
The Parliament of the Commonwealth of Australia

Report 452

Natural Disaster Recovery; Centrelink Telephone Services; and Safer Streets Program

Review of Auditor-General Reports Nos 24-50 (2014-15)

Joint Committee of Public Accounts and Audit

December 2015
Canberra

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978-1-74366-404-9 (Printed version)

978-1-74366-405-6 (HTML version)

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Contents

Foreword	v
Membership of the Committee	vii
Terms of reference	ix
List of recommendations	x

THE REPORT

1 Introduction	1
Background to the review	1
The Committee's report	2
2 Performance Audit Report No. 34 (2014-15)	3
Administration of Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia	3
Introduction	3
Report overview	3
Audit objective, scope and criteria	5
Audit conclusion	5
Audit recommendations and agency response	6
Committee review	7
NDRRA framework and guidance	7
NDRRA claims verification and assurance	10
Implementation of ANAO recommendations	14
Committee comment	20

3	Performance Audit Report No. 37 (2014–15)	25
	Management of Smart Centres' Centrelink Telephone Services	25
	Introduction	25
	Report overview	25
	Audit objective and criteria	25
	Audit conclusion	26
	Audit recommendations and agency response	27
	Committee review	27
	Management of call wait times	28
	Performance measurement and reporting	37
	Committee comment	42
4	Performance Audit Report No. 41 (2014-15)	49
	Award of Funding under Safer Streets Program	49
	Introduction	49
	Report overview	49
	Audit objective, scope and criteria	50
	Audit conclusion	52
	Audit recommendations and agency response	53
	Committee review	54
	Development of Program Guidelines	54
	Identifying Election Commitment Projects	56
	Application Assessment	60
	Distribution of funds	64
	Implementation of ANAO recommendations	66
	Committee comment	67

APPENDICES

Appendix A - Submissions	69
Appendix B - Public Hearings	71



Foreword

On 25 June 2015, the Joint Committee of Public Accounts and Audit (JCPAA) resolved to review three Australian National Audit Office (ANAO) reports: Audit Report No. 34 (2014-15), *Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*; Audit Report No. 37 (2014-15), *Management of Smart Centres' Centrelink Telephone Services*; and Audit Report No. 41 (2014-15), *Award of Funding under the Safer Streets Program*.

A key theme emerging from the Committee's review of these reports was encouraging better practice, both in terms of grants administration and performance monitoring and reporting.

Grants administration is an important activity involving a significant amount of public funds each year. The transparency and accountability of grant funding decisions have been matters of longstanding Parliamentary and public interest. The Committee was therefore interested in the ANAO's findings on the Attorney-General's Department's (AGD) administration of two grants programs: the Natural Disaster Relief and Recovery Arrangements, and the Safer Streets Program. The grants administration framework, through the *Public Governance, Performance and Accountability Act 2013* and the Commonwealth Grants Rules and Guidelines, promotes transparent, accountable and cost-effective grants administration.

The key message from the ANAO is that a much more active and disciplined approach to AGD's administration of the Natural Disaster Relief and Recovery Arrangements (NDRRA) is required so that payments are limited to those items the Australian Government intended to cover. The ANAO report pointed to issues with AGD's claims verification process and a lack of clarity in the NDRRA framework, as reflected in varying state interpretations of the framework and payment of ineligible expenditure claims. The Committee was encouraged by AGD's update on its response to the ANAO recommendations. However, AGD needs to continue to demonstrate effective implementation of the audit recommendations for this important program, particularly in light of possible changes to NDRRA as a result of the recent Productivity Commission review. The


Committee made three recommendations in the report: that the department report back to the Committee on its progress towards implementing the ANAO's audit recommendations; that the ANAO consider conducting an audit of AGD's implementation of performance audit recommendations; and that the ANAO consider a follow-up audit of the department's administration of NDRRA.

Similarly, the key message from the ANAO in regards to the Safer Streets Program is that, although there are difficulties with administration of election commitment grants programs, grant administration basics still need to be followed. The Government provided significant funds to establish the Safer Streets Program, administered by AGD. The program, which delivered on an election commitment, sought to deliver solutions that targeted local crime hot spots and anti-social behaviour. By their own acknowledgment, AGD fell short across a range of areas. The Committee made two recommendations: to ensure that grants programs run by the AGD are better administered in the future, a follow-up audit should be conducted; and that the Department of Finance should amend the guidelines to deal explicitly with Commonwealth Funding Rounds that deliver on election commitments.

Improved performance monitoring and reporting, against robust key performance indicators (KPIs), has been a long-term focus of the JCPAA. The key message in ANAO Report No. 37 (2014-15) is that the Department of Human Services needs to review its KPIs for Centrelink telephone services to better clarify the service standards that customers can expect, and improve transparency and accountability. The Committee made five recommendations: that the department report back to the Committee on its progress in implementing KPIs that are fit for purpose in the Smart Centre environment, on the implementation of the Welfare Payment Infrastructure Transformation and on its training for staff to deliver the Smart Centre concept; report against a broader range of KPIs for Centrelink telephone services; and ensure more frequent performance reporting on Centrelink telephone services.

I thank Committee members for their deliberation on these matters. I also thank agency representatives who appeared at public hearings for assisting the JCPAA in its important role of holding Commonwealth agencies to account for the efficiency and effectiveness with which they use public monies.

Hon Ian Macfarlane MP
Chair



Membership of the Committee

Chair Hon Ian Macfarlane MP *(from 15 Oct 2015)*

Dr Andrew Southcott MP *(to 15 Oct 2015)*

**Deputy
Chair** Mr Pat Conroy MP

Members Hon Anthony Albanese MP

Ms Gai Brodtmann MP

Mr Andrew Giles MP

Dr David Gillespie *(from 19 Oct 2015)*

Dr Peter Hendy MP *(to 12 Oct 2015)*

Mr Craig Laundry MP

Mrs Jane Prentice MP

Mr Angus Taylor MP

Mr Ken Wyatt MP *(to 12 Oct 2015)*

Senator Cory Bernardi

Senator Katy Gallagher *(until 12 Nov 15)*

Senator Chris Ketter

Senator Jenny McAllister *(from 12 Nov 15)*

Senator Bridget McKenzie

Senator Dean Smith

Committee Secretariat

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Inquiry Secretary	Dr Kate Sullivan
Research Officers	Dr Andrew Gaczol Ms Jean Cuthill (to 6/11/15)
Administrative Officer	Ms Tamara Palmer



Terms of reference

On 25 June 2015, the Committee resolved to review the following audit reports in detail:

- Audit Report No. 34 (2014-15) *Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*
- Audit Report No. 37 (2014-15) *Management of Smart Centres' Centrelink Telephone Services*
- Audit Report No. 41 (2014-15) *The Award of Funding under the Safer Streets Programme*



List of recommendations

2 Administration of Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia

Recommendation 1

The Committee recommends that the Attorney-General's Department report to the Committee, no later than six months after the tabling of this report, on its progress towards:

- implementing the recommendations in ANAO Report No. 34 (2014-15), with particular reference to utilisation of project-level information from states and territories to enable more informed analysis of claim amounts, and implementation of a risk-based approach to examining the eligibility and value for money of recovery and reconstruction projects
- implementing the four key activities outlined in its submission to the Committee:
 - ⇒ the rewrite of the NDRRA determination
 - ⇒ a national collaborative audit program
 - ⇒ development of an appropriate system to manage NDRRA claims and financial data
 - ⇒ an internal restructure to support compliance monitoring and assessment
- comparing the department's approach in this area to best practice in the insurance industry

Recommendation 2

The Committee recommends that the Australian National Audit Office consider prioritising the Attorney-General's Department in its continuing

series of audits of agencies' implementation of performance audit recommendations.

Recommendation 3

The Committee recommends that the Australian National Audit Office consider including in its schedule of performance audits a follow-up audit of administration of the Natural Disaster Relief and Recovery Arrangements by the Attorney-General's Department.

3 Management of Smart Centres' Centrelink Telephone Services

Recommendation 4

The Committee recommends that the Department of Human Services report back to the Joint Committee of Public Accounts and Audit, within six months of the tabling of this report, with information on how it has increased training for staff to deliver the Smart Centre concept and the level of training experience.

Recommendation 5

The Committee recommends that the Department of Human Services report back to the Joint Committee of Public Accounts and Audit, within six months of the tabling of this report and then on an annual basis, on the implementation of the Welfare Payment Infrastructure Transformation and the subsequent impact this has had on real time performance measuring, management and service delivery.

Recommendation 6

To ensure that internal key performance indicators are relevant and fit for purpose in the Smart Centre environment and for online service delivery, the Committee recommends that the Department of Human Services:

- examine the completeness and appropriateness of its existing internal key performance indicators
- develop appropriate targets for existing internal key performance indicators wherever practical
- investigate, with a view to adopting, additional key performance indicators – including:
 - ⇒ 'First Contact Resolution' and 'First Call Resolution' information
 - ⇒ performance information relating to the Interactive Voice Response system – including information relating to the numbers of and reasons for resolved and unresolved calls

- report back to the Joint Committee of Public Accounts and Audit, within six months of the tabling of this report, on its progress in implementing this recommendation.

Recommendation 7

To improve transparency and better inform customer expectations, the Committee recommends that the Department of Human Services publicly report a broader range of key performance indicators (and their associated targets) for Centrelink telephone services – which should at least include all current internal performance indicators and any additional indicators adopted as a result of Recommendation 6.

Recommendation 8

To improve transparency, the Committee recommends that the Department of Human Services publish performance information more frequently against its key performance indicators for Centrelink telephone services.

4 Award of Funding under Safer Streets Program

Recommendation 9

To encourage better practice grants administration, the Committee recommends that the Australian National Audit Office consider including in its schedule of performance audits, priority follow-up audits of the grants program administration by the Attorney-General's Department.

Recommendation 10

Recognising that the Commonwealth Grants Rules and Guidelines do not explicitly refer to election commitments, the Committee recommends that the Department of Finance should amend the guidelines to deal explicitly with Commonwealth Funding Rounds that deliver on election commitments. Specifically, that only projects publicly committed to as part of the program should be included.

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 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 audit reports
 - the significance of audit findings
 - the arguments advanced by the audited agencies
 - the public interest arising from the report
- 1.2 On 25 June 2015, the Committee considered Australian National Audit Office (ANAO) performance audit reports Nos 24-50 of 2014-15. The Committee selected the following reports for review and scrutiny at public hearings:
 - Audit Report No. 34 (2014-15) *Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia, Attorney-General's Department*
 - Audit Report No. 37 (2014-15) *Management of Smart Centres' Centrelink Telephone Services, Department of Human Services*
 - Audit Report No. 41 (2014-15) *Award of Funding under the Safer Streets Programme, Attorney-General's Department*
- 1.3 Public hearings for the reports were held on:
 - 20 August 2015 (Audit Report No. 37)
 - 17 September 2015 (Audit Report Nos 34 and 41)

The Committee's report

- 1.4 This report of the Committee's review of a number of ANAO reports draws attention to key issues raised in the original reports, as well as at public hearings and in agency submissions. Where appropriate, the Committee has commented on unresolved or contentious issues, and made recommendations.
- 1.5 The report is structured as follows:
- Chapter 2: Audit Report No. 25 (2014-15) *Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*
 - Chapter 3: Audit Report No. 37 (2014-15) *Management of Smart Centres' Centrelink Telephone Services*
 - Chapter 4: Audit Report No. 41 (2014-15) *Award of Funding under the Safer Streets Programme*
- 1.6 The following appendices provide further information:
- Appendix A – List of submissions
 - Appendix B – List of public hearings and witnesses
- 1.7 Each chapter of this report can usefully be read in conjunction with the relevant ANAO report.

Performance Audit Report No. 34 (2014-15)

Administration of Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia

Introduction

- 2.1 Chapter 2 focuses on the Joint Committee of Public Accounts and Audit (JCPAA) review of Australian National Audit Office (ANAO) Report No. 34 (2014-15), *Administration of Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*, Attorney-General's Department. The chapter comprises:
- an overview of the report, including the audit objective, scope and criteria; audit conclusion; and audit recommendations and agency response
 - Committee review
 - Committee comment

Report overview

- 2.2 As natural disasters often result in substantial expenditure by state governments in the form of disaster relief and recovery payments and infrastructure restoration, the Commonwealth has established arrangements to provide financial assistance to the states in certain circumstances. The key mechanism for providing financial assistance is

through the Natural Disaster Relief and Recovery Arrangements (NDRRA).

- 2.3 NDRRA is a Ministerial determination administered by Emergency Management Australia (EMA), within the Attorney-General's Department (AGD).¹ The determination defines natural disasters covered by NDRRA and identifies measures eligible for NDRRA funding. Under NDRRA, the Commonwealth reimburses up to 75 per cent of the state recovery bill after certain thresholds are met.² NDRRA generally operates on a reimbursement basis, with assistance usually taking the form of partial reimbursement of actual state expenditure.³ States are required to provide audited financial statements to acquit expenditure.
- 2.4 Separate National Partnership Agreements (NPAs) were signed with the Victorian and Queensland state governments in 2011 to supplement existing NDRRA arrangements following widespread flooding in the eastern states and the Queensland tropical cyclones over 2010-11. The NPAs also enabled the establishment of the Australian Government Reconstruction Inspectorate to undertake reviews of reconstruction projects.⁴ The ANAO has undertaken three audits of key aspects of these NPAs.⁵
- 2.5 Over the past decade, the Australian Government has spent around \$8 billion on post-disaster relief and recovery. Another \$5.7 billion is expected to be spent over the forward estimates for past natural disaster events.⁶
- 2.6 As discussed later, at the time this report was being finalised AGD was in the final stages of providing advice to Government concerning the

1 The ANAO report generally refers to EMA in its findings but to AGD in its recommendations, ANAO, Audit Report No. 34 (2014-15), *Administration of Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*. (For drafting simplicity, the ANAO also refers to 'states' rather than 'states and territories', p. 13.)

2 ANAO, Audit Report No. 34 (2014-15), p. 14.

3 ANAO, Audit Report No. 34 (2014-15), p. 32.

4 ANAO, Audit Report No. 34 (2014-15), p. 13. AGD has responsibility for all NDRRA payments and acquittals, while the Inspectorate (within the Department of Infrastructure and Regional Development) provides assurance on expenditures covered by the NPAs, p. 30. NDRRA continues to apply to natural disasters covered by the NPAs, p. 68.

5 ANAO, Audit Report No. 8 (2013-14), *Australian Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Queensland Reconstruction Projects*; Audit Report No. 24 (2012-13), *Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria*; and Audit Report No. 23 (2012-13), *Australian Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Flood Reconstruction Projects in Victoria*.

6 See Productivity Commission, *Natural Disaster Funding Arrangements* (December 2014) – quoted in ANAO, Audit Report No. 34 (2014-15), p. 13.

findings of the 2014 Productivity Commission report on *Natural Disaster Funding Arrangements*.

Audit objective, scope and criteria

- 2.7 The audit examined the administration of the NDRRA Ministerial determination by EMA, within AGD, including the provision of guidance to the states on the NDRRA framework, and its claims verification and assurance activities. The ANAO's audit work was also informed by:
- an examination of a selection of NDRRA claims made by three states (Western Australia, Victoria and New South Wales) concerning seven disaster events (covering a range of disaster types and sizes) occurring between 2006 and 2011, with the associated NDRRA reimbursement claims being lodged between 2008 and 2014
 - a recent performance audit of the Australian Government Reconstruction Inspectorate's value for money reviews of Queensland reconstruction projects⁷
- 2.8 The audit criteria were 'primarily based on the aim of the NDRRA, the principles for assistance to states, and the various definitions, conditions, requirements and other provisions set out in the determination and associated guidelines'.⁸

Audit conclusion

- 2.9 The ANAO's overall conclusion was as follows:

In its administration of NDRRA ... EMA has placed significant reliance on the framework being well understood and complied with by state coordinating agencies, jurisdiction auditors and state delivery agencies and councils who undertake recovery and reconstruction work. This reliance has not been well placed given:

- there remains significant gaps in the extent to which key terms and conditions in the determination have been adequately defined and explained, notwithstanding that some additional guidance has been provided by EMA in recent years; and
- limited oversight at the conclusion of reconstruction is afforded to the audited claims submitted by states, with no project level information provided in these claims.

