department of Finance and Administration
- 2 Centrelink
- 3 Australian Radiation Protection and Nuclear Safety Agency
- 4 Defence Service Homes
- 5 Centrelink
- 6 Defence Service Homes



Appendix C – List of Exhibits

- 1 Centrelink
'Centrelink Senior Executive Structure - May 2005' (Flow chart)
- 2 Department of Immigration & Multicultural & Indigenous Affairs
'Request for Tender - To undertake provision of investment advisory services for the ATSI Land Fund (RFT 05/49)' - DIMIA
- 3 Australian Radiation Protection and Nuclear Safety Agency
'Recovering the Costs of Regulation of Commonwealth Entities under the Australian Radiation Protection and Nuclear Safety Legislation' - Draft Policy
- 4 Australian Radiation Protection and Nuclear Safety Agency
Report on improving ARPANSA's regulatory practices (9Sep05)
(Related to Submission No. 3)
- 5 Centrelink
'Life events expert system contract'
(Related to Submission No. 2)
- 6 Centrelink
EDGE-Memorandum of Acceptance and Deliverable Reports
(Related to Submission No. 2)
- 7 Centrelink
EDGE Project Change Requests
(Related to Submission No. 2)



Appendix D – Witnesses Appearing at Public Hearings

Friday, 19 August 2005 - Canberra

Australian National Audit Office

Ms K Bradford, Senior Director
Mr S Chapman, Deputy Auditor-General
Ms F Holbert, Executive Director
Mr J Meert, Group Executive Director
Mr E Turner, Senior Director (Rtd)
Ms N Whiteley, Performance Analyst

Centrelink

Ms C Hogg, Deputy Chief Executive Officer,
Stakeholder Relationships
Mr R McDonald, General Manager, Audit and Risk Division
Ms S Ross, National Manager, Customer Experience Branch
Mr J Wadeson, Chief Information Officer
Mr N Walker, Area Manager, North Central Victoria
Mr J Whalan, Chief Executive Officer

Department of Family and Community Services

Dr N Hartland, Branch Manager, Seniors and Means Test
Mr S Hunter, Deputy Secretary

Department of Human Services

Mr G Leeper, Deputy Secretary

Softlaw Corporation

Mr S Dayal, Chief Executive Officer

Monday, 5 September 2005 - Canberra**Australian National Audit Office**

Mr B Boyd, Executive Director
Mr W Cochrane, Acting Deputy Auditor-General
Mr D Spedding, Contractor, Performance Audit
Ms N Thatcher, Director, Performance Audit

Australian Office of Financial Management

Mr M Bath, Director, Financial Risk Management
Mr N Hyden, Chief Executive Officer
Mr P Power, Chief Operating Officer

Department of Finance and Administration

Mr M Culhane, Branch Manager, Finance and Banking Branch
Mr J Hutson, Acting General Manager, Financial Management Group

Department of Immigration and Multicultural and Indigenous Affairs

Mr M Fileman, Director, Financial Management and Reporting

Department of Veterans' Affairs

Mr W Penniall, General Manager, Defence Service Homes Insurance Scheme
Mr D Walsh, National Manager, Defence Service Homes Insurance Scheme

The Treasury

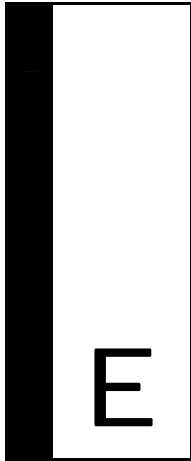
Mr M Flavel, Manager, Budget Policy Division

Tuesday, 12 September 2005 - Canberra**Australian National Audit Office**

Mr A Greenslade, Executive Director
Mr J Meert, Group Executive Director
Ms J Roessgen, Senior Director

Australian Radiation Protection and Nuclear Safety Agency

Mr P Brandt, Project Director
Dr J Loy, Chief Executive Officer



Appendix E - Action taken by ARPANSA on Report 30

Action taken/to be taken by ARPANSA in response to the recommendations in ANAO Audit Report 30 (as at 24.10.2005)

Number	Recommendation	Action
Rec. 1	The ANAO recommends that ARPANSA's Corporate and Branch plans address key priorities and strategies for delivering regulatory outcomes. This would include clearer articulation of objectives and prioritisation of those objectives.	ARPANSA has prepared a strategic regulatory framework that sets out the fundamental ways that ARPANSA seeks to achieve regulatory outcomes for inclusion in the newly prepared corporate plan. The paper has been considered by the RRCC and has been circulated to all licence holders for comment. This policy paper has been incorporated into the ARPANSA 2005/08 Corporate Plan. A more strategic Regulatory Branch Business Plan has been prepared; it will be completed by mid November after holding a one day externally facilitated workshop involving all Regulatory Branch staff.

