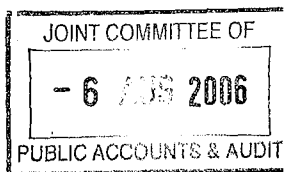


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Australian Government

18 August 2006

Ms Sharon Grierson MP
Deputy Chair
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600



Dear Ms Grierson

Firstly, I must apologise for the late departure of this letter from my office. Despite the letter having been prepared in late May, due to an administrative mix-up it was not provided to me for my signature until today.

This is a response to a letter from the Secretary of the Joint Committee on Public Accounts and Audit (JCPAA) dated 7 November 2005. Chapter 7 of JCPAA Report 404: (Review of Auditor-General's Reports 2003-2004 Third and Fourth Quarters: and First and Second Quarters of 2004-2005) deals with Management of Customer Debt - Centrelink.

The JCPAA made six recommendations (Recommendations 18-23) regarding management of customer debt in Centrelink. The attached document details Centrelink's implementation of each of the six recommendations.

Yours sincerely

Jeff Whalan
Chief Executive Officer



EXECUTIVE MINUTE

on
**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
REPORT [No. 404]**

[Review of Auditor-General's Reports 2003-2004 Third and Fourth Quarters; and First and Second Quarters of 2004-2005]

General comments

Chapter 7 of JCPAA Report 404: (Review of Auditor General's reports 2003-2004 Third and Fourth Quarters; and First and Second Quarters of 2004-2005) deals with Management of Customer debt – Centrelink.

The JCPAA made six recommendations (Recommendations 18-23) regarding management of customer debt in Centrelink.

Centrelink's response to the recommendations

Recommendation No. 18 paragraph 7.29.

The Committee recommends that Centrelink prioritise the implementation of its payment integrity strategy to ensure that payments are right in the first instance, rather than relying on reactive processes.

Centrelink should report to the Committee on its progress in implementing the payment strategy in February 2006 and July 2006.

Centrelink is implementing and testing new initiatives aimed at ensuring that payments are right in the first instance and remain right. These are outlined below.

The creation of the Business Integrity Division and the Business Integrity Business Line National Manager has provided an improved mechanism for emphasising to the service delivery network the importance of getting the payment right from the first contact with the customer onwards. The aim of this approach is to reduce the reliance on the current review processes which are conducted at a later date.

Centrelink pursues the Getting It Right objective by focusing risk, issue and quality management effort in the following areas of Centrelink operations:

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- Staff knowledge and competence
- Documentation of decisions and customer contact
- Business processes, including individual work practices
- I&T tools and systems support
- Service delivery arrangements for high risk functions
- Reference material
- Internal communication
- Quality management
- Management information
- Demand overloads
- Policy advice from policy departments.

The Getting It Right Strategy is implemented through the following activities:

- Application of Centrelink's core business processes
- Application of Getting It Right minimum standards
- Application of 'must dos'
- Application of Getting It Right procedures
- Delivery of Getting It Right projects
- Development and implementation of Getting It Right Action Plans
- Implementation of the Getting It Right Communication Strategy.

Getting it Right Action Plans

New Getting It Right Action Plans are developed and supported by the Business Integrity Division:

- As a contribution to change management activities and
- As a response to specific events such as Audits, Ministerials, Media, Risk Assessments and Evaluations.

National Debt Prevention Strategies for Students and for Indigenous Customers

In 2005, approximately \$99 million of total Centrelink preventable customer debt was attributable to full time student customers. Approximately 29% of ABSTUDY customers, 31% of Austudy customers and 23% of Youth Allowance customers incurred debts.

In 2004/05, \$91 million (4.48%) of total Centrelink preventable customer debt was attributable to Indigenous customers. However, Indigenous customers represent only 3.18% of Centrelink's customer base. This means that Indigenous customers are far more likely to accumulate a debt.

Centrelink has commenced work on National Debt Prevention Strategies for students and for Indigenous customers.