7 ANAO, Audit Report No. 34 (2014-15), p. 14.

8 ANAO, Audit Report No. 34 (2014-15), p. 14. (The ANAO noted that its audit conclusions were 'directed to the performance of Commonwealth agencies and not state agencies (Commonwealth partners), drawing on information provided voluntarily by the states', p. 31.)

Overall, EMA has not been alert to clear signals that the NDRRA framework has required tightening. Its claims verification and assurance processes have also not adequately protected the Commonwealth's interests, including by placing too much reliance on state vetting and sign-offs. The result has been millions of dollars of ineligible claims being reimbursed to the states at the Commonwealth's expense. A much more active and disciplined approach to EMA's administration of NDRRA is required so that payments are limited to those items the Australian Government intended to cover, given the significant quantum of funding that is involved ...

EMA has been reluctant to accept criticism of its approaches ...

A key message from this audit is that improvements in administrative effectiveness, including savings in NDRRA expenditure, can be expected if EMA took more timely and effective action to improve upon longstanding administrative approaches. A positive move in this direction involved EMA obtaining, in July 2014, a report from internal audit to support the development of a compliance assurance framework for NDRRA. However, it remains noteworthy that EMA has not yet made any use of the power it was given in 2012 to undertake project-level assurance activities either before reconstruction work is completed, or after expenditure claims have been submitted.⁹

Audit recommendations and agency response

2.10 Table 2.1 sets out the recommendations for ANAO Report No. 34 and AGD's response.¹⁰

Table 2.1 ANAO recommendations, Report No. 23 (2014-15)

1	<p>The ANAO recommends that the Attorney-General's Department significantly improve the administration of disaster relief and recovery funding by:</p> <ul style="list-style-type: none"> (a) adopting more timely processes for developing, finalising and promulgating disaster funding guidelines and advisories (b) implementing administrative arrangements that provide it with greater details of the amounts included in expenditure claims, including project specific information <p>AGD response: (a) Agreed (b) Agreed with qualification</p>
2	<p>To provide improved oversight and assurance in its administration of the Natural Disaster Relief and Recovery Arrangements, the ANAO recommends that the Attorney-General's Department:</p>

⁹ ANAO, Audit Report No. 34 (2014-15), pp. 15-16.

¹⁰ For details of AGD's response to the ANAO's recommendations, see ANAO, Audit Report No. 34 (2014-15), pp. 100-103. The ANAO also provided further comment on AGD's response – see pp. 65-66, 96.

-
- (a) obtain project level information from states and territories to enable more informed analysis of claim amounts
 - (b) implement a risk-based approach to examining the eligibility and value for money of a sample of recovery and reconstruction projects

AGD response: (a) Agreed with qualification (b) Agreed with qualification

Committee review

- 2.11 Representatives from the ANAO and AGD, including EMA, gave evidence at the Committee's public hearing on 17 September 2015 (see details of public hearings and submissions at Appendixes A and B).
- 2.12 As discussed below, the Committee focused on three matters regarding the ANAO report findings and evidence provided at the public hearing:
- the NDRRA framework and guidance
 - NDRRA claims verification and assurance
 - implementation of ANAO recommendations

NDRRA framework and guidance

- 2.13 By way of background, the ANAO report findings regarding the NDRRA framework focused on a lack of clarity of the framework, as reflected in the varying state interpretations of the framework and payment of ineligible expenditure claims. A summary of the relevant key points from the ANAO report is set out below:
- **lack of clarity of NDRRA framework and guidance**
 - Inadequacies in the NDRRA framework have ... been raised by the Australian Government Reconstruction Inspectorate, in light of the findings of its review of a sample of Queensland reconstruction projects. The Inspectorate has reported that the NDRRA framework would benefit from 'better defined eligibility criteria' and also that the 'current procedures are often vague, inconsistent and complicated'. Similarly, comments on the NDRRA framework from states examined by the ANAO as part of this audit included that it is 'complex and ambiguous'¹¹
 - The framework that is in place to support the delivery of NDRRA funding is inadequate in a number of important respects. Of note is that important terms are undefined and

11 ANAO, Audit Report No. 34 (2014-15), p. 17.

guidance has been slow to be issued in some areas and remains non-existent in others¹²

■ **varying state interpretations of NDRRA framework, and payment of ineligible expenditure claims**

- EMA has not acted sufficiently promptly to address deficiencies in the guidance available for state, territory and local governments involved in administering or delivering NDRRA assistance. This has resulted in varying interpretations of NDRRA eligibility requirements by state agencies and incorrect claims being submitted to EMA and paid ... in each of the three states examined by the ANAO as part of this audit, EMA has paid claims for expenditure that were not eligible under NDRRA¹³
- state-based approaches to providing NDRRA interpretations and guidance has led to inconsistent approaches, including WA employing a different (and incorrect) accounting approach in respect to claims examined by the ANAO¹⁴
- State guidelines examined by the ANAO generally do not have a clear line of sight with the determination ... EMA has not actively reviewed state guidelines to assess their consistency with the determination¹⁵

2.14 As the Acting Auditor-General, Ms Rona Mellor, noted in her opening statement at the public hearing, the 'key message from the audit' was that EMA, within AGD, has 'not been alert to clear signals that the NDRRA framework has required tightening'.¹⁶

2.15 AGD outlined its response to the ANAO audit through 'four key activities to improve the administration of the NDRRA':

- the re-write of the Determination;
- a national collaborative audit program;
- development of an appropriate system to manage NDRRA claims and financial data; and,
- an internal restructure to support compliance monitoring and assessment.¹⁷

2.16 Of particular interest here is AGD's work in rewriting the NDRRA determination, to improve the clarity of the NDRRA framework (the other three activities are discussed below, in the section on 'NDRRA claims verification'). As AGD acknowledged, a 'consistent issue' raised by

12 ANAO, Audit Report No. 34 (2014-15), p. 63.

13 ANAO, Audit Report No. 34 (2014-15), pp. 17-18.

14 ANAO, Audit Report No. 34 (2014-15), p. 34.

15 ANAO, Audit Report No. 34 (2014-15), pp. 49-50.

16 Ms Rona Mellor, Acting Auditor-General, ANAO, 'Opening statement', *Submission 1.1*, p. 1.

17 AGD, *Submission 2*, p. 12.

stakeholders is that 'NDRRA is difficult to read and understand, and requires continual explanation and interpretation of eligibility'¹⁸ and, despite 'significant work' undertaken by the department over 2012 to 2014 to remedy some of these issues, stakeholders have 'continued to be challenged by the NDRRA's lack of clarity and auditability'.¹⁹ Accordingly, AGD explained that it was rewriting the NDRRA determination to 'address a range of matters that have led to many of the issues raised in the ANAO audit', as well as address recommendations from a 2014 department-initiated independent review:

By 1 October, the department will have delivered the restructure of the NDRRA Determination 2012 (2012 version 2) to reduce ambiguity, embed assurance arrangements, and ensure that it is structured in a way that is logical and easy to use. The amendment has also incorporated information previously in guidelines and advisories into the Determination, subsequently reducing the need for, and amount of, extra information that currently accompanies it. This version will also provide substantially revised audit and claim templates.²⁰

2.17 As AGD further noted at the public hearing, the restructured NDRRA determination has 'less ambiguity' and 'clearer language':

We ... spoke to the stakeholders group as part of the consultation in respect of the findings of the ANAO and made it clear that we would be undertaking an immediate restructure of the current determination, where we have an independent auditor come in and undertake a full rewrite of the documentation. That has been done. That has been consulted on with the states and territories. They have all come back and said, 'That is a far easier document to read. There is less ambiguity in respect of that.' In addition, the rewrite has a considerable amount of additional assurance and compliance arrangements for both the Commonwealth and the states and territories. There is a lot clearer language in relation to the absolute conditions that a state must meet in order for eligible expenses to be undertaken.²¹

2.18 An additional matter regarding the clarity of the NDRRA framework raised at the public hearing concerned evidence that day labour continued

18 AGD, *Submission 2*, p. 12.

19 AGD, *Submission 2*, p. 12.

20 AGD, *Submission 2*, p. 12.

21 Mr Aaron Verlin, Assistant Secretary, National Disaster Recovery Programs Branch, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 6.

to be 'incorrectly included' by states in NDRRA claims²² and whether the revised processes being implemented by AGD would address this matter. AGD confirmed that day labour would 'no longer be an issue going forward':

By working with states and territories, putting the constraints in the space of day labour, putting the assurance processes in place in accordance with the determination and the simple fact that states and territories will need to have accessible project level information, which should expose the day labour cost – the extent to which it is applied and the rates – we are more confident than we have ever been that the day labour issue will no longer be an issue going forward.²³

NDRRA claims verification and assurance

2.19 By way of background, the ANAO report findings regarding NDRRA claims verification and assurance focused on AGD's reliance on state vetting and sign-offs, a need for project-level assurance and a risk-based approach, and the department's administration of NDRRA. A summary of the relevant key points from the ANAO report is set out below:

- **reliance on state vetting and sign-offs**
 - [EMA's] claims verification and assurance processes have ... not adequately protected the Commonwealth's interests, including by placing too much reliance on state vetting and sign-offs. The result has been millions of dollars of ineligible claims being reimbursed to the states at the Commonwealth's expense²⁴
 - In effect, state delivery agencies largely self-assess what they will claim for NDRRA advances and/or reimbursement. Accordingly, EMA places a very heavy reliance on the states 'getting it right', yet has not provided sufficient, clear and consistent information that would enable such an expectation to be met²⁵
- **need for project-level assurance and risk-based approach**
 - limited oversight at the conclusion of reconstruction is afforded to the audited claims submitted by states, with no project level information provided in these claims ... EMA has not yet made any use of the power it was given in 2012 to undertake project-

22 See ANAO, Audit Report No. 34 (2014-15), p. 55.

23 Mr Mark Croweller, Director General, EMA, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 8.

24 ANAO, Audit Report No. 34 (2014-15), p. 15.

25 ANAO, Audit Report No. 34 (2014-15), p. 49.

level assurance activities either before reconstruction work is completed, or after expenditure claims have been submitted²⁶

- Significant benefits ... can be expected from EMA implementing ... a risk-based approach to examining the eligibility and value for money of a sample of recovery and reconstruction projects²⁷

- **NDRRA administration and records management**

- A much more active and disciplined approach to EMA's administration of NDRRA is required so that payments are limited to those items the Australian Government intended to cover, given the significant quantum of funding that is involved ... improvements in administrative effectiveness, including savings in NDRRA expenditure, can be expected if EMA took more timely and effective action to improve upon longstanding administrative approaches²⁸
- there are no requirements specified in relation to the records that are required to exist before a NDRRA claim is made, or the records that are to be maintained in support of a claim that has been made²⁹
- The absence of any prescribed minimum documentation standards has adversely affected the ability of state auditors, EMA and the ANAO to examine whether amounts claimed are eligible for NDRRA funding assistance³⁰

2.20 As discussed earlier, AGD outlined its response to the ANAO audit through 'four key activities to improve the administration of the NDRRA'.³¹ Three of these activities are of particular interest here, in terms of improving NDRRA claims verification and assurance: implementation of a national collaborative audit program; development of an appropriate system to manage NDRRA claims and financial data; and an internal restructure to support compliance monitoring and assessment.

2.21 AGD provided an overview of its work in developing a national collaborative audit program, noting that the department had written to all states and territories in March and April 2015 seeking agreement to collaborative audits of all outstanding claims for financial assistance, with the majority of states having agreed (one request still being outstanding).³²

26 ANAO, Audit Report No. 34 (2014-15), pp. 15-16.

27 ANAO, Audit Report No. 34 (2014-15), p. 19.

28 ANAO, Audit Report No. 34 (2014-15), pp 15-16.

29 ANAO, Audit Report No. 34 (2014-15), p. 19.

30 ANAO, Audit Report No. 34 (2014-15), p. 87.

31 AGD, *Submission 2*, p. 12.

32 AGD, *Submission 2*, p. 13.

As AGD further explained, 'from the moment the issues paper was provided by the ANAO, the department made the decision that it would not be acquitting any further claims until there are additional assurance processes undertaken'.³³ The department and states have 'agreed to work together to improve processes and knowledge of the NDRRA so that expenditure that is not eligible under the NDRRA is transparent and not erroneously included in state claims'.³⁴ AGD highlighted that an independent auditor had been engaged to deliver the audit with Victoria, which commenced in August 2015, and that all audits are estimated to be completed by 31 March 2016.³⁵ As AGD further explained at the public hearing, there are two parts to this process:

The first part is that the independent auditor is going around to every jurisdiction to document and articulate their methodology and process on how they undertake assurance under the NDRRA. This is to be in a position to provide recommendations to the state, right from the agencies through to the respective state audit offices, in respect of improvements in undertaking assurance processes out in the respective states.

The second part is providing an additional sampling audit of every state and territory in respect of claims. Rather than the department undertaking the additional orders and sampling itself, we have outsourced that and got independent auditor advice. That is a rolling program that has commenced in Victoria and will be commencing in the next few weeks, in the scoping documentation, for all other jurisdictions, with a view to have that finalised by March 2016. This is in order to have it finalised as part of the 2015-16 budget process.³⁶

- 2.22 On the development of an appropriate system to manage NDRRA claims and financial data, AGD noted that successive internal audits had recommended an automated financial management system be implemented to 'partially mitigate the risks' associated with this area.³⁷ Two separate systems had originally been implemented (an incident and event management system, and an interim financial management system),

33 Mr Verlin, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 7.

34 AGD, *Submission 2*, p. 13.

35 AGD, *Submission 2*, p. 13.

36 Mr Verlin, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 3. AGD also outlined the audit objectives for the collaborative audit—see *Submission 2*, p. 13.

37 AGD, *Submission 2*, p. 14.

but in May 2015 the department commenced work to move to a single system.³⁸

- 2.23 On the internal restructure to support compliance monitoring and assessment, AGD explained that, traditionally, NDRRA administration had separated disaster event management from financial management and claims payments – however, this had ‘proven to limit the effectiveness of establishing the eligibility of state expenditure and a state’s compliance with NDRRA conditions for assistance’.³⁹ As AGD acknowledged, a ‘particular problem’ here is that a claim may be submitted ‘three or more years (even up to nine years) following the disaster event’ and then be assessed by financial personnel rather than those managing the disaster event.⁴⁰ The revised structure intends to ‘reduce this limitation’ by establishing positions that are wholly responsible for a claim through compliance, eligibility monitoring and assessment, and claim acquittal, with the success of this structure to be ‘monitored over time, and amended as necessary’.⁴¹ At the public hearing, AGD further explained that the restructure would ensure that assurance occurs at the ‘front end’ of an initiation of an event – ‘[s]ome of the findings from the ANAO were in respect of assurance processes once a claim had been provided. At times, that is two years and nine months following the event. We have implemented new arrangements where we are looking at assurance and ensuring a state complies with the conditions of the determination at the activation of an event’.⁴²
- 2.24 An additional matter regarding NDRRA claims verification and assurance raised at the public hearing concerned whether AGD had compared its approach with best practice in the insurance industry, noting that insurance companies around the world essentially undertake a similar activity, with well-established processes. AGD explained that, ‘in the course of the consultation process, that was one area that the Productivity Commission looked at – the applicability of insurance type models in relation to this area’ – and acknowledged that, while at this point the department had ‘not formally adopted any of those models’, there may be ‘some lessons from the insurance industry’ for NDRRA.⁴³ As the

38 AGD, *Submission 2*, p. 14. AGD also outlined the three phases involved in the project – see p. 14.

39 AGD, *Submission 2*, p. 14.

40 AGD, *Submission 2*, p. 14.

41 AGD, *Submission 2*, p. 14.

42 Mr Verlin, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 3.

43 Ms Katherine Jones, Deputy Secretary, National Security and Criminal Justice Group, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 7.

department further noted, the reforms going forward, particularly arising from the Productivity Commission review, are ‘very much looking at how that sector of the industry, insurance and others, responds in terms of how it values its assets, how it quantifies those assets and how it seeks to replace those assets and upgrade them where necessary’.⁴⁴

Implementation of ANAO recommendations

- 2.25 AGD agreed to ANAO recommendation 1(a) that the department adopt ‘more timely processes for developing, finalising and promulgating disaster funding guidelines and advisories’.⁴⁵ However, AGD agreed to the ANAO’s remaining recommendations with qualifications. ANAO recommendation 1(b) called for the department to implement ‘administrative arrangements that provide it with greater details of the amounts included in expenditure claims, including project specific information’, and recommendations 2(a) and (b) called for the department to ‘obtain project level information from states and territories to enable more informed analysis of claim amounts; and implement a risk-based approach to examining the eligibility and value for money of a sample of recovery and reconstruction projects’.⁴⁶ At the public hearing, the ANAO provided further information on its recommendation that AGD implement a risk-based approach, noting that what the ANAO was seeking from the recommendation was ‘for the department to determine a set of criteria that would allow them to target their limited compliance activities’.⁴⁷
- 2.26 As discussed previously, AGD outlined its response to the ANAO audit through ‘four key activities to improve the administration of the NDRRA and, most importantly, reduce the risk of incorrect claiming by states before recovery costs have been incurred’ – namely, a re-write of the determination; a national collaborative audit program; development of an

44 Mr Croweller, EMA, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 7. AGD also highlighted that the claims checklist being implemented by the department, drawing on the findings of the independent auditor, was similar to processes in the insurance industry – see Mr Verlin, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 7.