Number	Recommendation	Action
Rec. 2	The ANAO recommends that ARPANSA develop key performance indicators and targets for the regulatory function that inform stakeholders of the extent of compliance by controlled persons, and of ARPANSA's administrative performance.	The revised Regulatory Branch Business Plan has had KPIs added which will be monitored and reported in future Annual Reports so as to provide information about licence holder and ARPANSA performance. KPIs attributed to licence holder performance will be consulted with all licence holders before being finalised.
Rec. 3	The ANAO recommends that ARPANSA enhance its risk management framework to identify risks to achievement of regulatory outcomes, mitigation strategies to manage those risks, residual risks, and a process of systematic monitoring of residual risks and their treatment.	ARPANSA is revising its risk management framework and has identified the risks to achievement of regulatory outcomes. The revised framework will be completed by December 2005. It will include a Risk Management Communication Strategy by which info on risk management policy; risk application, techniques and evaluation; review mechanisms; and current risk issues are communicated to external and internal stakeholders.
Rec. 4	The ANAO recommends that ARPANSA strengthen management of the potential for, or perceptions of, conflict of interest, in accordance with legislative responsibilities, by: <ul style="list-style-type: none"> • ensuring adequate documentation of all perceived or potential conflicts of interest; • taking action to better manage the conflict of interest arising from its regulatory role in respect of its own sources and facilities; and • implementing and ensuring compliance with instructions issued. 	ARPANSA is reviewing and preparing to 'relaunch' its policy and procedures for managing conflict of interest. With regard to regulation of its own use of sources and facilities, to increase transparency, ARPANSA will be seeking the assistance of the Victorian State regulator to take part in inspections and assessments of ARPANSA's own radiation activities.
Rec. 5	The ANAO recommends that ARPANSA: <ul style="list-style-type: none"> • review and assess performance against customer service standards in its customer service charter; and • systematically action and report on all complaints received. 	ARPANSA is working to ensure a consistent approach to the handling of complaints across the regulatory and service functions of ARPANSA within the ARPANSA Quality Management System. The Customer Service Charter will be reviewed and forwarded to all licence holders annually, together with a feedback form. The first feedback survey will be undertaken in March 2006, so as to allow the results to be included in the 2006 Annual Report. Complaints handling performance, as with other Customer Service Charter requirements, will be reported in future Annual Reports.

Number	Recommendation	Action
Rec. 6	<p>The ANAO recommends that, in order to provide assurance that cost recovery is consistent with better practice and government policy, ARPANSA:</p> <ul style="list-style-type: none"> • develop a policy framework to guide its cost recovery arrangements; • and have sufficiently reliable data and analysis, on cost elements to support management decisions on cost recovery – such analysis should include the alignment of fees and charges with the costs of regulation for particular groups of clients or types of licences, to the extent that this is cost-effective. 	<p>ARPANSA has prepared a draft policy framework on cost recovery as recommended by the ANAO. It sets out the basis for the current fees and charges and future models for cost recovery. That paper has been reviewed by the RRCC and has been circulated to all licence holders for comment. Comments closed on 21.10.05</p> <p>ARPANSA is installing software to record regulatory activity in relation to individual licence holders. This activity will be costed and will form the basis for a more transparent recording of regulatory costs by licence holder and by source and facility licence. This program will commence in November 2005 and activity based costing will form the basis for future reviews of fees and charges.</p> <p>ARPANSA will follow the Government Cost Recovery Guidelines as much as possible, bearing in mind that those Guidelines exempt cost recovery from other Government agencies.</p>
Rec. 7	<p>The ANAO recommends that ARPANSA enhance guidance to applicants to better reflect the requirements of the ARPANS Act and Regulations and, in particular, to provide guidance on the statutory matters that the CEO must take into account.</p>	<p>The current information pack to applicants will be reviewed and rewritten during October-November 2005. It will be submitted to the RRCC for comment. The RRCC includes two members who are from agencies which are current major ARPANSA licence holders.</p>
Rec. 8	<p>The ANAO recommends that ARPANSA introduce appropriate systems to ensure its application processing complies with the requirements of the ARPANS Act and Regulations.</p>	<p>Once the applicant information pack is rewritten, and consulted with the RRCC, it will be used as a template to develop an information pack for ARPANSA officers assessing applications. To be prepared in conjunction with the applicant info pack in November 2005.</p>

Number	Recommendation	Action
Rec. 9	<p>The ANAO recommends that ARPANSA enhance its licence application assessment processes by ensuring that:</p> <ul style="list-style-type: none"> • guidance to staff explicitly addresses specified statutory matters that the CEO must take into account; and • regulatory assessment reports provided to the CEO on each application explicitly address the extent to which an application addresses these matters. 	<p>Implementing ANAO recommendations 7 and 8 as above (November 2005) will result in ANAO recommendation 9 also being completed.</p>
Rec. 10	<p>The ANAO recommends that ARPANSA develop a risk-based decision-making process for the use of additional licence conditions. This would require clear procedures and documentation addressing, inter alia, why and how conditions will be applied, monitoring of those conditions, and their costs and benefits.</p>	<p>The use of additional licence conditions is now relatively rare as the licensing or pre-existing activities have been completed. A paper on the role of additional licence conditions will be prepared by the end of November 2005.</p>
Rec. 11	<p>The ANAO recommends that ARPANSA develop and implement a central database for the management of applicant and licence-holder information.</p>	<p>The implementation of a central regulatory management information system is seen as very important to address several of the ANAO recommendations, particularly in relation to risk management and report monitoring. ARPANSA has completed the system scope and project plan for the information management system. ARPANSA currently developing the user requirements and will engage a programmer to build the system in several stages to be completed by mid 2006.</p>
Rec. 12	<p>The ANAO recommends that ARPANSA monitor the timeliness of licence approvals against service standards, and report on this in its annual report.</p>	<p>'Service standards' for assessment of licence applications and applications for reg 51 modifications will be included in I the Regulatory Branch plan. Performance will be monitored and reported in future Annual Reports.</p>