The projects will produce National Implementation Strategies for Debt Prevention Activities relating to Student and Indigenous Customers for 2006/07. The project objectives are:

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- to prepare national Student and Indigenous debt prevention strategies ready for implementation on 1 July 2006 and
- to reduce the number and dollar value of debts incurred by both Students and Indigenous customers.

Centrelink has a number of strategies in place to minimise errors by Centrelink staff and to maximise customer compliance. These strategies include the following.

- The development of a debt prevention strategy in the lead up to the Commonwealth Games aimed at customers employed for the duration of the Games. The strategy combined advertising the prevention message and providing reporting facilities at competition venues, as well as promoting the prevention message in Customer Service Centres.
- These steps had a significant impact in preventing debt for those who benefited through higher employment levels associated with the Games. As a result of the strategy, the percentage of customers providing verification has risen from 27.15% to 33.21% and there was also a rise of 30,000 in instances of reported earnings in the month of March 2006. A similar prevention package is being developed for the 2006 Census. The actions taken under this approach included:
 - incorporating debt prevention products in Job Seeker Information Kits to be routinely issued to all new working age claimants
 - promoting to Centrelink customers the key message that they are responsible for maintaining payslips to verify earnings
 - communicating Centrelink's debt prevention message in scheduled Expos and Job Fairs in the lead up to the Games
 - a payslips envelope blitz in February 2006, making it easier for all employees to keep an income record
 - conducting an outreach campaign with Games employers to promote debt reduction and
 - providing employer services through Centrelink's Business Hotline.
- The development of improved liaison protocols between state correctional facilities and Centrelink has resulted in a change to Centrelink business when customers are admitted to prison. For the 2004-05 Financial Year (in spite a 63% increase in the number of identified admissions nationally (15,000 to 25,000) due to better direct contact with prisons), there was a 40% reduction in the value of debts (2.1m to 1.3m) over the previous financial year. This has resulted in increased payment correction and a reduction in outlays. This innovative procedure has been amalgamated across all of Centrelink. Figures available for 2005-6 confirm this continues to achieve excellent results.
- The use of Random Sample Surveys as a mechanism for identifying the level of error and the reasons errors occur within Centrelink payments. A representative sample of the customer population is subjected to a full review of their circumstances to determine whether customers are being correctly paid.

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- The Keeping the System Fair Media Campaign commenced on 5 September 2005. In the eight months from September 2005 to April 2006, the campaign delivered the following outcomes:
 - Customer contacts to Centrelink resulted in 22,167 rate reductions or cancellations, at an average fortnightly saving of \$92.39 and
 - Tip-offs from members of the public resulted in 1,587 rate reductions or cancellations, at an average fortnightly saving of \$285.56. All these contacts have either prevented a debt being created or increasing in size.
- Working with customers to reduce overpayments through a new customer account statement. From June 2006, Centrelink will issue these statements every 12 weeks to around four million customers to give them a regular snapshot of the information contained on their record.
- Rolling out projects to enable third parties to assist updating customer details, for example, employers reporting an employee's casual earnings electronically to Centrelink. Introducing printed receipts from December so customers won't have to wait for confirmation letters from Centrelink. This means people can feel more confident in their dealings with Centrelink, as they will have a reference number they can quote for future contacts.
- Continuing to expand web and phone self-service options to allow customers to more readily and accurately notify Centrelink of changes in their circumstances. Online services are accessed on the Centrelink website at www.centrelink.gov.au. Some customers are able to make updates to their details, such as reporting employment income or updating their email details, report future study intentions, claiming child care benefit, youth allowance (students, Austudy and some other family assistance payments).

Recommendation No. 19 paragraph 7.36

The committee recommends that Centrelink proceed with data matching activities with academic institutions and major employers, in an effort to prevent debts incurred when clients change study courses or employment.

Centrelink is working to develop and test new data matching activities and the use of electronic reporting with both academic institutions and major employers in an effort to prevent debt.