45 ANAO, Audit Report No. 34 (2014-15), p. 23.

46 ANAO, Audit Report No. 34 (2014-15), p. 23.

47 Mr Mark Simpson, A/g Group Executive Director, Performance Audit Services Group, ANAO, *Committee Hansard*, Canberra, 17 September 2015, p. 3. As the ANAO further noted, ‘[f]or every dollar you invest in improved assurance, you save between \$10 and \$20 in not paying out ineligible claims ... This was part of the point behind our recommendation about risk-based sampling of some claims. Removing the ineligible claims before they are even submitted is surely the best way forward’, Mr Brian Boyd, Executive Director, Performance Audit Services Group, ANAO, *Committee Hansard*, Canberra, 17 September 2015, p. 9.

appropriate system to manage NDRRA claims and financial data; and an internal restructure to support compliance monitoring and assessment.⁴⁸

- 2.27 However, at the public hearing, the Committee explored with AGD a key ANAO finding concerning a ‘reluctance to accept criticism’, as demonstrated by the department’s qualified agreement to the majority of the ANAO recommendations and response to a 2013 internal audit report. As the Acting Auditor-General observed:

EMA has ... been reluctant to accept criticism of its approaches. Of note was that the department did not accept the conclusion of a February 2013 internal audit report that there were ‘significant weaknesses’ in claims verification processes, with action to respond to that internal audit report not being taken until 2014. This was also evident in the department’s response to the ANAO audit report, with the department only agreeing to part of the first recommendation, and qualifying its agreement to the other part of that recommendation as well as both parts of the second recommendation.⁴⁹

- 2.28 The Acting Auditor-General further observed it was of ‘particular note’ that ‘EMA has not sought to amend its administrative practices’ in light of the growing body of work undertaken by the Australian Government Reconstruction Inspectorate, or in response to the Queensland Reconstruction Authority reporting that its work had ‘resulted in \$4.6 billion in rejected or withdrawn claims in that state alone’.⁵⁰
- 2.29 The Chair of the JCPAA emphasised that, ‘[f]rom the point of view of this committee, when we look at reports we want to see that the department firstly is accepting the findings of the audit report and secondly is actually following up and doing something about it. It is a pretty strong report, and it is a bit more concerning that EMA is not accepting the criticism here’.⁵¹
- 2.30 Ms Katherine Jones, Deputy Secretary, National Security and Criminal Justice Group, AGD, responded that the department had taken the report

48 AGD, *Submission 2*, p. 12. AGD also outlined a number of other departmental initiatives directed at improving NDRRA administration, ‘some of which were not within the review scope of the ANAO’s audit but nevertheless address some of the findings and recommendations’ – see *Submission 2*, pp. 15-16.

49 Ms Mellor, ANAO, ‘Opening statement’, *Submission 1.1*, p. 2.

50 Ms Mellor, ANAO, ‘Opening statement’, *Submission 1.1*, p. 1. Mr Boyd, ANAO, provided further information on the work of the Queensland Reconstruction Authority – see *Committee Hansard*, Canberra, 17 September 2015, pp. 8-9.

51 Dr Andrew Southcott MP, Chair, JCPAA, *Committee Hansard*, Canberra, 17 September 2015, p. 4.

findings ‘extremely seriously’, as reflected in its work across four key activities:

With respect, in totality the work we have done around the determination rewrite ... the national collaborative audit program ... [and] work we have done around improving our financial data system so that we more accurately capture data – and all the internal work we have done to support compliance in eligibility assessment I think in totality reflects the fact that we have actually taken the findings of this report extremely seriously. We have looked right across the range of measures that we think are necessary. And I can assure you that we use the report’s findings as a constant source of guidance in the work that we are doing across those four areas.⁵²

- 2.31 Ms Jones also stated: ‘I would just like to give this committee a level of assurance that the department has taken the recommendations of this report incredibly seriously, and we are putting in a significant amount of effort to ensure that we are responding appropriately’.⁵³ As Ms Jones further explained, ‘since the publication of this report we have obviously implemented fairly significant reform, both in our structures and our approaches’:

We have looked at it from a range of levels in terms of ensuring that there is greater clarity in the determination. We recognise that the definitions of eligibility were open to misinterpretation. We have sharpened that up. At the highest levels of guidance, we have tried to ensure that there is greater clarity and less ability for misinterpretation. In terms of the national collaborative audit program, that is a fairly significant reform. It took quite a long time to negotiate with the states and the territories and for them to be comfortable to work with us on a collaborative audit program. I think it is a really significant development, where we can work with them to ensure that we have a high level of confidence in the way that they are going about developing their claims. I looked very closely at the aspects of the ANAO report that referred to that.⁵⁴

- 2.32 Ms Jones also pointed to AGD’s response to the concern raised in the ANAO report that the department relied ‘too heavily’ on state audit offices for assuring expenditure:

52 Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, pp. 4-5.

53 Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

54 Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

We had worked on the basis that, if the state audit office had signed off, that that would give us a certain level of assurance. The ANAO have said, for a range of reasons, that that was probably not adequate. We have looked at working with the states and the territories to do this collaborative audit program. It is novel. We have not done it before. I think it is going to be a significant development in assisting us. That is a significant undertaking. As I said, the other things that we have done around automating our financial management system and the further work around supporting compliance are quite significant. These are all things that we have developed in the last period following the report.⁵⁵

- 2.33 In terms of its qualified agreement to the ANAO recommendation calling for the department to obtain project-level information, AGD explained that, 'at the point we responded to the recommendations in this report we were not entirely confident that all jurisdictions were going to be able to assist us' in providing such information.⁵⁶ As the department further clarified, there was 'ambiguity as to whether we ought to hold it or for the report to be available':

Our clear view is that it ought to be available for us to assure, but for us to hold it is quite a different proposition. So, we do not at all disagree with the ANAO on the essence of its recommendation in relation to project-level information. It ought to be available; it needs to be available for assurance. It is the manner in which it is held. If the recommendation could be read one way that states were required to submit their project-level information at times of estimate and acquittal, the red tape around that and the governance around that would be quite extraordinary. So, our view is that they need to hold it, it needs to be available, it needs to be accessible, and we will access it as part of our collaborative assurance arrangements, which will be done on a regular and at least annual basis.⁵⁷

- 2.34 However, AGD confirmed that it had now been 'around the country talking with every state and territory, and we are now satisfied that we are able to get that information from the states and the territories. So we are in a position now to fully respond to that recommendation in a way that we

55 Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

56 Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

57 Mr Crossweller, EMA, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

could not do with 100 per cent confidence when we responded to the report'.⁵⁸

- 2.35 There was also interest at the public hearing in further exploring ANAO's finding that the department had not accepted the conclusion of a February 2013 internal audit report that there were 'significant weaknesses' in claims verification processes.⁵⁹ Mr Mark Crossweller, Director General of EMA, within AGD, confirmed that they now accept the NDRRA determination as it stands is 'not sufficient for that purpose':

One of the outcomes of that advice was that the determination as it was structured, whilst it had been written to provide flexibility to states and territories in terms of their capacity to make claims, the flexibility was such that it was unable to be assured, and that arose out of that internal audit. To the extent to which we could under the writing of that determination, some additional controls were put in place. We accept that the determination as it stands is not sufficient for that purpose. By October this year – in about two to three weeks time – we will release a further rewrite of the current determination to wherever possible clarify aspects of eligibility and assurance to simplify the reading of the determination and to clarify and make consistent its terms of definition.⁶⁰

- 2.36 The ANAO responded that it would 'certainly support work taken to make the framework clearer and more understandable to those who need to operate within the framework', because 'one of the factors ... in our assessment and also in the assessment of the Australian Government Reconstruction Inspectorate [that] has contributed to ineligible items being claimed has been that it has not always been clear to those working under the determination exactly what is eligible and what is not'.⁶¹ The ANAO emphasised two further points:

Firstly, our audit report also comments on the timing of any changes to the determination. Whilst not wanting to unduly delay things, we point out in the report that when the determination changes other than at the start of a financial year it does make it more challenging for the states, because it means that for their

58 Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 5. AGD noted that delivery of the NPA for disaster reconstruction and recovery had been 'at a cost to the Government of approximately \$10 million and to the Queensland Government of over \$95 million', Audit Report No. 34 (2014-15), p. 102. At the public hearing, AGD provided further information about these figures – see Mr Verlin, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 2.

59 Ms Mellor, ANAO, 'Opening statement', *Submission 1.1*, p. 2.

60 Mr Crossweller, EMA, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 4.

61 Mr Boyd, ANAO, *Committee Hansard*, Canberra, 17 September 2015, p. 4.

claims for that particular financial year they are now having to operate under two determinations. So, one of our suggestions was to try to line up any changes in the determination to a change in the financial year. The second thing is that even with the determination improving the other key aspect for us is the Attorney-General's Department improving its claims verification processes so it is not placing complete faith in states and territories getting it right.⁶²

2.37 As to whether there were any outstanding issues in the department's response to the ANAO recommendations, AGD noted that 'two outstanding processes' had been captured through the collaborative audit: '[o]ne of the processes is to clearly understand: where does project-level information reside within respective agencies in every jurisdiction?' and the second part of outstanding work is that 'we are not making a single payment on our outstanding claims that need to be acquitted from all jurisdictions, which equates to around \$5½ billion, until we receive the sign-off from the independent auditor'.⁶³

2.38 In terms of whether the ANAO was satisfied with AGD's overall response to the audit recommendations, the Acting Auditor-General responded that there was 'some level of comfort emerging from the steps that the department is mentioning about progress':

We do not seek in our recommendations to prescribe to agencies exactly how to implement. They are matters for management. When we use words like 'obtain', we are not prescribing the methodology by which that will occur ... our concern throughout this audit was that there were a number of signals from a number of places, the internal audit report being one, that there were weaknesses in this system. We were concerned at the pace at which those weaknesses were being considered by the department. Naturally, it is the preference of the Auditor-General, having worked closely with the department throughout the life of an audit, to come up with recommendations that improve weaknesses and are agreed by departments. This audit was one where weaknesses were found, and there is some level of comfort emerging from the steps that the department is mentioning about progress.⁶⁴

62 Mr Boyd, ANAO, *Committee Hansard*, Canberra, 17 September 2015, p. 4.

63 Mr Verlin, AGD, *Committee Hansard*, Canberra, 17 September 2015, pp. 6-7.

64 Ms Mellor, ANAO, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

- 2.39 However, the Acting Auditor-General concluded that ‘we would have to wait and see, as we always do, whether or not they hit the mark of good risk management, good assurance processes and good governance over this important program’.⁶⁵
- 2.40 Finally, on the current status of the Government’s response to the 2014 Productivity Commission report, *Natural Disaster Funding Arrangements*, AGD explained that the Government was ‘continuing to consider the outcomes of the report’ – ‘we undertook very extensive consultations around the country ... on a range of issues that were raised by the Productivity Commission report ... and we are currently in the final processes of providing advice to government’.⁶⁶

Committee comment

- 2.41 The Committee notes that a key message from the ANAO audit of the administration of NDRRA, as highlighted by the Acting Auditor-General, is that AGD has not been alert to clear signals that the NDRRA framework has required tightening.⁶⁷ The Acting Auditor-General also observed that the department continued to place significant reliance on state vetting and sign-offs, notwithstanding growing evidence concerning millions of dollars of ineligible claims being reimbursed to states and significant gaps in the extent to which key terms and conditions in the NDRRA determination had been adequately defined and explained.⁶⁸
- 2.42 The Committee also notes the audit finding that there has been a ‘reluctance to accept criticism’, as demonstrated by AGD’s qualified agreement to the majority of the ANAO recommendations and the response to a February 2013 internal audit report.⁶⁹
- 2.43 While the Committee was encouraged by the update provided by AGD on its response to the ANAO recommendations, the Committee makes a number of recommendations below to ensure that the department continues to demonstrate effective implementation of the audit recommendations for this important program.

65 Ms Mellor, ANAO, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

66 Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 2. The ANAO report noted that, ‘even if NDRRA moves to payments based on project damage assessments and cost estimates [as proposed in the Productivity Commission report], significant benefits can be expected from EMA obtaining more detailed claims information and implementing a risk-based program of assurance activities’, Audit Report No. 34 (2014-15), p. 20.

67 Ms Mellor, ANAO, ‘Opening statement’, *Submission 1.1*, p. 1.

68 Ms Mellor, ANAO, ‘Opening statement’, *Submission 1.1*, p. 1.

69 Ms Mellor, ANAO, ‘Opening statement’, *Submission 1.1*, p. 2.

- 2.44 Agency implementation of ANAO recommendations has been an ongoing focus of the JCPAA. The Committee was therefore somewhat reassured by the response at the public hearing of Ms Katherine Jones, Deputy Secretary, AGD, that the department has taken the audit report findings 'extremely seriously' and is using the report's findings as a 'constant source of guidance'.⁷⁰ In its submission and at the public hearing, AGD explained in some detail how it was addressing the audit report findings and recommendations. AGD confirmed that the rewrite of the NDRRA determination would have been delivered by 1 October 2015, with the information previously in guidelines and advisories having also been incorporated into the determination.⁷¹ On the national collaborative audit program, AGD wrote to states and territories in March and April 2015 seeking agreement to collaborative audits of all outstanding claims for financial assistance, with these audits estimated to be completed by 31 March 2016.⁷² The department also confirmed that an annual audit program would be a permanent feature of NDRRA.⁷³ On the development of an appropriate system to manage NDRRA claims and financial data, in May 2015 the department commenced work to implement a single system to manage this area.⁷⁴ Finally, on the internal restructure to support compliance monitoring and assessment, AGD is establishing positions responsible for a claim through compliance, eligibility monitoring and assessment, and claim acquittal, with the success of this structure to be monitored over time.⁷⁵
- 2.45 At the public hearing AGD also provided further details about how it was responding to the ANAO recommendations it had previously agreed to with qualifications, including the recommendation calling for the department to obtain project-level information. AGD confirmed that, as it was now satisfied about being able to obtain that information from the states, it was in a position to fully respond to that recommendation 'in a way that we could not do with 100 per cent confidence when we responded to the report'.⁷⁶

70 Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

71 AGD, *Submission 2*, p. 12. See also on this point, Mr Verlin, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 6.

72 AGD, *Submission 2*, p. 13.

73 AGD, *Submission 2*, p. 13.

74 AGD, *Submission 2*, p. 14.

75 AGD, *Submission 2*, p. 14. See also on this initiative, Mr Verlin, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 3.