Number	Recommendation	Action
Rec. 13	<p>The ANAO recommends that ARPANSA develop and implement an explicit, systematic and documented overall strategic compliance framework that:</p> <ul style="list-style-type: none"> • identifies and articulates the purpose, contribution, resourcing and interrelationships of the various compliance approaches; • is based on systematic analysis of the risk posed by licensees and the sources and facilities under their management; and • targets compliance effort measures in accordance with assessed licensee risk. 	<p>In order for ARPANSA to develop an explicit, systematic and documented overall strategic compliance framework, it must firstly address ANAO recommendations 7, 14, 15, 16 and 18. These recommendations will be addressed by 31.12.05, after which time the overall compliance framework will be documented, to be completed by March 2006.</p>
Rec. 14	<p>The ANAO recommends that, to facilitate licensee understanding of and compliance with their obligations, ARPANSA revise or replace the Licence Handbook to address identified weaknesses.</p>	<p>Reliance on the Licence Handbook has been reduced for new and revised licences by including conditions explicitly on the licence. The Licence Handbook will be revised and retained as a general reference source for licence holders to be informed about the Act, Regulations and licence holder rights and obligations.</p>
Rec. 15	<p>The ANAO recommends that ARPANSA enhance its reporting guidelines by:</p> <ul style="list-style-type: none"> • implementing procedures to keep the guidelines up to date; • specifying the level of supporting evidence required in reports; • providing feedback to - licensees on reports; and • seeking client feedback on its guidelines. 	<p>The reporting guidelines have been revised and enhanced. There will be further consultation with licence holders on the new guidelines in the next quarter. Arrangements for regular feedback are being addressed.</p>
Rec. 16	<p>The ANAO recommends that ARPANSA monitor compliance by licensees with reporting requirements.</p>	<p>Recent quarterly reports do clearly report on this compliance.</p>
Rec. 17	<p>The ANAO recommends that ARPANSA develop standard procedures, for the consideration and assessment of reports, that address:</p> <ul style="list-style-type: none"> • processes to provide assurance that licensee reports are appropriately assessed and acted upon; and • the collation and monitoring of reported information for risk management purposes. 	<p>This recommendation is closely linked with ANAO recommendations 15 and 16. Acting on this recommendation will be assisted by the enhancement of the management information system.</p>

Number	Recommendation	Action
<p>Rec. 18</p>	<p>The ANAO recommends that ARPANSA establish a systematic, risk based framework for compliance inspections that includes:</p> <ul style="list-style-type: none"> • an integrated inspection program based on systematic and transparent assessment of the relative risks of facilities and hazards; • inspection reporting procedures that clearly assess the extent of licensee compliance with licence conditions; • recording of report findings in - management information systems, to facilitate future compliance activity, and analysis of licence compliance trends; • accountable and transparent procedures for discretionary judgements, where compliance inspections vary from standard procedures; and • reporting on ARPANSA's performance in conducting inspections. 	<p>Pending completion of the management information system, ARPANSA will undertake a sound risk assessment of a sample of different types of licence holder, taking into account the nature, location and use of the source/facility, the safety processes in place, and the licence holder's past compliance history. Drawing on the outcomes of this sample, the reporting functions of the management information system will be developed in order to undertake risk assessment across the licence holder cohort.</p> <p>A rating scale will be introduced for assessing licence holder compliance and common report format and terminology will be introduced for consistent appraisal and -recommendations to the CEO.</p> <p>Once these enhancements have been made, an overall inspection schedule, explicitly based on risk, will be prepared.</p> <p>Reporting of ARPANSA and licence holder performance will be undertaken. Any licence holder performance measures will be consulted with licence holders.</p>
<p>Rec. 19</p>	<p>The ANAO recommends that, in order to provide greater assurance that failures to meet licence conditions are dealt with and reported appropriately, ARPANSA:</p> <ul style="list-style-type: none"> • develop internal systems, policies and procedures to support a consistent approach to defining non-compliance and breaches; • have a robust framework to support a graduated approach to enforcement action; and • maintain a database of non-compliance and enforcement actions taken and their resolution. 	<p>A matrix of responses to potential situations will be drawn up and consulted with licence holders, before 31.12.05. The purpose of the matrix will be to provide a consistent and appropriate graduated regulatory response, which is known to all licence holders.</p> <p>The regulatory action taken will be recorded on the central database, and monitored for effect.</p>



Appendix F - ARPANSA Statement of Regulatory Policy

A prime goal of regulation by the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) is to provide assurance to the public and stakeholders about the safe management of the radiation and nuclear activities of the Australian Government.

The *Australian Radiation Protection and Nuclear Safety Act 1998* (the Act) and its associated regulations clearly define the responsibilities of licence holders to meet certain conditions relating to radiation and nuclear safety.

The CEO of ARPANSA is responsible for ensuring that Australian Government licence holders properly discharge their responsibilities under the Act. This is achieved by:

- establishing and publishing clear regulatory requirements, monitoring and enforcing compliance, and appropriately supporting licence holders to improve safety
- making independent, objective, informed and consistent regulatory decisions
- operating cost-effectively by basing regulatory action on the level of risk to people and the environment
- working transparently, with strong accountability to the Australian Government, Parliament and the public.

Establishing and publishing clear regulatory requirements and monitoring and enforcing compliance, and appropriately supporting licence holders to improve safety**ARPANSA:**

- Makes recommendations, policies, codes and standards in accordance with the mechanisms established by the Act and regulations, including through consultation with stakeholders and the general public.
- Promotes compliance with regulatory requirements and improvements in safety through education and support of licence holders.
- Maintains an accurate, detailed and current case-management system.
- Monitors the compliance of licence holders with the requirements of the Act and regulations through a program of inspections and regular reporting.
- Reviews incidents and licence breaches reported by licence holders to ensure that lessons are learned and circulated to other licence holders.

Making independent, objective and informed regulatory decisions on a consistent basis**ARPANSA:**

- Undertakes a timely and objective assessment of information provided by licence holders or applicants for licences and through public submissions.
- Ensures that there is an adequate level of competence available within ARPANSA and through networks of contacts to inform the assessment process.
- Makes transparent regulatory decisions in accordance with the Act and regulations and on a consistent basis, using a risk-based approach.
- Cooperates with other Australian jurisdictions to improve ARPANSA's regulatory practices and to contribute to improved regulatory processes adopted by other radiation regulators and interacts with overseas radiation protection and nuclear safety regulators as appropriate.

