

Audit Report No. 43, 2005-06, Assuring Centrelink Payments – The Role of the Random Sample Survey Programme

Introduction

Background

- 17.1 In 2004–05, Centrelink was responsible for the administration of more than \$63 billion in programme payments delivered on behalf of 25 purchaser departments. The vast majority of these outlays on programme payments (some 95 percent) related to three key purchaser departments, the Department of Families, Community Services and Indigenous Affairs (FaCSIA), the Department of Employment and Workplace Relations (DEWR) and the Department of Education, Science and Training (DEST).
- 17.2 A key element of the strategy used by FaCSIA, DEWR and DEST to assure the integrity of the various Centrelink payments for which they are respectively responsible¹ is the Random Sample Survey Programme. The Random Sample Survey (RSS) is a point-in-time

1 Until October 2004, the former Department of Family and Community Services was responsible for all of the programme payments covered by the RSS Programme. Following major machinery of government changes that occurred at that time, DEWR and DEST assumed responsibility for some of these programme payments.

analysis of sampled customers' circumstances, designed to establish whether customers are being correctly paid.

- 17.3 Under *Social Security Law*², customers are required to disclose to Centrelink information about changes in their personal and financial circumstances that affect their entitlement. However, there are risks associated with a reliance on disclosure by customers because individuals can fail to report relevant changes when they occur either through lack of understanding of their obligations, omissions, mistakes, or deliberately misrepresenting their circumstances. Centrelink uses powers under the *Social Security (Administration) Act 1999* to compel randomly selected customers to participate in a RSS review, and to provide information on their circumstances.
- 17.4 The RSS sample design involves stratified sampling³ across the 15 Centrelink Areas. Centrelink RSS Reviewers situated within each Area conduct the RSS reviews in face-to-face interviews with selected customers. However, file reviews are conducted in cases where a face-to-face interview is not possible, or if customers voluntarily cancel their payments before the interview can be conducted.
- 17.5 Customers are required to provide detailed evidence of their current circumstances during an RSS review. The Reviewer may also undertake third party verification of the information provided by the customer, such as checking with banks and employers. An RSS review may confirm that a customer is receiving a correct payment or result in a cancellation or variation of the customer's payment and/or identification of a debt or under payment.
- 17.6 Centrelink currently runs the RSS on behalf of the three purchaser departments. The RSS is run annually for all major Centrelink payments,⁴ and minor payments are covered over a three-year cycle. Agencies advised the ANAO that, to date, the RSS Programme costs some \$4.5 million a year to conduct.

2 The *Social Security Law* comprises the *Social Security Act 1991*, the *Social Security (Administration) Act 1999* and the *Social Security (International Agreements) Act 1999*.

3 The population is divided into subpopulations (strata) and random samples are taken of each stratum.

4 Major payments are Age Pension, Youth Allowance, Parenting Payment (Single and Partnered), Disability Support Pension, and Newstart Allowance.

How the RSS is used

- 17.7 The purchaser departments use the RSS Programme primarily to measure the level of accuracy of outlays on income support payments delivered by Centrelink. Other purposes for which the departments use the RSS Programme are to provide a measure of the effectiveness of compliance and other review activity and to measure the level of Centrelink's administrative error, against a target agreed between the purchaser departments and Centrelink under the individual agencies' Business Partnership Agreements (BPAs).
- 17.8 At the time of the audit, a replacement programme for the RSS Programme was being developed by DEWR and DEST. DEWR informed the ANAO on 16 December 2005 that:
- At the same time as the fieldwork was conducted for this audit, a review of the lapsing RSS budget measure was undertaken, led by DEWR. This review was completed in October and has informed thinking in DEWR and DEST about arrangements that might apply from 1 July 2006. These matters are being considered.
- 17.9 The ANAO's audit report notes that DEWR and DEST both received additional funding to expand the RSS programme, under a fraud and compliance measure in the 2006-07 Budget.⁵

Business Assurance Framework

- 17.10 The BAF provides 'performance assurance to the Australian Government, Centrelink's key stakeholders, purchaser departments, the Board⁶ and customers.'⁷ BAFs are included in all key Centrelink Business Partnership Agreements (BPAs) to provide assurance on the integrity of outlays, and to identify risks and the control frameworks that mitigate those risks. RSS results are the primary quality assurance tool for the BAF.⁸

5 ANAO Audit Report no 43, 2005-06, *Assuring Centrelink Payments - The Role of the Random Sample Survey*, Commonwealth of Australia, June 2006, p. 17.

6 The Centrelink Board of Management was abolished upon commencement of amendments to the *Commonwealth Service Delivery Agency Act 1997* on 1 October 2005. The authority which formerly rested with the Board now rests with the Chief Executive Officer (CEO) of Centrelink.