76 Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 5. See also on this point, Mr Crossweller, EMA, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

- 2.46 The Committee is pleased to note that the Acting Auditor-General now has ‘some level of comfort emerging from the steps that the department is mentioning about progress’.⁷⁷ Nevertheless, the Committee points to AGD’s advice that it is in the process of implementing significant change as it is currently undertaking several key activities to improve NDRRA, as well as finalising advice to Government concerning the 2014 Productivity Commission report on *Natural Disaster Funding Arrangements*.⁷⁸ Accordingly, the Committee emphasises that it will be important for AGD to continue to demonstrate effective implementation of the ANAO recommendations amongst such changes.
- 2.47 The Committee therefore recommends that AGD provide a follow-up report to the JCPAA on its progress towards implementing the ANAO recommendations (particularly, in terms of utilisation of project-level information from states and territories, and implementation of a risk-based approach) and the four key activities outlined by the department at the public hearing and in its submission. A further matter raised at the public hearing concerned whether AGD had compared its approach with best practice in the insurance industry. The department noted that there may be ‘some lessons from the insurance industry’ for NDRRA.⁷⁹ The Committee sees merit in AGD conducting further work in this area.
- 2.48 The Committee also sees merit in the ANAO undertaking an audit of AGD’s implementation of performance audit recommendations in general. Given the significance of NDRRA and possible substantial changes to the program as an outcome of the Productivity Commission review, the Committee further recommends that the ANAO consider a follow-up audit of the department’s administration of NDRRA, post-implementation of any new arrangements.

Recommendation 1

- 2.49 **The Committee recommends that the Attorney-General’s Department report to the Committee, no later than six months after the tabling of this report, on its progress towards:**
- **implementing the recommendations in ANAO Report No. 34 (2014-15), with particular reference to utilisation of project-level information from states and territories to enable more informed**

⁷⁷ Ms Mellor, ANAO, *Committee Hansard*, Canberra, 17 September 2015, p. 5.

⁷⁸ Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 2.

⁷⁹ Ms Jones, AGD, *Committee Hansard*, Canberra, 17 September 2015, p. 7.

- analysis of claim amounts, and implementation of a risk-based approach to examining the eligibility and value for money of recovery and reconstruction projects**
- **implementing the four key activities outlined in its submission to the Committee:**
 - ⇒ **the rewrite of the NDRRA determination**
 - ⇒ **a national collaborative audit program**
 - ⇒ **development of an appropriate system to manage NDRRA claims and financial data**
 - ⇒ **an internal restructure to support compliance monitoring and assessment**
 - **comparing the department's approach in this area to best practice in the insurance industry**

Recommendation 2

- 2.50 The Committee recommends that the Australian National Audit Office consider prioritising the Attorney-General's Department in its continuing series of audits of agencies' implementation of performance audit recommendations.

Recommendation 3

- 2.51 The Committee recommends that the Australian National Audit Office consider including in its schedule of performance audits a follow-up audit of administration of the Natural Disaster Relief and Recovery Arrangements by the Attorney-General's Department.

Performance Audit Report No. 37 (2014–15)

Management of Smart Centres' Centrelink Telephone Services

Introduction

- 3.1 Chapter 3 focuses on the Joint Committee of Public Accounts and Audit (JCPAA) review of Australian National Audit Office (ANAO) Report No. 37 (2014–15), *Management of Smart Centres' Centrelink Telephone Services*, Department of Human Services (Human Services). The chapter comprises:
- an overview of the report, including the audit objective and criteria; audit conclusion; and audit recommendations and agency response
 - Committee review
 - Committee comment

Report overview

Audit objective and criteria

- 3.2 The objective of the ANAO's audit was to assess the effectiveness and efficiency of Human Services' management of its Centrelink telephone services.
- 3.3 To form a conclusion against the audit objective, the ANAO adopted the following high-level criteria:

- Human Services offers customers effective telephone services in relation to a range of quality indicators, for example, wait times and the accuracy of information provided;
- Centrelink call services in Smart Centres are managed efficiently; and
- Human Services effectively monitors and reports on the performance of Smart Centres' Centrelink telephone services.¹

Audit conclusion

- 3.4 The ANAO concluded that Human Services is 'making progress in its transition to revised service delivery arrangements for Centrelink services through Smart Centre and self-service initiatives.' However, Human Services continues to face challenges in managing a significant volume of customer telephone calls.²
- 3.5 Human Services internally monitors the performance of its Centrelink telephone services against a range of 'useful, albeit traditional call centre metrics'.³ While these key performance indicators (KPIs) are an aid to assessing performance at an operational level, 'they provide a more limited basis for assessing customer outcomes and the success or otherwise of the Smart Centre concept' (where telephony and processing work is blended).⁴ The ANAO concluded there would be merit in Human Services examining its existing internal KPIs and their fitness for purpose in the Smart Centre environment.
- 3.6 While the single externally reported average speed of answer KPI for Centrelink telephone services is 'relevant and reliable, it is not complete and merits review'.⁵ In particular, the single externally reported KPI does not provide insight into the range of customer experiences, including the length of wait time that most customers can expect to experience, or the 'common customer experience' of 'call blocking' where a customer, attempting to call, hears an engaged tone because the line has reached capacity and cannot accept more people into the queue, and 'call abandonment' where a customer hangs up before their call is answered by a service officer.⁶

1 Australian National Audit Office (ANAO), Audit Report No. 37 (2014–15) *Management of Smart Centres' Centrelink Telephone Services*, p. 12.

2 ANAO, Audit Report No. 37 (2014–15), p. 13.

3 ANAO, Audit Report No. 37 (2014–15), p. 85.

4 ANAO, Audit Report No. 37 (2014–15), p. 85.

5 ANAO, Audit Report No. 37 (2014–15), p. 85.

6 ANAO, Audit Report No. 37 (2014–15), pp. 13–14, 85.

Audit recommendations and agency response

3.7 Table 3.1 below sets out the recommendations for ANAO Report No. 37 and the agency's responses.⁷

Table 3.1 ANAO recommendations, Audit Report No. 37 (2014-15)

1	<p>To help deliver improved services across all customer channels and a more coordinated approach to the management of call wait times, the ANAO recommends that the Department of Human Services establish a pathway and timetable for implementation of a coordinated channel strategy.</p>
	<p>Human Services response: <i>Agreed.</i></p>
2	<p>To maintain the integrity of the Quality Call Listening (QCL) process and improve the level of assurance on the quality and accuracy of Centrelink telephone services, the ANAO recommends that the Department of Human Services applies the QCL framework to all staff answering telephone calls, and reviews the potential impact of gaps in the implementation of QCL.</p>
	<p>Human Services response: <i>Agreed.</i></p>
3	<p>To clarify the service standards that customers can expect and to better reflect customer experience, the ANAO recommends that the Department of Human Services review Key Performance Indicators for the Centrelink telephony channel, in the context of the implementation of a coordinated channel strategy.</p>
	<p>Human Services response: <i>Agreed, with qualifications.</i></p>

Committee review

3.8 Representatives from the ANAO and Human Services gave evidence at the Committee's public hearing on Thursday 20 August 2015.

3.9 The Committee focused on the following matters regarding the ANAO report findings and evidence provided at the public hearing:

- Management of customer call wait times
 - ⇒ Transition to digital service delivery
 - ⇒ Impact of other service delivery channels on call wait times
- Performance measurement and reporting
 - ⇒ Internally reported performance metrics
 - ⇒ Externally reported average speed of answer key performance indicator.

7 For details of Human Services' response to the ANAO's recommendations, see ANAO, Audit Report No. 37 (2014-15), pp. 89-92.

Management of call wait times

- 3.10 The ANAO noted that telephone calls are ‘one of the most common ways’ that customers contact Human Services.⁸ In 2013–14, 56.8 million calls were made to Centrelink telephone lines and, of these:
- 20.8 million calls were answered by a service officer
 - 13.7 million calls received a ‘busy’ tone and were unable to enter the network (‘call blocking’)
 - 17.8 million calls were ended by the customer hanging up after entering the Interactive Voice Response (IVR) system, which provides pre-recorded information (this number includes customers whose inquiry is answered by the IVR system and customers who abandon their call without having their issue resolved)
 - 7.8 million calls were abandoned by the customer hanging up while waiting in the queue to speak to a service officer (‘call abandonment’).⁹
- 3.11 In 2013–14, the average length of time a Centrelink customer spent waiting on the line for a service officer to answer their call was 16 minutes and 53 seconds.¹⁰ The 2013–14 data examined by the ANAO indicated that, on Centrelink’s 10 highest-utilised phone lines:
- ‘36 per cent of calls were answered within 10 minutes’
 - ‘around half of calls were answered within 20 minutes’
 - ‘30 per cent of callers waited more than 30 minutes’ for their call to be answered. The ANAO noted this was a significant deterioration from the previous year when only 15 per cent of callers waited more than 30 minutes.¹¹
- 3.12 Table 3.2 below outlines the data collected by the ANAO on answered calls by time intervals for the 10 highest utilised Centrelink telephone lines. These 10 telephone lines accounted for around 70 per cent of answered Centrelink telephone calls in both 2012–13 and 2013–14.¹²

8 ANAO, Audit Report No. 37 (2014–15), p. 25.

9 ANAO, Audit Report No. 37 (2014–15), pp. 34–5.

10 ANAO, Audit Report No. 37 (2014–15), p. 80.

11 ANAO, Audit Report No. 37 (2014–15), p. 41.

12 ANAO, Audit Report No. 37 (2014–15), p. 41.

Table 3.2 Answered calls by telephone line and time interval

Telephone line	Less than 10 mins %		10 to 20 mins %		20 to 30 mins %		More than 30 mins %	
	2012 -13	2013 -14	2012 -13	2013 -14	2012 -13	2013 -14	2012 -13	2013- 14
Disability, Sickness and Carers	37	26	27	17	22	24	14	34
Employment services	42	18	23	18	21	19	15	45
Families and Parenting	41	48	23	19	20	16	16	17
Indigenous	46	27	19	15	26	26	10	33
Older Australians	39	29	28	19	22	24	12	29
Youth and Students	33	18	21	10	24	14	22	58
Income Management— BasicsCard After Hours	97	2	2	6	0	1	0	0
Income Management— BasicsCard Inquiries	90	9	9	9	1	3	0	0
Tip off line—Centrelink	99	1	1	1	0	0	0	0
Participation Solutions	42	21	21	15	15	18	23	52
Total of top 10 telephone lines	42	22	22	16	20	17	15	30

Source ANAO, Audit Report No. 37 (2014–15), p. 41.

3.13 The ANAO found that the average call wait times for Centrelink telephone services are 'very much at the upper end of contemporary service delivery standards' when compared to other service delivery organisations (discussed below).¹³ Further, the ANAO reported that, while data indicated that Human Services had met its overall target for all its customer telephone services in the last two years (including Medicare and Child Support), the more detailed results for Centrelink telephone services showed an increase in the average speed of answer from well under 16 minutes in 2012–13 to 16 minutes and 53 seconds in 2013–14.¹⁴

3.14 The ANAO report found that 'a consequence of high average wait times is that around 30 per cent of calls are abandoned by customers before the reason for the call is addressed.'¹⁵ The ANAO also found that customer satisfaction with Centrelink telephone services is falling and 'access to call centres' (which includes ability to enter the network and call wait times) has been the largest cause of customer complaint over the past three years, comprising 23.5 per cent of all complaints about Centrelink services in 2013–14.¹⁶

13 ANAO, Audit Report No. 37 (2014–15), p. 56.

14 ANAO, Audit Report No. 37 (2014–15), p. 17.

15 ANAO, Audit Report No. 37 (2014–15), p. 56.

16 ANAO, Audit Report No. 37 (2014–15), p. 45.

Transition to digital service delivery

3.15 The ANAO report noted that ‘a key plank’ in Human Services’ approach to reducing its call wait times is to transition customers from managing transactions and resolving issues through telephone channels to using self-service digital and online channels.¹⁷

3.16 Deputy Secretary Service Delivery Operations Group, Mr Grant Tidswell, confirmed that Human Services’ strategy is to reduce call wait times by reducing the overall volume of calls:

But our aim absolutely is to answer more calls with a lower average speed of answer. What we would like to do is take out the volume. I talk about 40 per cent of the volume [of calls] being of a simpler, more general inquiry type, and we would like that to be handled in a digital channel.¹⁸

3.17 Mr Tidswell advised the Committee that reducing call volumes by transitioning customers to self-service and digital channels would allow Smart Centres to prioritise resources to calls from customers with more complex or urgent inquiries:

... what we are working hard at is to reduce that unmet demand and provide more digital alternatives for people to self-serve. ... What we are trying to do is build things better and better so people do not have to talk to us on the phone. What we then want to do is ensure that, where they do need to talk to us, it is at the more complex end.¹⁹

3.18 Mr Tidswell advised the Committee that, so far, Human Services has been successful in encouraging customers to utilise digital channels:

We have over 80 per cent of our customers now using our online applications. We have extraordinary growth in the mobile app capability, so people can report their earnings through the mobile app; they can make their Medicare claim through the mobile app; they can tell us a whole range of things.²⁰

3.19 However, the ANAO found that, although there has been a significant increase in the number of digital transactions, the transition of customers to digital channels had not led to a decrease in call volumes:

Both online transactions and the use of mobile apps have increased strongly over the past three years ... However, the

17 ANAO, Audit Report No. 37 (2014–15), p. 53.

18 Mr Grant Tidswell, Deputy Secretary, Service Delivery Operations Group, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 6.

19 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 2.

20 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 2.

growth in digital transactions has not reduced the demand for call services as anticipated.²¹

3.20 Mr Tidswell admitted that 'transaction volumes are increasing across the board.'²² Asked why their expectations for a reduction in call volumes from moving to digital service delivery had not been met, Human Services highlighted a number of contributing factors:

- the extent of unmet demand in the telephony channel – as more customers access services online, customers who previously could not enter the channel can do so
- technological factors – for example customers having the ability to automatically redial one of the department's telephony queues which generates a large number of call attempts
- increased complexity of the payments and supplements the department provides which can result in people contacting the department several times through multiple channels.²³

3.21 The ANAO report suggested that call volumes have continued to increase because 'unreliability and difficulty of using some digital applications' is driving customers to call. As the ANAO noted, 'international experience indicates that some 40 per cent of calls to contact centres are now made because of a failed self-service interaction.'²⁴

3.22 There was interest in whether Human Services accepted that problems experienced by customers in its digital channels might be increasing call volumes and call wait times. In response, Mr Tidswell admitted there were issues with digital services when they were introduced; however, he suggested this was to be expected and it would be a gradual process to resolve these issues:

We have done some recent research on the use of mobile apps and customer experience. We get some really good results from the experience. There is no doubt about it – in the early days we did not have the capability sorted through as well as we could, but we improve it and improve it and improve it ...

I do not think you can introduce these things – and it happens in the marketplace as well – when you have got a legacy system and approach. You cannot expect it all to go perfectly.²⁵

3.23 Mr Tidswell noted that Human Services does not have a target number of calls it expects to be made as a result of failed self-service interactions. However, he confirmed the number of phone calls made on that basis is

21 ANAO, Audit Report No. 37 (2014–15), pp. 53–54.

22 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 7.

23 Human Services, *Submission 3*, Answer to Question on Notice, p. 5.

24 ANAO, Audit Report No. 37 (2014–15), pp. 53–54.

25 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 8.

expected to decline over time as Human Services moves to providing customer service through multiple channels, including over the phone, in person and through digital services:

I would expect it to decline as we get better and better capability and smarter ways of connecting. I think increasingly we are learning by doing, absolutely, and working through the approaches. There are some people that struggle – there is no doubt about it. They struggle with password resets and getting all that stuff sorted out ... So, at the end of the day, probably our shift will be less about inquiry load in our smart centres and more about multiple contact. The agent of the future might be dealing with some inbound telephony, might be doing some outbound, and might be handling three or four clicks to chat as they are helping people resolve their issues, concerns and inquiries.²⁶

- 3.24 The Committee noted that it is significantly cheaper for Human Services to fund an online customer transaction compared with a telephone transaction.²⁷ Human Services was asked about the restraints on creating a clever and innovative digital strategy at the user interface to ensure that as many customers as possible will use digital channels. Mr Tidswell informed the Committee that the main restraint on Human Services' digital strategy is the age of the payment systems it relies on:

One of the things, and we have alluded to this already in evidence provided, is the payment engine we rely on. It was built in the 1980s with 1980s settings. It was state-of-the-art then, and it had this ability to ripple across all the things that went on ... The aim is to build a best-of-breed capability that is fit for the digital world. I think everybody in service delivery, no matter whether they are public or private, is challenged ... And any of us with legacy capability and legacy systems are behind the pack in that sense.²⁸

- 3.25 Human Services informed the Committee that, to address these issues, in July 2015 it introduced a seven-year Welfare Payments Infrastructure Transformation (WPIT) program, which over time will improve efficiency and deliver benefits such as:

- an 'improved and enhanced progress of claim inquiry capability'
- a virtual assistant to assist customers on the website to get the information they are looking for and finalise their inquiry within that channel

26 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 9.