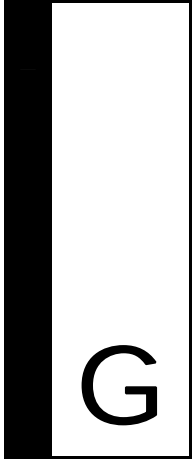
Operating in a cost-effective manner, basing regulatory action on the level of risk to people and the environment**ARPANSA:**

- Regulates licence holders and activities that are subject to the Act and regulations in a manner that is consistent with the risk posed by the regulated activity as conducted by the licence holder.
- Makes regulatory decisions and allocates regulatory and compliance resources in a way that takes potential risks into account.
- Ensures that the costs of regulation are measured and allocated to licence holders on a fair and equitable basis and that there are regular reviews to ensure that regulatory costs are appropriate.
- Conducts the regulatory process in an effective and efficient manner and within a quality management system.
- Establishes performance indicators for the regulatory process in consultation with stakeholders and reports achievement against priorities for these performance indicators.
- Receives, acts and reports upon stakeholder feedback.

Working in a transparent manner with strong accountability to the Australian Government, Parliament and the public**ARPANSA:**

- Makes timely and effective reports of ARPANSA's regulatory performance to the minister, the parliament, and the public.
- Seeks and takes into account views from the Radiation Health and Safety Advisory Council, the Nuclear Safety Committee and the Radiation Health Committee on matters relevant to regulatory decisions.
- Uses the ARPANSA website and other communication tools to inform stakeholders and the public of ARPANSA's regulatory activities.
- Seeks public submissions as required under the Act and regulations and takes these into account in regulatory decision-making.

November 2005



Appendix G - Action taken by Centrelink on Report 31

Centrelink JCPAA Response — Progress Against ANAO Audit Recommendations

Rec No.	Recommendation	Status	Milestone Date
1. Centrelink's Customer Charter and Community Consultation Program (Audit Report No. 32 2004-05)			
1	The ANAO recommends that, in accordance with the guidance set out in the Australian Government's Client Service Charter Principles, Centrelink include in its Customer Charter measurable service standards to: (a) better inform customers of the level of service to expect; and (b) provide an improved basis for measuring, monitoring and reporting, both internally and externally, the agency's performance against its Charter.	1 (a) Centrelink is undertaking a major review of the Centrelink Customer Charter in 2005. 1 (b) The new Charter will include measurable standards that customers have identified as important to them and will provide a basis for measuring, monitoring and reporting Centrelink's performance against the Charter. IN PROGRESS	28 February 2006
2	The ANAO recommends that Centrelink: (a) implement adequate systems to monitor community consultation nationally, and to identify, at the national level, common issues/trends that are emerging at the local level to allow identification of service improvement and cost savings; and (b) put in place quantitative indicators, such as targets and cost effectiveness measures, in addition to descriptive indicators, when assessing and reporting its consultations with community stakeholders.	2 (a) Centrelink has investigated the most cost effective options for a community consultation monitoring system. As a result Centrelink will implement a Top 5 Issues approach to recording and monitoring feedback from the community. This approach relies on Centrelink Areas identifying the top 5 issues in their Area that have been raised by the community and reporting these. 2 (b) Work is under way to identify the value of community sector relationships. IN PROGRESS	COMPLETED Recommendations made to Centrelink Executive. 30 September 2005 Recommendations to be made to Centrelink Executive.

Rec No.	Recommendation	Status	Milestone Date
2. Centrelink's Customer Satisfaction Surveys (Audit Report No. 33 2004-05)			
1	The ANAO recommends that Centrelink include: (a) the objectives of the satisfaction surveys in all reports from the surveys; (b) in the objectives, for all its satisfaction surveys, the accuracy requirements for each survey; and (c) in the Customer Service Centre survey's objectives, advice that the survey data are used for performance management of individual Customer Service Centres. IN PROGRESS	1 (a) (b) (c) Objectives of surveys and accuracy level information for National and Customer Service Centre Surveys are now included in reports, as is advice that survey data is used for performance management information; for Call Centres this will occur by the end of September 2005.	30 September 2005
2	The ANAO recommends that Centrelink include in reports from the satisfaction surveys the type of sample used and the effect of a quota approach on calculating error estimates.	2. Type of sample used and effect of quota approach information for national and Customer Service Centre Surveys now included in reports; for Call Centres this will occur by the end of September 2005. Research has been conducted to investigate the quota approach; the report was received at the end of July 2005, and will be analysed by the end of September 2005. IN PROGRESS	30 September 2005
3	The ANAO recommends that Centrelink: (a) undertake further research on the characteristics of those customers who are excluded from the survey sample, in order to ascertain whether any significant bias is introduced from the exclusions; and (b) in reporting information from the surveys, inform users of the data as to the nature of the exclusions from the survey, the rationale for them, and the related implications for the interpretation of survey results.	3 (a) Exclusions information for National and Customer Service Centre Surveys now included in reports; for Call Centres this will occur by the end of September 2005. 3 (b) Final decision on sampling strategies and appropriate weighting of results will be made by the end of December 2005. IN PROGRESS	30 September 2005 31 December 2005