The Centrelink Academic Reassessment Transformation (CART) project will automate information transfer between participating Education Institutions and Centrelink with a view to (over a period of time) increasing the number of customers who are covered by either data matching or electronic notification.

CART is a four year project, with the projected take up of 160,000 students by mid 2007. This is approximately 60% of Centrelink's student base who are studying at either a University or TAFE. CART will rollout across the States over the next 12 months, with

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Educational Institutions building the CART process within their IT schedules and resources. A final report is expected to be ready by 16th June 2006.

Centrelink is also rolling out projects to enable third parties to assist updating customer details, for example, employers reporting an employee's casual earnings electronically to Centrelink. In the 2004/05 Financial Year, 7,588 files were loaded for the Coles Myer pilot project and 3,615 reviews were finalised. To date, this financial year, there have been 7,090 files loaded and 6,693 files have been finalised. Annualised savings to date this financial year are \$7,671,530.00

Response to the recommendation(s)

Recommendation No. 20 paragraph 7.49

The committee recommends that Centrelink review its methods of identifying customer debt, with a view to improving current methods of debt identification, or increasing the resources dedicated to compliance reviews. Centrelink should also take into consideration the ANAO's suggestion that it consider other methods of debt identification, such as:

- **cross referencing customer behaviour and attributes with known debt factors to better target debt prevention strategies;**
- **Drawing on the experience of other agencies such as the Australian Taxation Office and the Child Support Agency to develop best practice models for debt management; and**
- **Increasing support for national coordination unit to better manage debt prevention projects.**

The Child Support Agency (CSA) distributes debts to be recovered in a set period and measures the performance of the recovery teams by their successful arrangements. Centrelink is investigating the viability of implementing similar processes. With CSA input, Centrelink will develop a profiling model to identify debtors who are more likely to be able to pay their debts and negotiate an appropriate recovery arrangement. Debt Recovery teams will receive management information that will indicate their successes. Performance indicators will need to be developed to enhance this strategy.

The Business Integrity Division within Centrelink is currently reviewing its functional structure including the alignment of teams responsible for payment integrity. Centrelink aims to fully integrate 'compliance' capabilities with an 'end to end' view of the programs that are delivered on behalf of client agencies.

The new administrative arrangements provide an opportunity to work with Policy Departments on models needed to support specific program objectives, including debt prevention and minimisation projects. Key Performance Indicators contained in the Business Partnership Agreements and individual Service Level Agreements will enable Centrelink to measure performance in debt prevention.

Ongoing research is refining Centrelink's understanding of the characteristics of those customers at greater risk of incurring a debt. Centrelink continues to manage compliance,

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service delivery and customer risks through capabilities such as Service Profiling, Data Matching, Random Sample Surveys and targeted reviews which anticipate risk of payment incorrectness (debt) and define the nature of the contact with the customer.

The May 2006 budget has provided Centrelink with significant additional resources within the compliance framework to better target 'at risk' customers.

Response to the recommendation(s)

Recommendation No. 21 paragraph 7.61

The committee recommends that Centrelink provide training to all officers responsible for debt raising, on the correct circumstances in which to apply a debt waiver. The training should focus on empowering workers to make responsible decisions, and an emphasis on the importance of getting decisions right in the first instance, and not relying on downstream appeal mechanisms.

Centrelink should also introduce a standard operating procedure whereby debt raising officers refer any matters on which they are uncertain whether to apply a 'special circumstances' waiver, to a more senior officer for consideration.

Centrelink should undertake a review of the appropriateness of applying Debt Waivers throughout the Centrelink network, taking into account the matters raised in the ANAO report, as a matter of priority.

Centrelink staff use national on-line reference materials to assist them in making decisions relating to customer entitlements. This material is known as e-Reference and covers all aspects of making customer payments, raising debts and, where appropriate, waiving recovery of debts. It is the responsibility of the Fraud and Debt Management Branch to ensure the debt raising, recovery and non-recovery e-Reference material is current and accurate.