27 Mr Angus Taylor MP, JCPAA, *Committee Hansard*, Canberra, 20 August 2015, p. 7.

28 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 7.

- giving customer service staff the ability to see a full view of a customer's history and therefore better assist with inquiries to prevent customers from needing to make multiple inquiries.²⁹
- 3.26 Human Services informed the Committee that, by its completion, the WPIT program will save customers time and effort:
- ... the new system will be focused on the customer and take full advantage of real-time data monitoring and analysis to deliver significant benefits to government, taxpayers and welfare recipients. It will save customers time and effort by offering smarter and easier online end-to-end services and will streamline processes and make it easier for customers to interact with the department online.³⁰
- 3.27 As to when the benefits of the WPIT program will be delivered, Human Services advised the Committee that customers 'will start to see some of the benefits of the WPIT programme in the first 18 months', including 'the introduction of digital in-channel customer support and the ability for customers to monitor the status of their claims in real-time.'³¹
- 3.28 The ANAO report noted that in October 2012 Human Services entered into a five year contract with Telstra for telephone services, which had the potential to reduce call waits times or alleviate the impact of wait times on customers.³² Mr Tidswell confirmed that Telstra would be delivering the new telephone platform and that he hoped it would occur by the end of 2015. The platform is intended to better capability to manage peaks and troughs in demand:
- That platform is going to give me extraordinary capability. It will give me 15,000 handsets in one single contact centre, in which I can shift work and move work around. I have a single uniform workforce scheduling capability and workforce distribution capability, so that is going to give me the ability to move work and activity around the country to manage the peaks and troughs better.³³
- 3.29 The Committee requested information on what measures Human Services has taken to improve the productivity of its existing call centre workforce. Human Services responded:
- The department has cross-skilled staff in both processing and telephony to maximise the number of staff available in peak

29 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, pp. 6–7.

30 Human Services, *Submission 3*, Answer to Question on Notice, p. 5.

31 Human Services, *Submission 3*, Answer to Question on Notice, p. 5.

32 ANAO, Audit Report No. 37 (2014–15), p. 53.

33 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 6.

periods. Training and support materials also help ensure staff are equipped to provide customer outcomes in a timely manner.

The department is undertaking a number of activities to optimise the number of staff available to undertake telephony and maximise flexibility, particularly during peak periods. These include focusing on real time management of demand by moving staff between processing and telephony, limiting off-phone activity and the introduction of further training support to strengthen performance.

In addition, permanent ongoing APS3/4 positions have been advertised.³⁴

- 3.30 The ANAO report noted that, at the time of its audit field work, Human Services did not have a coordinated channel strategy covering all channels including telephone and digital channels. The ANAO recommended that Human Services establish a pathway and timetable for implementation of a coordinated channel strategy to help deliver improved services across all customer channels. In its response to the ANAO's recommendation, Human Services advised that it was currently documenting a coordinated channel strategy.³⁵
- 3.31 The Committee inquired about Human Services' progress in establishing a coordinated channel strategy and whether the strategy would be released publicly. Human Services advised the Committee that the channel strategy was 'going through final clearance processes' before being provided to the Secretary and Minister for clearance. Human Services will 'consider making the document publicly available after it has been cleared by all of the key stakeholders.'³⁶

Impact of other service delivery channels on customer call wait times

- 3.32 The Committee was interested in exploring other factors that might be driving the large volume of customer inquiries made through Centrelink telephone channels. The ANAO concluded that 40 per cent of calls to contact centres are now made because of a failed self-service interaction. The ANAO report found this a noteworthy trend given the expectations of improved service delivery and efficiencies offered by self-service channels.³⁷ The ANAO remarked that:

One of the most interesting things about this audit for us was this nexus between performance and reliability of alternative channels

34 Human Services, *Submission 3*, Answer to Question on Notice, p. 6.

35 ANAO, Audit Report No. 37 (2014-15), p. 55.

36 Human Services, *Submission 3*, Answer to Question on Notice, p. 2.

37 ANAO, Audit Report No. 37 (2014-15), p. 54.

and the impact that poor performance on that side can have on telephony service ... This is not just a problem for the department; it appears to be an international phenomenon.³⁸

- 3.33 There was interest in exploring with Human Services complaints received by some Committee members that staff at a number of physical Centrelink service centres have been reluctant to assist customers with inquiries and have been advising customers to use online services instead. Human Services advised that physical service centres are continuing to handle a large number of customer inquiries and that wait times are reasonable:

... in our face-to-face settings our wait times have never been better. This July, our average wait time for social security and welfare work was about 10 minutes. To receive a Medicare inquiry was about seven minutes. Last financial year, we handled about 24.5 million contacts in those service centres.³⁹

- 3.34 Human Services also advised that service centre staff are assisting customers to learn and use digital services. The aim of providing this assistance is to reduce customers' need to visit a physical service centre:

In the front of those service centres we are greeting people as they come in, triaging to the right service officer and, increasingly, sitting them down at computers that we have in the service centres to show them how to use the digital applications ... We are shifting some of the effort that used to be staff assisted effort to customers themselves, and then customers, we hope, are able then to do it on their own devices, or at a school or library or in a community setting, at their convenience, in their time.⁴⁰

- 3.35 Asked about changes in staffing levels at physical service centres over time and whether this might have an impact on the number of customer inquiries that can be handled at those centres, Human Services provided the total number of employees (including ongoing, non-ongoing, intermittent and irregular employees) in its Service Centres delivering Centrelink and Medicare services. Table 3.3 below sets out the information provided.

38 Dr Tom Ioannou, Group Executive Director Performance Audit Services Group, ANAO, *Committee Hansard*, Canberra, 20 August 2015, p. 10.

39 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 2.

40 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 2.

Table 3.3 Total number of ongoing and non-ongoing employees (including Intermittent and Irregular employees) in Service Centres

	As at 30 June 2013	As at 30 June 2014	As at 30 June 2015	As at 31 July 2015
Number of employees	12,179	11,431	10,681	10,733
Percentage of total Human Services workforce	34.0%	32.9%	30.6%	30.6%

Source *Human Services, Submission 3, Answer to Question on Notice, p. 3.*

3.36 Human Services informed the Committee that, since 30 June 2013, the number of service centres has been reduced from 463 at 30 June 2013 to 376 at 31 July 2015 and ‘this has primarily been a result of the expansion of the one-stop shop approach to increase the range of services available from a single location and reduce the cost and duplication of service delivery.’ Human Services noted that the percentage of staff working in face-to-face service delivery has ‘remained stable, noting the overall reduction in the number of Service Centres.’⁴¹

3.37 The Committee noted that information provided to Centrelink customers in written correspondence is sometimes inconsistent, or in conflict, with other information and correspondence sent by Human Services to the customer. The Committee queried whether this could be causing confusion and therefore driving customers to call Centrelink’s telephone lines. Human Services responded that it is working to improve the clarity of its written correspondence; however, its ability to reduce the amount of correspondence it sends is constrained by legislative requirements to send correspondence in a number of circumstances:

By law, where we have made a decision to change things, we are required to notify that individual about what has occurred. We are working hard, however, to try to develop the capability so we do not get those letters that are difficult to understand. We have had a big program of work not only to reduce the snail mail approach and provide more email correspondence but also to make the letter content more understandable and readable and to improve our ability to provide advice to people when things have changed.⁴²

3.38 Human Services acknowledged that written correspondence is a driver of customer demand for telephone services; however, transitioning customers to online and self-service channels is the key to reducing call volumes:

41 Human Services, *Submission 3, Answer to Question on Notice, p. 4.*

42 Mr Tidswell, Human Services, *Committee Hansard, Canberra, 20 August 2015, p. 4.*

One of the things we are really conscious of – and you have alluded to it – is one of our wicked problems, which is our correspondence and how it drives demand ...

What we are really trying to do is take some demand out of the system and showcase ways in which people can do the work themselves. Social media helps. We can promote that 'this is the way you do things moving forward'.⁴³

Performance measurement and reporting

Internally reported performance information

3.39 Internally, Human Services monitors a range of KPIs for Centrelink telephone services (some incorporating targets), which Human Services refers to as 'performance metrics'. Internal performance metrics include:

- Number of successful calls (calls that are able to enter the network)
- Number of answered calls (calls that enter the network and are answered by a service officer)
- Number of abandoned calls (calls that are abandoned by hanging up after a customer has entered the network but prior to being answered by a service officer)
- Average speed of answer (the average time a customer waits on hold before their call is answered by a service officer)
- Average handle time (the average time a service officer spends handling an individual call after answering it including speaking to the customer, time on hold and completing any after call work).⁴⁴

3.40 The ANAO report noted that Human Services does not have a concrete way of measuring and reporting on the level of First Contact Resolution or First Call Resolution.⁴⁵ First Contact Resolution is where an issue is resolved by the first service officer who takes the call, thereby avoiding the time and cost involved in transferring the customer to another service officer. If a call does need to be transferred, the goal becomes First Call Resolution where the customer's issue is resolved by the time the customer ends the call.⁴⁶

Externally reported performance information

3.41 In 2012–13 and 2013–14, Human Services used an 'average speed of answer' as its sole key performance indicator (KPI) for external reporting

43 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 6.

44 ANAO, Audit Report No. 37 (2014–15), pp. 75–76.

45 ANAO, Audit Report No. 37 (2014–15), p. 77.

46 ANAO, Audit Report No. 37 (2014–15), pp. 70–71.

on its combined telephony services (including Centrelink, Medicare and Child Support). From 2014–15, Human Services will report on Centrelink, Medicare and Child Support telephony performance separately in its annual report. The ANAO stated ‘this development will provide improved transparency of the performance of Centrelink’s telephony services.’⁴⁷

3.42 Separate targets have now been set for Centrelink, Medicare and Child Support telephone services (discussed below). The average speed of answer KPI set for Centrelink telephone services includes a target that ‘the average length of time a customer waits to have a call answered is equal to or less than 16 minutes.’⁴⁸

3.43 The ANAO report found that implementing an average speed of answer KPI addresses a significant aspect of telephony performance; however, it does not create a complete picture of the broader customer experience in engaging with Centrelink telephone services:

... as a single measure of a service user’s telephone experience, the KPI is far from complete, as it does not provide an overall picture of Centrelink’s telephony performance. For instance the average speed of answer KPI provides limited information on the variability in wait times experienced by customers.⁴⁹

3.44 The ANAO report suggested it would be useful for Parliament and the public to have a broader range of information on Centrelink telephony performance, including the number of calls unable to enter the network (‘blocked’) and the number of calls abandoned by the customer hanging up:

To gain a more complete picture ... it is desirable for Parliament and other stakeholders to have information about the broader customer experience. For instance, the ANAO estimated that in 2013–14 around 30 per cent of calls that entered the network were abandoned and 13.7 million calls were blocked.⁵⁰

3.45 The Committee asked Human Services whether using an average speed of answer as its sole externally reported KPI for Centrelink telephone services might not give a full picture of performance. The Committee pointed to the fact that reporting on the average speed of answer does not

47 ANAO, Audit Report No. 37 (2014–15), p. 80.

48 Human Services, *2015–16 Corporate Plan*, p. 24.

49 ANAO, Audit Report No. 37 (2014–15), p. 81.

50 ANAO, Audit Report No. 37 (2014–15), p. 81.

incorporate the millions⁵¹ of customers who hang up or are blocked from entering the network, or experience wait times much longer than the average. In response, Human Services admitted that the KPI for Centrelink telephone services does not address the range of customer experiences; however, the target incorporated into the KPI reflects government resourcing:

The 16-minute key performance indicator is the measure by which we are assessed in terms of our high-level performance target for the department and we are resourced accordingly by government to achieve that target. Last financial year, for the social security and welfare lines, which include the Centrelink lines ... the average speed of answer was 15 minutes and 40 seconds. In that sense, you are right: averages are averages and there will be ones on the right and the left of that bell curve. Our aim is to try and work within those parameters.⁵²

3.46 The ANAO formally recommended that Human Services review its KPIs for Centrelink telephone services⁵³ and Human Services agreed with qualifications to that recommendation. In its response to the recommendation, Human Services stated it 'believes that the current KPIs provide a sound and comprehensive set of metrics for Centrelink telephony'.⁵⁴

3.47 At the public hearing, Human Services defended the average speed of answer KPI for Centrelink telephone services as representing one of the most important considerations for Centrelink customers:

We think that the provision and having a metric that is about average speed of answer as our key performance driver is one of the most important things for our customers. We would like to do better than that, but it is challenging given the complexity of social security and welfare work and activity and the policy settings ... But I would argue that it is a transparent measure – it is there for everyone to see. It is published in the PBS, we have delivered on it, we are funded to deliver on it and its gives you the full suite.⁵⁵

3.48 Asked whether it was 'happy' with the single externally reported KPI in its current form, Human Services confirmed:

51 In 2013–14, 13.7 million calls were blocked from entering the network and 7.8 million calls were abandoned before being answered. See ANAO, Audit Report No. 37 (2014–15), pp. 34–5, 41.

52 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 1.

53 ANAO, Audit Report No. 37 (2014–15), p. 84.

54 ANAO, Audit Report No. 37 (2014–15), p. 84.

55 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 2.

We are ... The envelope for us is that we get a level of resourcing and that resourcing is based on a set of metrics and capability. We are meeting that, and this is, in a sense, in our targets and approach.⁵⁶

Comparison with other service delivery performance arrangements

- 3.49 The ANAO report found that the 16 minute target incorporated into the average speed of answer KPI for Centrelink telephone services is 'significantly above the separate targets recently set by Human Services for Medicare and Child Support telephone services.' The target average speed of answer for Child Support telephone services is equal to or less than three minutes, and the target for Medicare telephone services is less than or equal to seven minutes. The ANAO noted there was no documented rationale for the difference in targets for Centrelink, Medicare and Child Support.⁵⁷
- 3.50 The Committee queried why such different average speed of answer targets have been set for Centrelink, Medicare and Child Support telephone services. In response, Human Services explained the decision related to the amalgamation of the three agencies into the single Department of Human Services, and that social services had the largest demand:
- Again, this is all part of the whole story of amalgamation, and we are still on that journey. So we have separately, and quite appropriately for transparency purposes, broken out the social security and welfare, as we call it, in the PBS, and then the health measures and child support measures – and they have largely been the historical settings that have been in place. But there is no doubt about it: the big demand is on the social security and welfare side. That is the more complex policy setting, and that is where people continue to want to ring us ...⁵⁸
- 3.51 The ANAO report also noted that the target average speed of answer for Centrelink telephone services of less than or equal to 16 minutes is 'very much at the high end compared to a number of other government and private sector organisations that deliver services via telephone.'⁵⁹
- 3.52 As to what other organisations had been compared with Centrelink telephone services, the ANAO advised that a variety of organisations had been considered and the target average wait time for Centrelink services was at the higher end of what was observed elsewhere:

56 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 3.

57 ANAO, Audit Report No. 37 (2014–15), p. 15.

58 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 3.

59 ANAO, Audit Report No. 37 (2014–15), pp. 43–44.

At page 43 of the report is table 2.4 which sets out some of the other organisations we looked at. We also looked at an international benchmarking study ... We looked at a variety of other large organisations – Australian organisations and a couple of international organisations, in the UK and the US governments ... We concluded that, overall, the department's performance was at the higher end of what we observed elsewhere. The waiting times were at the higher end of what we observed elsewhere.⁶⁰

3.53 Table 3.4 below sets out the timeliness targets used by a selection of other organisations providing customer telephone services.