Rec No.	Recommendation	Status	Milestone Date
4	<p>The ANAO recommends that Centrelink:</p> <p>(a) undertake research into the reasons that a significant number of customers selected for the Customer Service Centre survey, on the basis of DOCs raised indicating they had visited a Customer Service Centre, subsequently advise the market research company they have not visited a Customer Service Centre at the time reported in the DOC;</p> <p>(b) undertake further research into the inclusion in the Customer Service Centre survey of those customers who only lodged a form or updated personal details during their visit to the Customer Service Centre, to ascertain whether any significant bias is introduced from their inclusion; and</p> <p>(c) in reporting information from the surveys, inform users of the data as to the related implications of these inclusions for the interpretation of survey results.</p>	<p>4 (a) Appropriate inclusions in the samples for surveys are currently being investigated.</p> <p>4 (b) A final decision on sampling strategies and appropriate weighting of results will be made by the end of December 2005.</p> <p>4 (c) An explanation of the context of results is now included in all reports from July 2005.</p> <p>IN PROGRESS</p>	<p>31 December 2005 31 December 2005 COMPLETED</p>
5	<p>The ANAO recommends that Centrelink:</p> <p>(a) regularly analyse the non-response rates for each of the major satisfaction surveys to identify the nature of the non-response and any associated bias;</p> <p>(b) include this information in any reports of the survey data; and</p> <p>(c) consider weighting the data appropriately to minimise non-response bias.</p>	<p>5 (a) (b) Non-response information for National and Customer Service Centre Surveys now included in reports; for Call Centres this will occur by the end of September 2005.</p> <p>5 (c) Research commissioned to investigate non-response rates to surveys; the report was received at the end of July 2005, and will be analysed by the end of September 2005.</p> <p>Any action to address non-response rates will be taken by the end of December 2005.</p> <p>IN PROGRESS</p>	<p>30 September 2005 31 December 2005</p>

Rec No.	Recommendation	Status	Milestone Date
6	<p>The ANAO recommends that Centrelink:</p> <p>(a) undertake research to identify whether concerns regarding anonymity and confidentiality impact adversely on customers' willingness to participate in Centrelink surveys, and whether these concerns lead to significant bias in the survey results;</p> <p>(b) include clear indications at the beginning of the survey regarding the uses and purpose of the survey; and</p> <p>(c) include clearer statements in the introductory and closing sections of the surveys regarding the confidentiality of customer information, particularly that identifying information is kept confidential from Centrelink.</p>	<p>6 (a) Research commissioned to investigate whether anonymity and confidentiality concerns created bias in survey results; report received at the end of July 2005 and will be analysed by the end of September 2005.</p> <p>6 (b) (c) Introduction to surveys was changed in March 2005 in line with ANAO recommendations to stress anonymity and confidentiality. Following investigation of customer understanding of the introduction further changes will be undertaken.</p> <p>IN PROGRESS</p>	<p>30 September 2005 31 December 2005</p>
7	<p>The ANAO recommends that Centrelink review the quality of its satisfaction survey questionnaires and, where appropriate, make changes to increase the usefulness and accuracy of the information gathered.</p>	<p>7. Research commissioned to investigate quality of questionnaires; report was received at the end of July 2005 and will be analysed by the end of September 2005. A decision on the findings is expected by end of December 2005</p> <p>IN PROGRESS</p>	<p>30 September 2005 31 December 2005</p>
8	<p>The ANAO recommends that Centrelink undertake quality assurance checking of data and analysis provided to it by its satisfaction survey consultants.</p>	<p>8. Annual and monthly data quality checking of National and Customer Service Centre Survey results respectively has commenced. Monthly quality checking of Call Centre Surveys will be included by the end of September 2005.</p> <p>IN PROGRESS</p>	<p>30 September 2005</p>
9	<p>The ANAO recommends that Centrelink, in its reports which use survey data, ensure the reporting is transparent regarding the source of the data and its limitations, to enable readers to properly interpret the data and have confidence in the results.</p>	<p>9. As well as additions to survey reports to improve the transparency of methodology, Centrelink Annual Report 2004-05 will include this information.</p> <p>IN PROGRESS</p>	<p>31 October 2005</p>

Rec No.	Recommendation	Status	Milestone Date
10	The ANAO recommends that Centrelink ensure that performance measures under the purchaser! Provider arrangements with the various portfolio departments now responsible for income support payments are appropriate for the purpose, and that targets are set at a sufficient level to assess performance achievement.	10. In negotiating new agreements with purchasing agencies, consideration is being given to including appropriate satisfaction measures in those agreements. IN PROGRESS	Various dates apply to completion of purchaser department agreements.
11	The ANAO recommends that Centrelink review its use of an average for its top line KPI Overall Customer Satisfaction with the last contact with Centrelink. Other KPI measures under Goal C: Customer also be reviewed to ensure they measure what they purport to measure.	11. Negotiations are continuing on the appropriate measures for inclusion in Centrelink's new Balanced Scorecard. IN PROGRESS	31 October 2005
12	The ANAO recommends that Centrelink: (a) introduce an internal quality control process to ensure that performance measures in Area and Customer Service Centre Business Improvement Plans are appropriate and adequate, and that the use of the top line satisfaction number is supplemented by other selected measures; and (b) provide additional training to staff at the Area and Customer Service Centre levels on performance indicators, to ensure they have a good understanding of their use and limitations.	12 (a) Relevant Centrelink Branches are working together to develop a Quality Assurance process to ensure that appropriate customer service improvement activity and measures are included in local Area, Customer Service Centre and Call Centre business plans. 12 (b) A Business Planning Guide for managers and staff was released in August 2005 and provides advice on understanding and using performance indicators. IN PROGRESS	31 December 2005 COMPLETED
13	The ANAO recommends that Centrelink include confidence interval information in its Area and Customer Service Centre satisfaction reports.	13. Confidence interval information for national and Customer Service Centre Surveys is now included in reports; for Call Centres this will occur by the end of September 2005.	30 September 2005