There are specific individual e-Reference procedures that cover all the waiver provisions in a comprehensive manner eg in depth material exists on what constitutes 'solely' administrative error and good faith. This, in conjunction with the Guides to Social Security and Family Assistance Law and the Instrument of Delegation for Debt Recovery, provides a national standard on how staff can exercise the delegation to waive and in what circumstances. On-the-job training is provided in the Network and all changes to the e-Reference material is published in newsletters and National Network Updates.

The Australian National Audit Office is currently conducting an audit into Family Tax Benefit debt, including whether Centrelink staff have used the waiver (non-recovery) provisions contained in the Family Assistance (Administrative) Act 2000 appropriately in individual cases. Independently, an internal Centrelink audit into both waiver and the finalising of debts as 'no debt' for other administered payment debts is currently underway. Subject to the findings of the internal audit, the ANAO may conduct its own audit at a later date.

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The aim of the internal audit is to evaluate the appropriateness of applying debt waivers in accordance with the legislation and guidelines available in e-Reference and, where evident, implement strategies to improve the application of the waiver provisions.

As part of either the ANAO or the internal audit recommendations, e-Reference will be updated accordingly.

Where a working age customer has incurred a debt of \$20,000 or more and waiver is an option, the Department of Employment and Workplace Relations has retained the right to make the decision whether to proceed with the waiver or not. A secure system has been implemented for the referral of these debts to DEWR and any subsequent action required to action the waiver.

Response to the recommendation(s)

Recommendation No.22 paragraph 7.68

The committee recommends that the debt waiver amount be raised from \$50 to not more than \$100. The committee recommends that where small debts are raised and automatically waived, customers should be informed of this action and of steps they can take to prevent a debt being incurred in the future.

Where a customer continues to incur small debts of less than \$100, that are continually waived, Centrelink should retain the right to recover these debts if a pattern of behaviour is apparent whereby the customer is not making any effort to prevent the incursion of small debts.

The Social Security Act 1991 contains waiver provisions, including the small debt waiver provision. This provision allows for small debts to be waived at the time they are identified if it is not cost effective to pursue recovery. The current policy is that all debts of \$50.00 or more are cost-effective to pursue and that all debts of less than \$50 will be waived.

Decisions regarding changing policy are for the policy departments to make. In March 2005, Centrelink wrote to the (then) Department of Family and Community Services (FaCS) asking that consideration be given to:

- increasing the limit on automatic waivers on debts raised from \$50 to \$100; and
- providing for the waiver of debts in sensitive situations such as when incorrect, one-off payments, are made to a person now deceased.

Since Machinery of Government changes, Centrelink is required to get agreement from its three Policy Departments before changes can be made to the current arrangement of automatically waiving all debts of less than \$50. Future handling of these amounts is still under consideration.

Response to the recommendation(s)

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Recommendation No.23 paragraph 7.75

The committee recommends that Centrelink monitor the work of its debt recovery officers, and those employed by its debt recovery agent, to ensure that customers are encouraged to repay debts via means other than credit cards.

Centrelink does not make arrangements with customers to make repayments by using credit cards.

Centrelink staff use five main methods to recover debts. These are:

- cash repayments
- withholding repayments from current Centrelink payments
- garnishees
- referral to a mercantile agent
- legal proceedings (civil recovery)

There is no facility in Debt Recovery Teams within Centrelink to accept credit card payments.

Centrelink uses the services of mercantile agents to recover debts from people who are no longer customers when the debts are no longer cost effective for Centrelink to pursue or where the debtor cannot be located.

Contracted mercantile agents do have the facility to accept credit card payments, however this option is only made available at the customer's request.

Customers can make repayments on a Centrelink debt through Australia Post. Customers may choose to make a payment involving the use of their credit card at Australia Post, which accepts this method of repayment.