Table 3.4 Timeliness performance measures of a selection of organisations

Organisation	Performance Measure
Department of Human Services	
■ Centrelink	Average speed of answer of less than or equal to 16 minutes
■ Child Support	Average speed of answer to less than or equal to 3 minutes
■ Medicare—Public	Average speed of answer of less than or equal to 7 minutes
Australian Taxation Office	
■ General inquiries	80 per cent of calls answered within 5 minutes
■ Tax practitioners	90 per cent of calls answered within 2 minutes
Department of Immigration and Border Protection	85 per cent of calls answered in less than or equal to 10 minutes
Government of Canada—Canada Revenue Agency	Calls answered in less than or equal to 2 minutes
United Kingdom Government—Her Majesty's Revenue and Customs	Focuses on measuring the percentage of successful calls
United State Government—Inland Revenue Service	Average speed of answer performance measure in 2013 was less than or equal to 15 minutes
Westpac Banking Group	Various measures. Up to 90 per cent of calls answered in less than or equal to 90 seconds. Westpac advised that it is planning to reduce to 90 per cent of calls answered in less than or equal to 60 seconds

Source ANAO, *Audit Report No. 37 (2014–15)*, p. 43.

3.54 Mr Tidswell disputed whether the volumes and types of inquiries handled by other organisations could properly be compared with the types of inquiries received by Centrelink telephone services, and noted that proper comparative work would require examination of average handle time and inquiry complexity:

But I do disagree with the inference ... that they deal with a similar sort of inquiry load. Qantas has a relatively simple inquiry line, unless you have lost your luggage and you have some dramas ... Quite often we deal with quite complex inquiries.

60 Dr Ioannou, ANAO, *Committee Hansard*, Canberra, 20 August 2015, p. 3.

Sometimes people ring us in great distress. There are complex things, there might be multiple payments involved and you might be separating from your partner, and sometimes those calls can take a considerable period of time. To do some proper comparative work, you need to look at average handle time and complexity of calls to get a sense.⁶¹

- 3.55 The ANAO report noted that the Australian Taxation Office has a target KPI for its general inquiries telephone line of '80 per cent of calls answered within five minutes'.⁶² There was interest in this type of measurement as a potential alternative to the average speed of answer KPI for Centrelink telephone lines. Human Services explained that it previously utilised a similar KPI – that a certain number of calls be answered within a certain number of minutes. However, that KPI had since been abandoned in an effort to improve customer service by allowing customers the option to wait on the line to be answered rather than deliberately blocking a large number of calls from entering the network:

Some years ago we had similar metrics, and it was an easy thing, in my view, to achieve those metrics ... we effectively did that by blocking access to our telephony system. We basically stopped people from getting in the queue and protected our service measures What we have done is given more access to people to enter the queue and we give them messages – such as how to do this online or how to serve yourself or you do not need to ring us now – to give people a sense that it is not critical or urgent. People do hang on and, in that instance, if it is an urgent inquiry we will resolve it.⁶³

Committee comment

Management of customer call wait times

- 3.56 The Committee is of the view that the high customer call wait times are likely to persist until either Human Services is resourced to meet the high demand for Centrelink telephone services⁶⁴ or, alternatively, the level of demand for telephone services is reduced by customers moving to self-service and digital channels.

61 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 4.

62 ANAO, Audit Report No. 37 (2014–15), p. 43.

63 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 4.

64 Human Services advised that it would require an additional 1,000 staff at a cost of \$100 million per year in order to reduce its average speed of answer to 5 minutes. See ANAO, Audit Report No. 37 (2014–15), p. 90.

- 3.57 The Committee is pleased that Human Services is committed to reducing the volume of calls made to Centrelink telephone lines, and therefore wait times, by expanding its digital service delivery as an alternative means for customers to resolve issues. It is encouraging that there has been a high uptake of digital and online services, and that service centre staff are assisting and educating customers in the use of digital channels.
- 3.58 Unfortunately, however, it appears that the initial transition of customers to online and self-service channels is creating more calls to Centrelink's telephone lines rather than reducing the volume of calls. The Committee notes that this is consistent with international experience and is of the view that there will still be people continuing to seek face to face interactions.
- 3.59 In view of the fact that Human Services has admitted that there have been issues with customers using digital channels⁶⁵, and as this may be driving demand for telephone services, the Committee strongly encourages continued effort by Human Services to analyse and develop strategies to address customer satisfaction with the quality and reliability of all services.
- 3.60 The Committee further suggests that Human Services consider options for further learning from the experience of other large service delivery organisations in the public and private sectors which provide customer service through multiple channels, including telephone, online and self-service channels. The Committee does acknowledge that the compatibility of these experiences is limited due to the complexity and uniqueness of the services delivered by Human Services.
- 3.61 Effective staff training within Centrelink is also of interest to the Committee. The Committee is of the view that Human Services should increase training for staff to deliver the Smart Centre concept.

Recommendation 4

The Committee recommends that the Department of Human Services report back to the Joint Committee of Public Accounts and Audit, within six months of the tabling of this report, with information on how it has increased training for staff to deliver the Smart Centre concept and the level of training experience.

Performance measurement and reporting

- 3.62 The Commonwealth Performance Framework requires all Commonwealth entities to collect information to monitor, assess and report their

65 Mr Tidswell, Human Services, *Committee Hansard*, Canberra, 20 August 2015, p. 8.

performance. A structured and integrated performance system allows government agencies to make informed adjustments to their service delivery arrangements as needed. Good performance information should drive actual 'real time' performance improvements as well as support external scrutiny.

- 3.63 The Committee notes that this performance information will be improved by the new Welfare Payment Infrastructure Transformation.

Recommendation 5

- 3.64 **The Committee recommends that the Department of Human Services report back to the Joint Committee of Public Accounts and Audit, within six months of the tabling of this report and then on an annual basis, on the implementation of the Welfare Payment Infrastructure Transformation and the subsequent impact this has had on real time performance measuring, management and service delivery.**

Internally reported performance information

- 3.65 The Committee notes that Human Services monitors and internally reports the performance of its Centrelink telephone services against a range of KPIs, some of which include targets. However, the Committee notes the ANAO's finding that they provide a limited basis for assessing customer outcomes and the success or otherwise of the Smart Centre concept.⁶⁶
- 3.66 Accordingly, the Committee supports the ANAO's conclusion that there would be value in Human Services examining its existing internal KPIs and considering if they are fit for purpose in the Smart Centre environment.⁶⁷ For example, the Committee suggests that Human Services consider whether its measurement of average handle time (being the average time a service officer spends handling an individual call, including speaking to the customer, time on hold and completing any after-call work) needs review, given the additional processing work Smart Centre staff are now undertaking in order to resolve customer inquiries.
- 3.67 In this context the Committee considers it important that, where possible, Human Services include targets for its KPIs. Targets help to set clear expectations of desired standards and facilitate management oversight. Targets can reflect the expectations of management and the public, or they can be informed by external benchmarks or prior trends in performance.

66 ANAO, Audit Report No. 37 (2014-15), p. 77.

67 ANAO, Audit Report No. 37 (2014-15), p. 85.

- 3.68 The Committee also recommends that Human Services examine ways of broadening its suite of KPIs. This will give a better picture of the quality, effectiveness and efficiency of Centrelink telephone services. Specifically, the Committee recommends that Human Services investigate gathering performance information for:
- the number of customer inquiries resolved by the first contact officer a customer speaks to ('First Contact Resolution') and the number of customer inquiries resolved within their first call to Centrelink telephone services ('First Call Resolution'). The Committee notes that a key goal of the Smart Centre concept is to provide a more efficient service to customers at the first point of contact rather than an inquiry being handled by multiple staff members.
 - the proportion of customers that resolve their inquiries by receiving information from the Interactive Voice Response (IVR) system, which provides pre-recorded information over-the-phone to customers. The Committee notes that in 2013–14 around 40 per cent of customer calls ended while the customer was in the IVR system. It is concerning that Human Services does not have data to indicate how many of these calls ended because the customer resolved their inquiry or hung up for other reasons.⁶⁸ The Committee is of the view that the effectiveness of the information provided by the IVR system and the success or otherwise of the IVR system as a whole can only be determined if its performance is properly monitored.

Recommendation 6

- 3.69 **To ensure that internal key performance indicators are relevant and fit for purpose in the Smart Centre environment and for online service delivery, the Committee recommends that the Department of Human Services:**
- **examine the completeness and appropriateness of its existing internal key performance indicators**
 - **develop appropriate targets for existing internal key performance indicators wherever practical**
 - **investigate, with a view to adopting, additional key performance indicators – including:**
 - ⇒ **'First Contact Resolution' and 'First Call Resolution' information**
 - ⇒ **performance information relating to the Interactive Voice**

68 ANAO, Audit Report No. 37 (2014–15), pp. 77–78.

Response system – including information relating to the numbers of and reasons for resolved and unresolved calls

- **report back to the Joint Committee of Public Accounts and Audit, within six months of the tabling of this report, on its progress in implementing this recommendation.**

Externally reported performance information

- 3.70 Centrelink telephone services are a core part of Human Services' business and are of significant ongoing interest not only to the Committee but also to the Parliament and the wider community. Accordingly, the Committee believes there is a strong interest in more complete and publicly available data on the performance of Centrelink telephone services.
- 3.71 Human Services publicly reports its performance for Centrelink telephone services against only one KPI – which measures the average length of time a Centrelink customer waits to have their call answered. This externally reported KPI includes a target average wait time of less than or equal to 16 minutes. The Committee acknowledges that this KPI and incorporated target is relevant and useful as, to a certain extent, it demonstrates the level of access that Centrelink customers have to a service officer.
- 3.72 However, the Committee is concerned that, by publicly reporting against only one KPI for Centrelink telephone services, Human Services is not giving a complete picture of its performance. The goal of providing telephone services to Centrelink customers is not solely to enable access to a service officer but also to provide a timely, accurate and accepted resolution to their inquiry.
- 3.73 Furthermore, the current KPI is not a helpful indicator of many customers' experiences. This includes lengthy wait times, commonly receiving a busy tone, being unable to enter the network ('call blocking'), and/or hanging up before their issue has been resolved ('call abandonment'). The lack of public information on such issues hinders better management of customer expectations. Making such information available may also increase awareness of the large challenges faced by Human Services in this area.
- 3.74 Accordingly, the Committee recommends that Human Services externally report a broader range of KPIs for Centrelink telephone services.

Recommendation 7

- 3.75 **To improve transparency and better inform customer expectations, the Committee recommends that the Department of Human Services publicly report a broader range of key performance indicators (and their associated targets) for Centrelink telephone services – which should at least include all current internal performance indicators and any additional indicators adopted as a result of Recommendation 6.**

Frequency of externally reported performance information

- 3.76 The Committee is of the view that publicly reporting against KPIs for Centrelink telephone services only once per year in the Human Services annual report is not sufficient for Parliament and the public to understand and consider ongoing performance.
- 3.77 Accordingly, the Committee sees merit in Human Services publishing more regular updates on its performance against its KPIs for Centrelink telephone services, possibly on Human Services' website, in addition to its annual report.

Recommendation 8

- 3.78 **To improve transparency, the Committee recommends that the Department of Human Services publish performance information more frequently against its key performance indicators for Centrelink telephone services.**

Performance Audit Report No. 41 (2014-15)

Award of Funding under Safer Streets Program

Introduction

- 4.1 Chapter 4 focuses on the Joint Committee of Public Accounts and Audit (JCPAA) review of Australian National Audit Office (ANAO) Report No. 23 (2014-15), *Award of Funding under Safer Streets Program*, Attorney General's Department. The chapter comprises:
- an overview of the report, including the audit objective, scope and criteria; audit conclusion; and audit recommendation and agency response
 - Committee review
 - Committee comment

Report overview

- 4.2 In the context of the 2014–15 Budget, the Government provided \$50 million from the Confiscated Assets Account¹ to establish the Safer Streets program, administered by the Attorney-General's Department

¹ The *Proceeds of Crime Act 2002* provides that money identified as the proceeds of crime and confiscated be accumulated in the Confiscated Assets Account and, with the approval of the relevant Minister, redirected to fund crime prevention measures. The Safer Streets program is a crime prevention program under s298 of the Act.

(AGD). The Safer Streets program, which delivered on an election commitment,² sought to ‘deliver effective solutions which target local crime hot spots and anti-social behaviour through grants focused on retail, entertainment and commercial precincts’.³

- 4.3 The guidelines for the Safer Streets program provided for ‘multiple funding rounds, with the first being a closed and non-competitive process aimed at delivering election commitments made by Coalition candidates “prior to October 2013”’.⁴ In this regard, ‘only organisations and projects identified prior to October 2013 were eligible’, and a ‘list of organisations and projects that were to be invited to apply for funding was developed by the incoming government and provided to the department’.⁵ The program guidelines identified that first round funding was focused on the installation of closed circuit television (CCTV) cameras and street lighting.⁶
- 4.4 The first funding round of the Safer Streets program opened for applications in May 2014, with funding decisions made in June 2014, July 2014, October 2014 and, January 2015.⁷ Under the first funding round, as at 8 May 2015, \$19 million in program funding had been approved in respect of 85 applications (73 applicants⁸), involving 146 projects.⁹
- 4.5 The ANAO report noted that, as of May 2015, a second funding round for the program had not yet been undertaken.¹⁰

Audit objective, scope and criteria

- 4.6 In July 2014, the Hon. David Feeney MP, the Shadow Minister for Justice, requested an ANAO audit of the Safer Streets program. After undertaking preliminary inquiries of the department in relation to the matters raised,

2 The Coalition released its *Plan for Safer Streets* policy in October 2012, and the Safer Streets program was also ‘included within the Coalition’s *Policy to Tackle Crime* that was released in August 2013, during the 2013 Federal election campaign’, ANAO, Audit Report No. 41 (2014-15), *The Award of Funding under the Safer Streets Programme*, p. 13.

3 ANAO, Audit Report No. 41 (2014-15), p. 14.

4 ANAO, Audit Report No. 41 (2014-15), p. 14.

5 ANAO, Audit Report No. 41 (2014-15), p. 25.

6 ANAO, Audit Report No. 41 (2014-15), p. 14.

7 ANAO, Audit Report No. 41 (2014-15), p. 45.

8 Some applications were provided for numerous projects – ANAO, Audit Report No. 41 (2014-15), p. 42.

9 ANAO, Audit Report No. 41 (2014-15), p. 16. AGD noted that ‘\$19.47 million was committed for specific projects’ in the first funding round, *Submission 2*, p. 3.

10 ANAO, Audit Report No. 41 (2014-15), p. 14.

the Auditor-General decided to undertake a performance audit of the Safer Streets program.¹¹

- 4.7 The objective of the audit was to ‘assess the effectiveness of the award of funding under the first round of the Safer Streets programme’.¹² The audit examined the key elements of the first funding round, including the ‘design of the program and the assessment and decision-making processes in respect to the 85 applications that had been received, assessed and approved for funding. The audit scope also included the announcement of funding decisions and the negotiation and signing of grant agreements’.¹³
- 4.8 The audit criteria reflected relevant policy and legislative requirements for the expenditure of public money and the grants administration framework, including the Commonwealth Grants Rules and Guidelines,¹⁴ and ANAO’s administration of the better practice guide on *Implementing Better Practice Grants Administration*, December 2013.¹⁵
- 4.9 To form a conclusion against the audit objective, the ANAO adopted the following high-level criteria:
- the robustness of the processes by which projects were identified for funding consideration;
 - the effectiveness of the merit assessment process undertaken by the Attorney-General’s Department to satisfy itself that applicants meet the Safer Streets programme’s eligibility requirements and criteria;
 - the quality of the advice provided by the department to the Minister and funding decisions as to whether projects:
 - ⇒ met the identified programme objective, priorities, and criteria; and
 - ⇒ represented value with public money; and
 - the distribution of funding (including in electorate terms¹⁶) and the development of effective funding agreements with project

11 ANAO, Audit Report No. 41 (2014-15), p. 17.

12 ANAO, Audit Report No. 41 (2014-15), p. 17.

13 ANAO, Audit Report No. 41 (2014-15), p. 17.

14 In terms of the grants framework in place at the time the Safer Streets program operated, initially this involved the *Finance Management and Accountability Act 1997*, the *Financial Management and Accountability Regulations 1997* and the *Commonwealth Grant Guidelines*, June 2013. The financial framework changed in July 2014, with the *Public Governance, Performance and Accountability Act 2013* and the *Commonwealth Grants Rules and Guidelines*, July 2014. The ANAO report notes that, in terms of grants administration, ‘similar arrangements exist under the current framework’, Audit Report No. 41 (2014-15), p. 46.

