

Report 389

- **Australian Defence Force Reserves**
- **Assessment of New Claims for the Age Pension by Centrelink**
- **Family and Community Services' Oversight of Centrelink's Assessment of New Claims for the Age Pension**
- **Performance Information for Commonwealth Financial Assistance under the Natural Heritage Trust**

**Review of Auditor-General's Reports
2000–2001
Fourth Quarter**

Joint Committee of Public Accounts and Audit

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Foreword

Report 389 is the outcome of the review by the Joint Committee of Public Accounts and Audit (JCPAA) of the Auditor-General's audit reports tabled in the fourth quarter of 2000–2001. Of the twenty-two audit reports reviewed, the Committee selected four for further examination.

Audit Report No. 33, *Australian Defence Force Reserves*; Audit Report No. 34, *Assessment of New Claims for the Age Pension by Centrelink*; Audit Report No. 35, *Family and Community Services' Oversight of Centrelink's Assessment of New Claims for the Age Pension*; and Audit Report No. 43, *Performance Information for Commonwealth Financial Assistance under the Natural Heritage Trust* were examined at public hearings in Canberra on Tuesday, 30 April 2002.

In reviewing *Audit Report No 33*, the Committee focused on Reserve roles and tasks; resources and costs; and attraction and retention of personnel.

The Committee agrees with the ANAO that Defence should annually establish and publish the full costs of each Reserve Service and the capabilities provided, in order to provide full transparency of the costs of maintaining Reserve forces. The Committee recommends that Defence give urgent attention to developing its financial and management systems to enable it to provide full costing of the Reserve forces.

The Committee notes that the process of defining the roles and tasks for Reserve units is progressing and strongly encourages the early completion of the single entitlement document (SED) reviews. Until the role and resource needs of the Reserve have been clarified, there is no certainty that current recruitment, training and provisioning is appropriate for the future structure of the Reserve forces.

Audit Report No. 33 made the point that the broad structure of the Army Reserve has remained largely unchanged over several decades. The changed strategic role for the Reserves towards contemporary military operations, as outlined in the *Defence 2000* White Paper, raises the question of the appropriateness of current Army Reserve structures to meet changing roles and tasks.

The Committee considers that there are compelling reasons to rationalise the Army Reserve force structure to ensure that it is based on strategic guidance and on the outcomes of the Army's study of its Reserve roles and tasks. There should be a strong link between the military capability required and the force structure that is developed.

In the Army Reserve, discharges have exceeded enlistments almost every year since 1988-89. In the past few years, the gap between separations and recruitment has increased. Defence is making efforts to develop new recruitment initiatives. While the proposed Defence personnel regulations should increase personnel numbers in the inactive Reserve, the Committee strongly encourages the ADF to continue its work on identification and provision of incentives which could lead to an increase in the numbers of personnel available for active Reserve service.

The Committee also considers that it would be useful for some formal research to be done to identify reasons for separation from the Reserve forces.

Audit Report No. 34 and *Audit Report No. 35* dealt with Centrelink's Assessment of New Claims for the Age Pension from different perspectives. The two audits were undertaken by ANAO in parallel. In *Audit Report No. 34*, ANAO looked at Centrelink's preventive quality controls to ensure accuracy and correct decisions at the new claims stage. In *Audit Report No. 35*, ANAO examined those aspects of the FaCS-Centrelink business arrangements designed to assist the Department of Family and Community Services (FaCS) in its oversight of the assessment of new claims for the Age Pension by Centrelink. For 1999-2000, the agreed performance standard between the two agencies was 95% 'correctly assessed' while for 2000-2001, the standard was 95% 'completely accurate'.