Rec No.	Recommendation	Status	Milestone Date
3. Centrelink's Complaints Handling System (Audit Report No. 34 2004-05)			
1	The ANAO recommends that Centrelink take prompt action to address the finding of its October 2003 internal audit report on Customer Complaint Management, which identified that there is a significant inconsistency across the customer service network in the frequency of prompt resolution of complaints at the point at which they are received.	1. Action has been taken to address the October 2003 internal audit finding. More detailed investigation has been undertaken of Area Customer Relations Unit data over the July 2004 - June 2005 period to identify trends and differences across Areas' recording of complaint resolutions. Where any Areas are showing marked variation this is being investigated, and remedial action taken to address any instances of inconsistent recording. IN PROGRESS	31 December 2005
2	The ANAO recommends that Centrelink: (a) re-commence surveying customers regarding their awareness of its complaints handling system; and (b) as part of its overall communications strategy, identify ways to enhance customer awareness of its complaints handling system.	2(a) Seven new questions were included in November 2004 National Customer Survey to assess customers' knowledge of, and experiences with, Centrelink's complaints handling system. 2(b) Communications Division has begun consultation with stakeholders on a draft customer communications strategy to address awareness issues in relation to complaints, review and appeals for all customer groups including non-English speaking and Indigenous customers, and others vulnerable due to low literacy levels. First communication products to be produced by 31 December 2005. IN PROGRESS	COMPLETED 31 December 2005

Rec No.	Recommendation	Status	Milestone Date
3	<p>The ANAO recommends that Centrelink redesign its Internet website to:</p> <p>(a) ensure that a search on the term 'complaint' provides pertinent information to customers and stakeholders on its complaints handling system;</p> <p>(b) provide customers and stakeholders with more explicit information as to the various avenues by which to lodge a complaint;</p> <p>(c) ensure that information on Centrelink's complaints handling system is easily identifiable by customers and stakeholders; and</p> <p>(d) allow customers, and stakeholders to lodge a complaint without being required to navigate through numerous webpages.</p>	<p>3 (a) (b) (c) (d) Action has been taken to enable quick access to feedback mechanisms, including new content on complaints handling.</p> <p>Customers can now directly access complaints handling avenues via a 'hot button' on Centrelink internet homepage. Similarly, a search on the term 'complaint' gives customers access to complaints handling avenues. Other developmental work on the website is continuing to support these initial changes.</p> <p>COMPLETED</p>	COMPLETED
4	<p>The ANAO recommends that Centrelink regularly survey its customers and staff regarding their satisfaction with the complaints handling process.</p>	<p>4. New questions were added to the National Customer Survey in November 2004. See response to Recommendation 2(a)</p> <p>Centrelink is to undertake the joint Society of Consumer Affairs Professionals (SOCAP) ITMI Australia P/L complaints culture survey to identify staff views of the Centrelink complaints system. Subject to results of this survey, consultation will be held with People and Planning Division to determine approach to include relevant questions in future Staff Polls to assess staff satisfaction with the complaints handling system.</p> <p>IN PROGRESS</p>	COMPLETED 31 December 2005

Rec No.	Recommendation	Status	Milestone Date
5	<p>The ANAO recommends that Centrelink, in accordance with the Commonwealth Ombudsman's Good Practice Guide for Effective Complaint Handling:</p> <p>(a) include, in each avenue available for the lodgement of a complaint, an explicit statement that assures customers and stakeholders of the confidentiality of the information they provide; and</p> <p>(b) establish an internal follow-up procedure to address the risk of discrimination against customers or stakeholders who lodge a complaint.</p>	<p>5(a) Work is well advanced on a Centrelink Statement of Commitment to Service Recovery that will be available externally through various channels. The policy statement will address issues highlighted in ANAO recommendations covering complaints, review and appeals, and Charter commitments, including a statement of assurance on confidentiality of customer information and non-discrimination. Other communication products to be developed will also carry this assurance statement.</p> <p>5(b) Work is under way to establish an internal follow-up procedure. This will form part of a quality assurance process to include random sampling of customers providing feedback through Customer Relations Units to assess their satisfaction with the complaints handling system. The internal review mechanism will be in place to address cases of alleged retribution or discrimination arising from the submission of a complaint or other feedback to Centrelink.</p> <p>IN PROGRESS</p>	<p>31 December 2005 31 January 2006</p>

Rec No.	Recommendation	Status	Milestone Date
6	<p>The ANAO recommends that Centrelink implement a system to:</p> <p>(a) improve and monitor national consistency in the way in which complaints are recorded, analysed and resolved by CRUs; and</p> <p>(b) facilitate the timely promulgation and adoption of better practice across all CRUs.</p>	<p>6(a) The Customer Relations Unit Protocols are being reviewed to improve consistency of recording, analysis and resolution of complaints.</p> <p>6(b) Each Customer Relations Unit is involved in the review of the Customer Relations Unit Protocols to involve them in the identification and sharing of better practice. The revised Protocols will be tested with CRU staff and other stakeholders for feedback before final promulgation as mandatory standards. Regular customer feedback data integrity checks also enable identification of better practices and their referral back to Area Customer Relations Units to improve performance.</p> <p>IN PROGRESS</p>	31 January 2006
7	<p>The ANAO recommends that Centrelink:</p> <p>(a) improve controls for ensuring that all oral complaints are recorded in an appropriate and timely manner within the CFAD; and</p> <p>(b) revise the CES to include a greater range of relevant information to facilitate improved recording and analysis of oral complaints lodged at a Customer Service Centre.</p>	<p>7(a) Revised Customer Relations Protocols will include procedures for capturing and recording oral complaints. Implementation of an internal communication strategy will assist staff to recognize the importance of oral feedback as part of the service recovery function.</p> <p>7(b) The Customer Feedback Sheet (CFS) used by Centrelink staff to record oral complaints is being reviewed as part of communication strategy.</p> <p>IN PROGRESS</p>	<p>31 December 2005</p> <p>30 September 2005</p> <p>31 December 2005</p>