15 ANAO, Audit Report No. 41 (2014-15), p. 18. The June 2010 version of the better practice guide on grants administration was available at the time the program was implemented and was replaced in December 2013 with the updated guide, p. 44.

16 The ANAO report noted that ‘electoral analysis was unable to be completed by ANAO due to the lack of information on the project locations as specified in the application, the

proponents, that will allow the department to adequately oversight the delivery of funded projects and assess whether those projects have been successful in preventing, detecting and deterring crime.¹⁷

Audit conclusion

4.10 The key points in the ANAO's overall conclusion were as follows:

- In the main, the [Safer Streets] programme guidelines provided a reasonable basis for the implementation of the first funding round. This included specifying eligibility criteria and other eligibility requirements that were consistent with the programme objectives, and setting out six selection criteria that were appropriate for the first round.
 - ⇒ However, there were a number of significant shortcomings in the Attorney-General's Department's implementation of processes for eligibility checking, application assessment and the subsequent provision of funding recommendations to the Minister for Justice.
 - ⇒ The administration of the merit assessment process is an aspect that was handled particularly poorly by the department.
- It was common for the department to complete its assessment of applications without fully addressing each criterion... the department made generous assumptions about the quality of many of the proposals that had been submitted for assessment.
- The department's assessment of applications and approach to advising the Minister were not sound having regard to the policy design for the Safer Streets programme, the requirements of the grants administration framework and, recognised better practice.
- There were also shortcomings in the terms of the funding agreements that have been signed by the department in relation to the approved projects. Of particular note is that it is common for agreements to not adequately set out what the proposed project would deliver and where.¹⁸ This situation makes it difficult for the department to adequately oversight the delivery of the funded projects, or to assess

department's assessment and in the executed funding agreements', ANAO, Audit Report No. 41 (2014-15), p. 45.

17 ANAO, Audit Report No. 41 (2014-15), pp. 44-45.

18 For example, the specific locations at which equipment (such as CCTV cameras and/or lights) were to be installed and the associated quantity. Including such information in grant agreements helps to clarify project deliverables and milestones, and enables the Australian Government to have confidence that grants will provide a value for money return for funding that has been provided, as well as contributing to the achievement of desired programme outcomes. (ANAO, Audit Report No. 41 (2014-15), p. 21, footnote 16.)

whether those projects have been successful in preventing, detecting and deterring crime in crime 'hot spots'.¹⁹

Audit recommendations and agency response

4.11 Table 4.1 sets out the recommendations for ANAO Report No. 41 and AGD's response.²⁰

Table 4.1 ANAO recommendations, Report No. 41 (2014-15)

1	<p>To underpin efficient, effective, economical and ethical grants administration across all granting activity it administers, ANAO recommends that AGD:</p> <ul style="list-style-type: none"> • develop a standard suite of grant programme governance documentation that can be tailored to the individual circumstances of each granting activity, to promote a consistent high standard of grants administration across the department; and • advise the relevant Minister of any significant risks to programme implementation or outcomes in circumstances where key changes are proposed to grant guidelines. <p>AGD response: <i>Noted.</i></p>
2	<p>To promote robust eligibility checking processes for all granting activities it administers, including those used to fund election commitments, ANAO recommends that AGD:</p> <ul style="list-style-type: none"> • obtain relevant information from applicants in respect to each eligibility requirement so that assessments are well informed; and • require that assessments explicitly address each of the published eligibility requirements, with only those applications assessed to meet each requirement proceeding to the merit assessment stage. <p>ADG response: <i>Agreed.</i></p>
3	<p>To promote the robust assessment of applications to all grant programmes it administers, including those that are used as a funding source for election commitments, ANAO recommends that AGD:</p> <ul style="list-style-type: none"> • articulates benchmarks and/or standards to inform the judgment of assessors when considering the extent to which an application can reasonably be considered to have met the published assessment criteria; and • establish minimum scores for an application to achieve against each of the assessment criteria in order to progress in the assessment process as a possible candidate to be recommended for funding. <p>ADG response: <i>Agreed.</i></p>
4	<p>To ensure Ministers are provided with sound advice as to the merits of candidates for funding under all grant programmes it administers, including those used to fund election commitments, ANAO recommends that AGD clearly outline in briefing material:</p> <ul style="list-style-type: none"> • which grant proposals had been assessed to fully meet each of

¹⁹ ANAO, Audit Report No. 41 (2014-15), pp. 18-22.

²⁰ For details of AGD's response to the ANAO's recommendations, see ANAO, Audit Report No. 41 (2014-15), pp. 154-158.

the assessment criteria; and

- those grant proposals assessed as only partially meeting, or not satisfactorily meeting, one or more of the assessment criteria, together with advice on the shortcomings that had been identified.

ADG response: *Agreed.*

5

To promote the achievement of granting activity objectives, ANAO recommends that AGD ensure that the terms of funding agreements signed with successful applicants clearly identify the specific deliverables for which grant funding was awarded.

ADG response: *Agreed.*

Committee review

- 4.12 Representatives from the ANAO and AGD gave evidence at the Committee's public hearing on 17 September 2015 (see details of public hearings and submissions at Appendix A and B).
- 4.13 As discussed below, the Committee focused on the following matters regarding the ANAO report findings and evidence provided at the public hearing:
- Development of Program Guidelines
 - Identifying Election Commitment Projects
 - Application Assessment
 - Distribution of funds
 - Implementation of ANAO recommendations

Development of Program Guidelines

- 4.14 Subsequent to the September 2013 election, guidelines for the Safer Streets program were developed by AGD. The guidelines were approved by the Minister for Justice on 2 May 2014.²¹ A key obligation under the grants administration framework is for all grant programs, including those that fund election commitments, to have guidelines in place.²² The grants administration framework was developed 'based on the recognition that a clear set of programme guidelines is essential for efficient, effective and

21 ANAO, Audit Report No. 41 (2014-15), p. 14, p. 41.

22 See *Commonwealth Grants Rules and Guidelines*, Department of Finance, July 2014, paragraph 4.4, p. 11. The grants administration framework recognises that the 'statutory obligations applying to the approval of spending proposals derived from election commitments are no different from those attached to the approval of any other spending proposal', ANAO Audit Report No. 24 (2010-11), p. 18.

consistent grants administration'.²³ In this context, the guidelines established for programs that fund election commitments provide the vehicle for informing project proponents:

- that funding can only be approved where the project is an efficient and effective use of public money, and of the criteria that will be considered in undertaking this assessment; and
- where funding is approved, of the obligations that proponents will be expected to satisfy.²⁴

4.15 The ANAO concluded that, '[i]n the main, the programme guidelines provided a reasonable basis for the implementation of the first funding round. This included specifying eligibility criteria and other eligibility requirements that were consistent with the programme objectives, and setting out six selection criteria that were appropriate for the first round'.²⁵

4.16 However, the ANAO noted that the 'finalised guidelines were less robust than those initially drafted by the department':

In this respect, following a request by the Minister's office to simplify the guidelines, the department proposed various amendments. Of note was that a number of key statements were removed from the proposed programme guidelines, including statements that projects:

- must have clear benefits for the broad community and well-defined and achievable objectives;
- would not be eligible for funding if they did not meet the selection criteria; and
- must demonstrate need through high crime rates in the area where they were to be delivered, as evidenced by law enforcement or Australian Bureau of Statistics data.²⁶

4.17 Further, the ANAO noted that AGD 'did not provide advice to the Minister's office on the adverse impact the changes to the programme guidelines would have on delivery of the programme, particularly in assessing the merits of applications, or the outcomes that could be expected from the award of funding':

the guidelines initially drafted by the department were more consistent with the announced policy parameters for the programme and the grants administration framework. In circumstances where suggested variations would have an adverse

23 ANAO, Audit Report No. 41 (2014-15), p. 20.

24 ANAO Better Practice Guide, *Implementing Better Practice Grants Administration*, Canberra, December 2013, p. 43.

25 ANAO, Audit Report No. 41 (2014-15), p. 19.

26 ANAO, Audit Report No. 41 (2014-15), p. 23.

effect on the department's responsibilities and programme outcomes, this should be raised with the Minister.²⁷

- 4.18 The ANAO also found that 'there were aspects of the structure of the guidelines that could have been improved' – for example, the guidelines were 'not well structured' in that eligibility requirements were not grouped together, an approach that 'did not assist in ensuring applicants were aware of all mandatory requirements, or in ensuring that all such requirements were consistently applied in the assessment of applications'.²⁸

Identifying Election Commitment Projects

- 4.19 The Safer Streets program guidelines provided for 'multiple funding rounds, with the first being a closed and non-competitive process aimed at delivering election commitments made by Coalition candidates "prior to October 2013"'.²⁹ The guidelines outlined:

- a closed process for invited applicants to apply for grant funding;
- priority funding for improved lighting and CCTV projects as well as the purposes for which project funding would not be provided;
- various eligibility and selection criteria to be used in assessing applications along with the weightings to be applied; and
- the assessment process.³⁰

- 4.20 The guidelines also identified various eligibility requirements, including:

- eligible organisations were those identified before October 2013 to deliver specific commitments;
- organisations must be invited by the department to submit an application;
- grant applicants 'must provide evidence to demonstrate the need for improved security due to crime and anti-social behaviour affecting local communities'; and
- the project/s must be consistent with the programme's key objectives and principles, namely to:

27 ANAO, Audit Report No. 41 (2014-15), pp. 23-24.

28 ANAO, Audit Report No. 41 (2014-15), p. 23.

29 ANAO, Audit Report No. 41 (2014-15), p. 14. The ANAO report noted that 'it is generally accepted that election commitments involve political promises made prior to election day rather than the month following election day' (the federal election was held on 7 September 2013), p. 14. The ANAO further noted that '[n]either the original October 2012 announcement nor the 2013 election policy document [regarding the Safer Streets program] foreshadowed that some of the \$50 million in programme funding would be quarantined for individual projects announced by candidates', p. 13.

30 ANAO, Audit Report No. 41 (2014-15), p. 41.

- ⇒ ensure that local infrastructure could be rolled out in crime ‘hot spots’ to prevent, deter and detect crime; and
- ⇒ enhance community safety, particularly around retail, entertainment and commercial precincts, leading to a reduction in the fear of crime in the Australian community and greater community resilience and well-being.³¹
- ⇒ The guidelines set out that ‘\$19.3 million would be allocated in the first funding round for projects relating to 150 separate locations (that is, specific election commitment projects)’.³²

4.21 Accordingly, the commitments to be funded were to be ‘those made by the Coalition prior to and during the 2013 Federal election campaign, with identified organisations to be invited to submit applications for funding’:

The Programme will deliver specific election commitments for the installation of closed-circuit television (CCTV) in communities in 64 electorates.³³

4.22 In this regard, ‘only organisations and projects identified prior to October 2013 were eligible’.³⁴ AGD, in consultation with the Minister’s office, was ‘responsible for contacting the identified organisations and inviting them to submit an application for funding under the programme, setting out how they would implement the commitment made by the Government during the 2013 election campaign’.³⁵

A list of organisations and projects that were to be invited to apply for funding was developed by the incoming government and provided to the department. The list was then adjusted, consistent with advice from the Minister’s office, over various iterations, and was not verified by the department. In this respect, several projects were announced but no organisation was invited to apply for Safer Streets programme funding for those projects. In addition, another seven projects were included in the list although no public announcement of an election commitment had been made.³⁶

4.23 Seven projects were funded even though no evidence exists that a pre-election commitment was available. This has been confirmed by the

31 ANAO, Audit Report No. 41 (2014-15), pp. 14-15.

32 ANAO, Audit Report No. 41 (2014-15), p. 14.

33 ANAO, Audit Report No. 41 (2014-15), p. 40.

34 ANAO, Audit Report No. 41 (2014-15), p. 25.

35 ANAO, Audit Report No. 41 (2014-15), pp. 41-42.

36 ANAO, Audit Report No. 41 (2014-15), p. 25.

Minister for Justice's office.³⁷ Six of the seven projects are located in Coalition held seats.

- 4.24 When asked whether it was good practice to have projects added to a list where this is no publicly available information that they had commitments before the election, the ANAO replied:

The key point we were trying to make in this respect was that it was one of the eligibility requirements of this closed funding round that you actually need an election commitment. From our perspective, that needed to be established in order for the department to be able to satisfy itself that they were eligible to be proceeded with. We have audited a few election commitment programs of governments of different persuasions over the years, and that is not an unusual expectation and requirement. It is usually able to be satisfied by finding a public announcement. It may be a media release; it may be simply the reporting of a community forum or so forth. There is normally something, because – put it this way – if you are going to make a commitment in the course of an election campaign, there is not a lot of value to be had from it if no-one knows you have made it.³⁸

- 4.25 When asked whether these projects that were added may not be eligible if they were not subject to public election commitments the ANAO stated:

Indeed. I guess then we looked at the other side of the coin where there were some added to the list. Some are in the list where you cannot see there is a commitment. Others, where there was a clear commitment, are not retained in the list. So in some ways, to us, it was working in both directions. It made it hard for us to be satisfied that the department's approach meant that we clearly had a list of projects that were fully eligible on all measures, including that there was actually a commitment made on or before the 7 September 2013 election.³⁹

- 4.26 The Petrie project was of particular concern to the ANAO. Unlike the other six projects that were provided to the Department by the Minister's office in October 2013, the Petrie project was added in May 2014.

37 ANAO, Audit Report No. 41 (2014-15), p. 78

38 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 13.

39 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 13.

- 4.27 The Minister's office admits that it did not have a record of an announcement of the Petrie commitment. Instead it was added to the list because the Member for Petrie "*...advised that the commitment had been made prior to the election.*"⁴⁰
- 4.28 Both the Department and the ANAO were unable to find evidence of such a public commitment. When asked whether the process around the Petrie project was good grants practice, the ANAO replied:
- No, which is part of the point we are trying to make with how the list came about. Whether it is election commitments or any other closed funding round, identifying who it is that is going to be able to request that funding actually flow is a key matter in how you sort through that. I guess one of the advantages of an election commitment is that it can usually be clearer if you are actually looking for some public evidence that there was an announcement made.⁴¹
- 4.29 The ANAO also drew attention to the fact that the Minister's office directed that six projects be removed from the list of election commitments on the basis that the office had been unable to confirm that a public commitment had been made. Of the six, two were subsequently reinstated because public commitments had been made.⁴²
- 4.30 The six projects included two projects in the electorate of Rankin, two in Moreton, one in Eden-Monaro and one in Hughes. The ANAO confirmed that there was no evidence available to indicate that election commitments had been made relating to the projects in Eden-Monaro and Hughes so they were not funded.
- 4.31 However the ANAO identified clear commitments made in the remaining four projects.⁴³ The ANAO report stated that these four projects were located in two marginal Queensland electorates held and retained by the Australian Labor Party.⁴⁴ Two were reinstated and funded. When asked about this process, the ANAO replied:
- I guess then we looked at the other side of the coin where there were some added to the list. Some are in the list where you cannot see there is a commitment. Others, where there was a clear commitment, are not retained in the list ... But I guess the

40 ANAO, Audit Report No. 41 (2014-15), p. 79.

41 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 15.