The Committee selected these two audit reports for review because it was concerned at the discrepancies between the error rates found by the audit team and Centrelink's reporting of its accuracy in its *Annual Reports*. Centrelink had reported an accuracy rate of 98% for 1999-2000. ANAO stated that its audit findings showed that in 1999-2000, 52.1% (+/-6.8pp) of new Age Pension assessments contained at least one actionable error while 95.6% (+/-3.5pp) contained at least one administrative error. On the basis of

the audit, ANAO indicated that the accuracy standard of 95% for 2000–2001 was unattainable.

While the Committee accepts that some Age Pension claims are complex, the Committee is nevertheless disturbed by ANAO's findings. Inaccuracies result in incorrect payments which translates into hardship for Age Pension clients. Committee members commented at the public hearing on the stress experienced by their constituents when faced with Centrelink over or underpayments.

The Committee acknowledges that faced with the audit findings, Centrelink has made improvements such as appointing an extra 130 complex assessment officers, who are specially trained, and checking all claims processed by inexperienced staff. As a result of this increased scrutiny, Centrelink officers found and corrected more initial errors and the reported accuracy rate was reduced to the mid-80% in early 2002, below the 95% agreed accuracy standard. Assessment of new claims has been further assisted by the rules simplification ordered by the Minister for Family and Community Services in 2002.

The Committee looks forward to the independent validation strategy being developed by the Department of Family and Community Services to assess Centrelink's performance. Improvements in the department's monitoring and evaluation of Centrelink should mean greater accuracy in new claim assessments thereby resulting in accurate payments from the start.

Audit Report No. 43 concluded that the performance information used to support the administration of Commonwealth financial assistance under the Natural Heritage Trust (NHT) had strong design features but significant management and reporting challenges. A key issue was the absence of a finalised core set of performance indicators. The report also noted that the absence of baseline data on environmental condition in much of Australia had been a major constraint on measuring and reporting on changes and trends. The audit foreshadowed the potential value of the findings of the national land and water resources audit (NLWRA) for future natural resource management and environment programs.

The Natural Heritage Ministerial Board has agreed to the continuation of the NLWRA until June 2007 and the Committee notes its potential to provide better access to quality data for NHT mark 2 (NHT2). The Committee considers that improved needs assessment will enable better judgements to be made about project priorities for NHT2.

The ANAO noted in its report of June 2001 that there had been little progress in relation to finalising the design of an overall performance

information framework, and consequently, a limited capacity to measure results in concrete terms.

The Committee considers that there is still little ability to assess the impact the NHT has had overall and the progress made towards program goals such as the conservation, repair and sustainable use of Australia's natural environment.

The Committee notes that since the NHT Mid-Term Review, agencies are reported to have given greater attention to the strategic focus of the NHT. The Committee is aware that a set of intermediate indicators has been agreed for the evaluation of NHT1. The Committee has taken evidence that closer attention has been paid to issues of baseline setting, monitoring and evaluation, and reporting in the planning and development for the implementation of NHT2 and the National Action Plan for Salinity and Water Quality.

While it appears to the Committee that improvements may finally be underway which could impact positively on future NHT achievements, the inability to adequately measure performance and report on achievements to date was not unforeseen.

The Committee can only reiterate its opinion of 1998,¹ namely, that there must be concern when large amounts of public funds are committed and programs implemented before problems are adequately identified and performance information systems are in place.

Bob Charles MP
Chairman

¹ JCPAA, Report 359, Review of Auditor-General's Reports 1996-97, Fourth Quarter, March 1998, pp. 35-6.



Membership of the Committee

39th Parliament

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Deputy Chair Mr David Cox MP

Members	Senator Helen Coonan	Mr Kevin Andrews MP
	Senator the Hon Rosemary Crowley (until 28/06/01)	Mr Malcolm Brough MP (until 7/3/00)
	Senator the Hon John Faulkner (until 12/10/00)	Mr Petro Georgiou MP
	Senator the Hon Brian Gibson AM	Ms Julia Gillard MP
	Senator John Hogg	Mr Alan Griffin MP (until 9/8/99)
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Duties of the Committee

The Joint Committee of Public Accounts and Audit is a statutory committee of the Australian Parliament, established by the *Public Accounts and Audit Committee Act 1951*.