Rec No.	Recommendation	Status	Milestone Date
8	<p>The ANAO recommends that Centrelink:</p> <p>(a) improve controls for ensuring that all completed comment cards are forwarded to the relevant CRU;</p> <p>(b) redesign the comment card to enhance customer awareness of its availability as an avenue to lodge a complaint;</p> <p>(c) identify ways of more generally improving customer awareness regarding the availability of comment cards as a feedback channel; and</p> <p>(d) identify ways of improving the current communication strategies implemented by Centrelink to increase DCALB customer awareness regarding the availability of comment cards and DCALB fact sheets.</p>	<p>8(a) Revised Customer Relations Protocols will include procedures for a focus on improved consistency of recording, analysis and resolution of complaints.</p> <p>8(b) The Protocols will include improved controls for the appropriate completion and forwarding of Customer Comment Cards to Customer Relations Units.</p> <p>8(c) and 8(d) Communication strategy for all customer groups, including DCALB and indigenous will seek to improve customer awareness of Customer Comment Cards as a feedback channel.</p> <p>IN PROGRESS</p>	<p>31 January 2006 30 September 2005</p>
9	<p>The ANAO recommends that Centrelink develop the necessary functionality within the CFAD to allow for the recording, monitoring and analysis of complaints lodged by all stakeholders within the business and community sectors.</p>	<p>9. A process of consultation has begun with internal and external stakeholders to identify options for capturing and reporting all stakeholder feedback as part of an integrated feedback system.</p> <p>It may take up to two years before the required level of functionality is available. Work is under way to provide interim enhancements to the Customer Feedback Approach Database (CFAD) to allow capture of feedback from all stakeholders.</p> <p>IN PROGRESS</p>	<p>31 January 2006</p>
10	<p>The ANAO recommends that Centrelink develop the necessary functionality within the CFAD to allow for the recording, monitoring and analysis of multiple complaints about the same issue, a particular staff member and/or Customer Service Centre.</p>	<p>10. As per Rec. 9, this issue will be addressed as part of the effort to develop an integrated systems capacity to capture all channels of customer feedback.</p> <p>The work under way includes an interim solution to enable the recording, monitoring and analysis of multiple complaints about the same issue, a particular staff member, and/or Customer Service Centre.</p> <p>IN PROGRESS</p>	<p>31 January 2006</p>

Rec No.	Recommendation	Status	Milestone Date
11	<p>The ANAO recommends that Centrelink:</p> <p>(a) report on the full range of performance information on its complaints handling system identified as good practice by the Ombudsman's Good Practice Guide;</p> <p>(b) commence monitoring and reporting on telephone call wait times and telephone call drop out rates across the CRU network;</p> <p>(c) accurately report the true nature of all customer contacts recorded by the CRU network; and</p> <p>(d) implement a system to develop national consistency in the reporting and use of data obtained by its complaints handling system.</p>	<p>11(a) internal and external complaints performance reporting is under review. Centrelink will be evaluating external organisations' complaints handling systems, including their analysis and reporting arrangements, and methods to identify and act on systemic issues.</p> <p>11(b) CRU telephone traffic reporting (from standalone systems) is being mandated from 30 September 2005 as part of the review of CRU Protocols. Solutions for integrated reporting are also being investigated.</p> <p>11(c) Recommendation was partly addressed through input to 2003-2004 Annual Report on customer complaints handling, and is being further addressed in 2004-05 Annual Report.</p> <p>11(d) Revised Customer Relations Unit Protocols will include enhanced data integrity checking to ensure national consistency in the reporting and use of data</p> <p>IN PROGRESS</p>	<p>31 January 2006</p> <p>30 September 2005</p> <p>31 October 2005</p> <p>31 January 2006</p>
12	<p>The ANAO recommends that Centrelink implement an effective quality assurance mechanism for the administration and monitoring of its complaints handling system.</p>	<p>12. Centrelink is implementing a two-level quality assurance regime: (1) data integrity and procedural checking at the Area and National level; (2) post-complaint follow-up surveying of customers.</p> <p>IN PROGRESS</p>	<p>31 January 2006</p>

Rec No.	Recommendation	Status	Milestone Date
4. Centrelink's Review and Appeals System (Audit Report No. 35 2004-05)			
1	The ANAO recommends that Centrelink monitor and report on customer awareness of, and satisfaction with, the ODM reconsideration process.	1, 2, 3, 5. A broad review of Centrelink's internal review processes is well under way. Any changes flowing directly from the ANAO recommendations will be determined in light of the Review outcomes. A Steering Committee for the Review includes the Commonwealth Ombudsman, SSAT and the Welfare Rights Network. Trials to test 3 alternative models for internal review to be held. IN PROGRESS	31 December 2005 September/October 2005
2	The ANAO recommends that Centrelink develop a separate form for customers to request an ODM review, which records the customer's agreement not to proceed directly to an ARO review.	As per Rec 1 IN PROGRESS	31 December 2005 September/October 2005
3	The ANAO recommends that Centrelink explicitly inform customers, who request a review, that they are not obliged to agree to an ODM review but have a legislative right to go directly to an ARO.	As per Rec 1 IN PROGRESS	31 December 2005 September/October 2005
4	The ANAO recommends that Centrelink: (a) require staff to record all ODM reconsiderations on the APL system; and (b) include in relevant Centrelink internal reports information gathered through monitoring and reporting of ODM reconsiderations.	4 (a) In October 2004 all Centrelink staff were instructed to use the ODM/ARO referral script for ODM reconsiderations which automatically records them in the APL (appeals) management information system. 4 (b) Monthly management information reports on ODM reconsiderations are now prepared and distributed to the Area network with comments. COMPLETED	COMPLETED
5	The ANAO recommends that Centrelink develop and implement quality control processes for ODM reconsiderations.	As per Rec 1 IN PROGRESS	31 December 2005 September/October 2005