42 ANAO, Audit Report No. 41 (2014-15), pp 81 - 83.

43 ANAO, Audit Report No. 41 (2014-15), pp. 81-82.

44 ANAO, Audit Report No. 41 (2014-15), pp.81- 82.

corollary for us then is: in that case, when you go back to table 3.2, where there are others which were retained on the list where there is equally no commitment available, why aren't they similarly removed?⁴⁵

Application Assessment

4.32 Another requirement of the grants administration framework is that agencies should develop internal policies, procedures and operational guidance to support program implementation. However, the ANAO noted that AGD 'gave insufficient attention to developing such arrangements':

In particular, implementation risks (such as maintaining probity, consistency in assessment, meeting programme objectives and supporting future evaluation of outcomes) should have been mitigated through relevant planning documents, guidance material for staff undertaking grants administration tasks (such as assessing applications) and more active management oversight. In this regard, it is now recognised as sound practice for the departmental documentation that supports the delivery of a grants programme to include:

- application and assessment forms that address all of the requirements set out in the programme guidelines;
- a documented implementation plan or assessment methodology, so as to support the consistent application of programme guidelines (particularly where a range of staff assess applications, as was the case with the Safer Streets programme); and
- an evaluation strategy, developed during the design phase of the granting activity, that is consistent with the outcomes orientation principle included in the grants administration framework.⁴⁶

4.33 The ANAO concluded that the 'absence of sound arrangements to guide and support the implementation of the Safer Streets programme contributed to significant shortcomings in the assessment of the applications that were received'.⁴⁷ The ANAO further noted that the 'administrative shortcomings' evident in AGD's approach did not reflect the benefits of the substantial work that has been undertaken by

45 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 13-15.

46 ANAO, Audit Report No. 41 (2014-15), p. 24.

47 ANAO, Audit Report No. 41 (2014-15), p. 24.

successive governments since 2007 to develop and improve the grants administration framework':

Under this framework, a broad range of material was available to inform the design and implementation of grant programmes such as the Safer Streets programme, including: the Commonwealth Grant Guidelines (now the Commonwealth Grants Rules and Guidelines) and associated guidance issued by the Department of Finance; the ANAO's grants administration Better Practice Guide and various performance audit reports of individual grant programmes; and Parliamentary Committee reports (particularly those produced by the Joint Committee of Public Accounts and Audit).⁴⁸

- 4.34 The ANAO concluded that AGD 'assessed each application it received as being eligible, notwithstanding the information available to the department not supporting such an assessment for a considerable proportion of the applications received':

To appropriately assess eligibility, two key areas in which the department needed to source information were that, firstly, applicants provided evidence to demonstrate the need for the project, and that, secondly, projects were the subject of an announcement before or during the 2013 federal election to deliver specific commitments. However, a significant proportion of applicants did not provide evidence to demonstrate need, and the department was only able to identify 30 announcements (such as media releases, media reports and internet-based material), issued prior to October 2013, which evidenced commitments made to fund projects included on the list of Safer Streets programme funding candidates. The ANAO analysed the eligibility of applications, based on the programme requirements as stated in the guidelines, identifying that 56 applications (66 per cent of applications received) did not meet these requirements.⁴⁹

- 4.35 As the ANAO further noted, the 'majority of the 56 applications did not provide evidence to demonstrate the need for the project, while for around one-third the projects were not consistent with the election commitment':

For example, for some projects the location and/or the type of project cited in the commitment differed from the application. Further, for a small number of applications, no public announcement of an election commitment had been made and/or

48 ANAO, Audit Report No. 41 (2014-15), p. 21.

49 ANAO, Audit Report No. 41 (2014-15), p. 25.

they were not consistent with the types of project to be funded under the first funding round (CCTV or lighting projects). Applications could be ineligible under one or more of these categories.⁵⁰

- 4.36 The ANAO also noted that 'the department's eligibility checking process was poorly designed and implemented':

Of note was that departmental assessments of eligibility were undertaken in the context of insufficient information having been requested in the application form and a checklist that did not prompt consideration of all eligibility requirements specified in the programme guidelines. In this latter respect, in addition to specific sections identifying eligibility and threshold criteria, statements were included in other sections of the programme guidelines that also represented mandatory requirements to be satisfied in order to receive funding. This approach, as has previously been observed by the ANAO including in the grants administration Better Practice Guide, does not assist in ensuring applicants are aware of all mandatory requirements, or in ensuring that all such requirements are consistently applied in the assessment of applications.⁵¹

- 4.37 Scoring against the financial information criteria was identified as lacking in important respects. Twenty eight applications did not include a quotation for the crime prevention solution yet the Department scored these applications as 'Satisfactory' or better against the criteria relating to financial information for the project.⁵² The department acknowledged that this was a deficiency.⁵³ The total amount funded under these projects is \$6,760,544.⁵⁴
- 4.38 Grant applications were to be measured against value for money. Value with public money is promoted by considering the extent to which the funding being sought by an applicant will result in an outcome that is additional to those that are likely to occur regardless of whether the application is successful. This is referred to as 'additionality'.
- 4.39 However, the department's assessment of applications did not seek to address whether projects would proceed irrespective of programme funding, or had already proceeded. One example provided by the ANAO
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50 ANAO, Audit Report No. 41 (2014-15), p. 25.

51 ANAO, Audit Report No. 41 (2014-15), p. 26.

52 ANAO, Audit Report No. 41 (2014-15), p. 29.

53 Mr Iain Anderson Mr Iain, First Assistant Secretary, Criminal Justice Division, Attorney-General's Departments, *Committee Hansard*, 17 September 2015, p. 19.

54 ANAO *Submission 1.4*, p. 4.

was the Liverpool City Council Project where the council had awarded a tender for CCTV installations eleven months before a funding agreement was executed. In fact public announcements indicated that the project had been completed four months before the Department undertook an assessment of the council's \$300,000 application.⁵⁵ When asked about this, the Department stated that:

The guidelines that we had for this program stated that funding would not be provided where work had commenced before the funding agreement had been executed...They make it clear that you will not receive payment for work that commences before a grant agreement has been signed...They have received an initial payment.⁵⁶

4.40 The hearing also explored issues of probity, the Department's poor management of conflict of interest and the risk identified by the ANAO that early announcements by Ministers and/or other Parliamentarians about whether project proposals will receive funding has the potential to influence, or be seen to influence, the assessment work and subsequent advice as to whether funding should be approved.⁵⁷

4.41 On early announcement the ANAO commented that:

I guess the concern is that if it is clearly announced that the funding is going to flow, without it also being referenced that it is subject to an application and assessment process, the concern we have is that it might colour the assessment work which follows, to think that the result is already known.⁵⁸

4.42 When asked at the public hearing how this programme ranked in terms of design and delivery compared to other Commonwealth government grants programs over the last 20 years, ANAO answered:

I think the concern we would have in relation to this particular program is the breadth of weaknesses and shortcomings that extend from the initial point of identifying eligibility through to merit assessment, including probity issues and the lack of documentation to guide the process, as the report points out... Some of these weaknesses then push through to the contracting arrangements as well, which we have pointed out are quite light on detail. That makes it very difficult for the government to determine whether contracted parties have delivered for what

55 ANAO, Audit Report No. 41 (2014-15), p. 117.

56 Mr Iain Anderson Mr Iain, First Assistant Secretary, Criminal Justice Division, Attorney-General's Departments, *Committee Hansard*, 17 September 2015, p. 18.

57 ANAO, Audit Report No. 41 (2014-15), p. 30.

58 Mr Brian Boyd, Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, p. 19.

they have committed to deliver, and also the impacts of the program. In the scheme of things on a continuum, it would be on the lower end of the continuum and, as we have pointed out, it does not appear to have reflected the significant improvements that we have seen across the Commonwealth in relation to guidance and good practice grants administration.⁵⁹

Distribution of funds

4.43 Much of the public hearing held on 17 September 2015 was spent reviewing the distribution of funds approved under the programme.

4.44 The Committee heard that shortcomings in the funding agreements put in place by the Department meant that distribution of funds was difficult to identify. The ANAO stated 'that is has been common for agreements to not adequately set out what the proposed project would deliver and where' and that:

'such information in in grant agreements helps to clarify project deliverables and milestones, and enables the Australian Government to have confidence that grants will provide value for money in return for funding that has been provided, as well as contributing to the achievement of desired programme outcomes.⁶⁰

4.45 As many questions about the distribution of funds were not able to be answered during the hearing, a number of Questions on Notice were put. The following was therefore established:

While there were 150 election commitments for Round One of the Safer Streets Programme, an organisation may elect to deliver multiple commitments as one project. Therefore, there are 84 projects in total arising from the 150 commitments.

[O]f the 84 projects, two organisations declined to apply for funding in Round One of the Programme and one project was found unsuccessful (Greater Toukley Vision).

Of the 81 projects that were awarded funding:

- 63 projects are to be delivered in electorates held by the Coalition (77.78% of projects);
- seven projects are to be delivered in multiple electorates that are held by different parties, which include both Coalition and non-Coalition seats (8.64% of projects); and

59 Mr Mark Simpson, Acting Group Executive Director, Performance Audit Services Group, Australian National Audit Office, *Committee Hansard*, 17 September 2015, pp. 21-22.

60 ANAO, Audit Report No. 41 (2014-15), p. 21.

- 11 projects are to be delivered in electorates held by a party other than the Coalition (13.58%).

Of the 81 projects that the Minister for Justice has agreed to fund, four do not yet have a funding agreement in place. The total value of the projects where there is an executed funding agreement comes to \$18,692,666, with:

- \$12,500,279 allocated to projects to be delivered in Coalition held electorates (66.87%)
- \$3,293,776 allocated to projects to be delivered in electorates held by multiple parties (it is not possible to apportion the funding to each individual electorate) (17.62%), and
- \$2,898,611 allocated to projects to be delivered in electorates held by other parties other than the Coalition (15.51%).

For the four projects where no funding agreement is in place, the final value of the project is yet to be confirmed. Accordingly, the department did not include these values in the above calculations.⁶¹

- 4.46 The ANAO confirmed that there was nothing unusual for the government-of-the-day to ask that a broad range of election commitments be implemented after an election.⁶² The ANAO's criticisms of the program were of the administration of those grants rather than specifically that of their distribution. Indeed:

For governments of each political persuasion, when they come in, that is part of the job. The key thing for us here was looking at how the department – and we do this with other departments with other similar election commitment programs – have gone about delivering upon that part of their job in a way which is consistent with the grants administration framework. Our overall conclusion is that we felt there were significant shortcomings in how the Attorney-General's Department went about that. We have spoken a lot about the eligibility aspects, but, in some ways, of at least equal import to us were shortcomings in how they actually did the assessment of those candidates who were invited to apply.⁶³

- 4.47 It is important to note that the ANAO tempered this acceptance of the skewed funding due to election commitments by observing that the: implementation of the programme did not limit funding to only those organisations and projects that were a 2013 election commitment, or to the amount of funding that had been announced.

61 Attorney-General's Department, *Submission 2.1*, p. 1.

62 Mr Brian Boyd, *Committee Hansard*, 17 September 2015, p. 16.

63 Mr Brian Boyd, *Committee Hansard*, 17 September 2015, p. 16.

Further, there were a number of instances where projects were announced but no organisation was invited to apply for Safer Streets programme funding for those projects. In addition, another seven projects were included in the list where no public announcement of an election commitment had been made.⁶⁴

- 4.48 When asked whether the ANAO agreed that there were serious shortcomings in the information that was being passed on to the minister about the criteria that had been met by the various applications, the ANAO agreed there had been shortcomings 'in the underlying assessment which informed the advice but also, yes, in terms of the advice itself'.⁶⁵

Implementation of ANAO recommendations

- 4.49 ADG has readily acknowledged its failings with regard to this program.

...looking at the findings of the ANAO report, and from our own assessment, that across a range of areas we did not adopt best practice in relation to this program. We accept the findings of the ANAO report. We have implemented a range of measures to ensure that the deficiencies that have been identified are rectified and are not repeated. We accept that there were flaws in our processes, and we have taken steps and are using the ANAO report as very clear guidance to us in terms of how we need to ensure that we do not make the same mistakes again.⁶⁶

- 4.50 ADG has outlined procedures already undertaken to remedy the deficiencies exposed by the ANAO report. These included:

- A review and development of existing grants templates - including the Department's *Guide to Grant Administration* - to accommodate the findings of this report, and the development and delivery of additional training for staff to assist in assessing grants. This includes ensuring staff are aware of the need to appropriately brief the relevant Minister on risks with proposed changes to the grant guidelines;⁶⁷
- the amendment of standard grant documentation to ensure minimum scores are required to be achieved against each criterion in order for the application to be considered as a possible candidate for funding;⁶⁸ and

64 ANAO, Audit Report No. 41 (2014-15), p. 96.

65 Mr Brian Boyd, *Committee Hansard*, 17 September 2015, p. 16.

66 Ms Katherine Jones, Deputy Secretary, National Security and Criminal Justice Group, Attorney-General's Department, *Committee Hansard*, 17 September 2015, p. 21.

67 ANAO, Audit Report No. 41 (2014-15), pp. 155-6.

68 ANAO, Audit Report No. 41 (2014-15), p. 157.

- ensure that the *Checklist for Officials Briefing Ministers on Proposed Grants*, produced by the Department of Finance is available to all staff so that grant recommendations are clearly judged to be fully, partially or do not meet the selection criteria.⁶⁹

Committee comment

- 4.51 The Committee is strongly concerned by the serious deficiencies in this program's administration. Given that this is not the only grant program administered by AGD and that this program is not insignificant in its own right, it is unacceptable that such errors were made.
- 4.52 The Committee recognises the difficulties with administration of election commitment grants programs – however, grant administration basics still need to be followed. The Department fell short of these basics across a range of areas, including: not establishing high quality guidelines; problems with correctly identifying eligible projects; significant shortcomings in the assessment of applications; establishing substandard funding agreements; and failing to provide sound advice to Ministers.
- 4.53 AGD's responses to the ANAO recommendations and their statements during the public hearing are encouraging and updates to the grant guidelines welcomed. At this stage it seems that the Department has embraced the lessons learnt from round one of this program.
- 4.54 However, to ensure that grants programs run by the AGD are better administered in the future, the Committee suggests that a follow-up audit should be conducted. Such audits serve a useful purpose in ensuring that senior management follow through on good initial intentions and also assist the Committee to monitor improvements or otherwise over time.

Recommendation 9

- 4.55 **To encourage better practice grants administration, the Committee recommends that the Australian National Audit Office consider including in its schedule of performance audits, priority follow-up audits of the grants program administration by the Attorney-General's Department.**
- 4.56 Projects subject to election commitments were arbitrarily cancelled and projects where there is no evidence that there were subject to election commitments were included in a funding round solely devoted to

69 ANAO, Audit Report No. 41 (2014-15), p. 157.

delivering election commitments. Both these actions were at the direction of the Minister's office.

Recommendation 10

- 4.57 **Recognising that the Commonwealth Grants Rules and Guidelines do not explicitly refer to election commitments, the Committee recommends that the Department of Finance should amend the guidelines to deal explicitly with Commonwealth Funding Rounds that deliver on election commitments. Specifically, that only projects publicly committed to as part of the program should be included.**

The Hon Ian Macfarlane MP

Chair

Date: 7 December 2015



Appendix A - Submissions

- 1 Australian National Audit Office
- 1.1 Australian National Audit Office
- 1.2 Australian National Audit Office
- 1.3 Australian National Audit Office
- 1.4 Australian National Audit Office
- 2 Attorney-General's Department
- 2.1 Attorney-General's Department



Appendix B - Public Hearings

Thursday 20 August 2015

Australian National Audit Office

Mr Grant Hehir, Auditor-General
Dr Tom Ioannou, Group Executive Director
Ms Donna Burton, Executive Director
Ms Linda Kendell, Audit Manager

Department of Human Services

Mr Grant Tidswell, Deputy Secretary
Ms Jennifer Teece, General Manager
Ms Leanne Smith, Acting General Manager

Thursday 17 September 2015

Attorney-General's Department

Ms Katherine Jones, Deputy Secretary
Mr Iain Anderson, First Assistant Secretary
Ms Catherine Smith, Assistant Secretary
Mr Aaron Verlin, Assistant Secretary
Mr Mark Crossweller, Director General
Ms Tara Inverarity, Executive Director

Australian National Audit Office

Ms Rona Mellor, Acting Auditor-General

Mr Mark Simpson, Acting Group Executive Director

Mr Brian Boyd, Executive Director

Mr David Spedding, Audit Manager

Mr Joe Keshina, Senior Auditor