Section 8(1) of the Act describes the Committee's duties as being:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth, including the financial statements given to the Auditor-General under subsections 49(1) and 55(2) of the *Financial Management and Accountability Act 1997*;
- (b) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
- (c) to examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each House of the Parliament;
- (d) to report to both Houses of the Parliament, with any comment it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, that the Committee thinks should be drawn to the attention of the Parliament;
- (e) to report to both Houses of the Parliament any alteration that the Committee thinks desirable in:
 - (i) the form of the public accounts or in the method of keeping them; or
 - (ii) the mode of receipt, control, issue or payment of public moneys;
- (f) to inquire into any question connected with the public accounts which is referred to the Committee by either House of the Parliament, and to report to that House on that question;

-
- (g) to consider:
 - (i) the operations of the Audit Office;
 - (ii) the resources of the Audit Office, including funding, staff and information technology;
 - (iii) reports of the Independent Auditor on operations of the Audit Office;
 - (h) to report to both Houses of the Parliament on any matter arising out of the Committee's consideration of the matters listed in paragraph (g), or on any other matter relating to the Auditor-General's functions and powers, that the Committee considers should be drawn to the attention of the Parliament;
 - (i) to report to both Houses of the Parliament on the performance of the Audit Office at any time;
 - (j) to consider draft estimates for the Audit Office submitted under section 53 of the *Auditor-General Act 1997*;
 - (k) to consider the level of fees determined by the Auditor-General under subsection 14(1) of the *Auditor-General Act 1997*;
 - (l) to make recommendations to both Houses of Parliament, and to the Minister who administers the *Auditor-General Act 1997*, on draft estimates referred to in paragraph (j);
 - (m) to determine the audit priorities of the Parliament and to advise the Auditor-General of those priorities;
 - (n) to determine the audit priorities of the Parliament for audits of the Audit Office and to advise the Independent Auditor of those priorities; and
 - (o) any other duties given to the Committee by this Act, by any other law or by Joint Standing Orders approved by both Houses of the Parliament.



List of abbreviations

ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
ADF	Australian Defence Force
AFFA	The Department of Agriculture, Fisheries and Forestry— Australia
AIB 2003	Army-in-Being in 2003
ANAO	Australian National Audit Office
BPA s	Business Partnership Agreements
CAO s	Complex Assessment Officers
CSO s	Customer Service Officers
DAC	Defence Audit Committee
DFRO	Defence Force Recruiting Organisation
DoFA	Department of Finance and Administration
FaCS	Department of Family and Community Services
IT	Information Technology
JCPAA	Joint Committee of Public Accounts and Audit
NHT	National Heritage Trust

NHT1	Grant period from 1996-97 to 2001-02
NHT2	Grant period from 2002-03 to 2006-07
NLWRA	National Land and Water Resources Audit
PAC	Procedure and Accuracy Check
QOL	Quality On-Line
RCS	Retirement Community Segment Team
SED	Single Entitlement Documents

List of recommendations

Audit Report No.33, *Australian Defence Force Reserves*, Department of Defence

Recommendation 1

- 2.24 The Committee recommends that Defence:
- (a) review its Army Reserve structure in order to develop a more efficient and effective structure which complements, rather than unnecessarily duplicates, capabilities that exist in the full time component; and
 - (b) provide to the Committee formal six-monthly progress reports, separately from the Executive Minute process, on the progress of the review.

Recommendation 2

- 2.38 The Committee recommends that Defence give urgent attention to developing its financial and management systems to enable it to provide full costing of the Reserve forces.

Recommendation 3

- 2.61 **The Committee recommends that Defence commission an external study of the reasons for separation from the Reserve, and commission further studies on this issue from time to time.**

Audit Report No.34, Assessment of New Claims for the Age Pension by Centrelink

Recommendation 4

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