Rec No.	Recommendation	Status	Milestone Date
6	The ANAO recommends that Centrelink monitor and report on customer awareness of their appeal rights and satisfaction with the appeals process, including any disincentive effects.	6. Centrelink will incorporate relevant questions into the November 2005 National Customer Survey to attempt to elicit customer awareness of, and satisfaction with, the review and appeals process, including disincentive effects. From December 2005, Centrelink will publish information booklets for customers informing them of the review and appeals processes. IN PROGRESS	30 November 2005 31 December 2005
7	The ANAO recommends that Centrelink develop, in consultation with DEWR, FaCS and DEST, performance indicators for the quality and cost of the appeals system.	7. Centrelink is working with DEST, DEWR and FaCS on issues relating to the quality and cost of the appeals system. Qualitative indicators are being negotiated with these departments as part of the Legal Services Protocol in the respective Business Partnership Agreements. IN PROGRESS	Various dates apply to completion of purchaser department agreements.
8	The ANAO recommends that Centrelink mandate and implement quality assurance processes for ARO decisions across the Centrelink network.	8. National quality assurance processes for AROs were implemented in July 2005. COMPLETED	COMPLETED
9	The ANAO recommends that Centrelink develop and implement a process for the accreditation of AROs, and monitor delivery of the training package and AROs' participation.	9. An accredited Diploma of Government for AROs is now available through the Organisational Learning and Development Branch, and a numbers of AROs have already enrolled. Supporting technical training modules are in preparation for publication in the Learning Library. IN PROGRESS	31 December 2005

Rec No.	Recommendation	Status	Milestone Date
10	The ANAO recommends that Centrelink develop and implement national systems for the identification of better practice in ARO reviews and its timely distribution across the Centrelink network.	10. The new Legal Services Branch has taken responsibility for identifying and promoting best practice for AROs. The implementation of national Quality Assurance for AROs provides a means for identifying and sharing better practice. COMPLETED	COMPLETED
5. Centrelink's Value Creation Program (Audit Report No. 36 2004-05)			
1	The ANAO recommends that Centrelink undertake a study to determine the impact of the presence of Centrelink staff during the conduct of a VCW on the willingness of customers to provide open feedback.	1. Dr Andy Butlin was engaged to undertake an independent study on the VCW process to specifically examine the ANAO findings. His report was presented to Centrelink in August 2005, and addressed all the ANAO recommendations. The Report found that staff presence at VCWs should not undermine the willingness of customers to provide open feedback. COMPLETED	COMPLETED
2	The ANAO recommends that Centrelink put in place systems for monitoring the selection of customers for a VCW and the selection process used, in order to better understand how representative the selected customers are of Centrelink's customer base.	2. The Butlin Report found and Centrelink agrees there is insufficient quantitative data on customer selection. Future reporting will include information of the customer selection method used. Automated customer listings and a recruitment database are being trialled. Monitoring of selections to ensure appropriate representation of customers will be implemented by the end of October 2005. IN PROGRESS	31 October 2005

Rec No.	Recommendation	Status	Milestone Date
3	The ANAO recommends that Centrelink put in place systems for monitoring the participation of staff in VCWs, to ensure coverage of staff and to facilitate the assessment of the extent of cultural change within the organisation.	3. The Butlin report found and Centrelink agrees that a specific selection process be implemented to ensure appropriate coverage. A strategy to address staff selection will be implemented by the end of October 2005. IN PROGRESS	31 October 2005
4	The ANAO recommends that Centrelink put in place systems for monitoring the implementation of outcomes from a VCW.	4. The Butlin Report found and Centrelink agrees that a range of strategies are required to ensure the outcomes are established, agreed and monitored. The VCW Team is examining how best to monitor the overall implementation of workshop outcomes, and an approach will be decided by end of October 2005. IN PROGRESS	31 October 2005
5	The ANAO recommends that Centrelink put in place systems for monitoring: (a) the location of VCWs to facilitate the achievement of national coverage; and (b) better practice in the conduct of VCWs and any alternative processes used by Centrelink Area offices.	5 (a) The Butlin Report found and Centrelink agrees there are a range of opportunities to improve systems monitoring. Centrelink will revise all report templates to include demographic information and statements on the limitations of the data contained in the report 5 (b) Opportunities to refocus VCWs and integrate them with other cultural change options will be examined as part of our effort to achieve better practice in the conduct of VCWs. IN PROGRESS	31 October 2005

Rec No.	Recommendation	Status	Milestone Date
6	<p>The ANAO recommends that Centrelink:</p> <p>(a) put in place systems to effectively monitor the costs of the VCW program; and</p> <p>(b) inform customers that the payment they receive for attending a VCW is income for taxation purposes.</p>	<p>6 (a)(b) The Butlin Report found and Centrelink agrees that the current processes are cost effective and that (if it is the case) customers should be advised on the taxable nature of their payment.</p> <p>Appropriate means for monitoring the full VCW costs will be developed by the end of December 2005.</p> <p>Centrelink has sought a private ruling from the ATO on the taxability of VCW payments to customers; this ruling is expected by the end of September 2005.</p> <p>IN PROGRESS</p>	<p>31 December 2005 30 September 2005</p>
7	<p>The ANAO recommends that Centrelink takes the necessary actions to put in place systems to ensure that, in future procurements, it complies fully with the requirements of the Commonwealth's procurement policies and applicable legislation.</p>	<p>New procurement policies, procedures, system changes and training programs have been introduced to ensure that procurements comply with the requirements of the revised Commonwealth Procurement Guidelines with effect from 1 January 2005.</p> <p>Centrelink has a management consultancy procurement under way and a range of change management and cultural change companies will be selected to complement the existing work. Any future procurement will also go to open tender.</p> <p>IN PROGRESS</p>	<p>1 January 2005</p>