7 Centrelink, *Annual Report 2004-05*, pp. 37-39

8 Centrelink, *Annual Report 2004-05*, pp. 37-39

- 17.11 In addition to the RSS, Centrelink also undertakes a broader assurance programme as part of its control framework. This programme includes a number of prevention and review activities including data matching and other risk reviews. The other review activities are targeted towards specific customers, whereas the RSS Programme is sampled across the entire Centrelink customer population for a particular payment.⁹
- 17.12 Under the BAF, a payment is considered 'correct' if: the right person is paid; under the right programme; at the right rate; and for the right date(s). 'Correctness' is considered, in the context of the BAF, to relate only to decision-making processes within Centrelink's control. The payment correctness target contained in the individual agencies' BPAs is a measure of Centrelink's administrative errors that have an impact on payment; it does not take into account customer error.
- 17.13 The RSS takes a sample of customers and identifies errors in the information held by Centrelink compared with the information obtained from the RSS interview and follow-up procedures.
- 17.14 Results of the survey showed some 45 percent of Centrelink customers surveyed had at least one error in their record. Over a third (1 661 cases) of these had multiple errors.¹⁰ For errors with a dollar impact on payment, 18.8 percent resulted in a cancellation or variation to payment, 54.5 percent resulted in a debt, and 26.7 percent resulted in a cancellation or variation and a debt.
- 17.15 For the full year 2004-05, the total value of customer debts raised as a result of all RSS reviews was \$3 213 810. The average value of all debts was \$1 034. Around a third of debts were under \$50.¹¹ Approximately 20 percent of debts were over \$1 000, including 4.3 percent of debts which were over \$5 000.
- 17.16 The RSS further categorises reviews with an error into those with a Centrelink administrative error and/or a customer error with no dollar impact, and those with a Centrelink administrative error and/or a customer error with a dollar impact.

9 A range of customers are excluded from selection in the RSS, including those who are currently being reviewed in another Centrelink process and those who reside in remote areas.

10 Centrelink, *Rolling Random Sample Surveys, Final Results Quarter 4 of 2004-2005, including full year, Compliance and Review*, February 2006, p. 11.

11 Centrelink automatically waives debts of less than \$50, as it is not cost effective to recover these debts. The power to waive in this circumstance is provided under section 1237AAA(1) of the *Social Security Act 1991*.

- 17.17 In 2004-05, Centrelink identified one or more errors in 4 552 of the 10 048 RSS reviews conducted, with the total number of 7 037 errors distributed across these 4 552 reviews. Centrelink RSS Reviewers determined that 78 percent of these errors were due to customer error (that is customer action or inaction). The remaining 22 percent were categorised as due to Centrelink administrative error (predominately incomplete processing), albeit that only 5.1 percent of these errors (or 3.4 percent of reviews) had an immediate impact on the customer's payment.
- 17.18 This information is used to calculate payment correctness. The definition agreed between Centrelink and purchaser departments for payment correctness only takes into account Centrelink administrative errors with a dollar impact. Errors attributed to customer action or inaction, and any administrative error with no dollar impact are excluded.
- 17.19 Centrelink reported in its 2004-05 Annual Report that:
- Since [this] random sampling process began in July 2002, Centrelink's payment correctness figures have exceeded 95 percent [the BPA target] every quarter, with an annual figure for 2004-05 of 96.8 percent.¹²
- 17.20 The payment correctness figure reported in Centrelink's annual report is based on preliminary data from the RSS collected in the first three quarters of 2004-05.¹³ The figure is derived by taking the number of reviews with a Centrelink administrative error with a dollar impact as a percentage of the sampled population, and subtracting this number from 100 percent.¹⁴
- 17.21 Centrelink's 96.8 percent reported payment correctness for 2004-05 does not mean that 96.8 percent of customers received a correct payment in that year. The RSS showed that in 2004-05 some 30

12 Centrelink, *Annual Report 2004-05*, p. 39.

13 The final validated results of the RSS for 2004-05 were not available until February 2006. Accordingly, these results were not available for inclusion in agencies' 2004-05 Annual Reports. Centrelink advised the ANAO in April 2006 that the purchaser departments had agreed that the Centrelink's CEO's Statements of Assurance for 2004-05 be based on the first three quarters of data for 2004-05 as the fourth quarter data would not be available by the time the Statements of Assurance were required.

14 The relevant final validated results for 2004-05 are set out in Table 1 and using these figures it can be seen that the final payment correctness figure for 2004-05 is 96.6 percent, within 0.2 percent of the preliminary figure reported in Centrelink's 2004-05 Annual Report.

percent of customers had an error that had a dollar impact on their payment, meaning that payment correctness (using the ordinary meaning of the term) was around 70 percent.

- 17.22 While the proportion of payments that were incorrect was around 30 percent, many of the individual payment variations are small. Given that the RSS is a point in time analysis, the variations relate to a fortnightly payment. The largest variation will occur in the case of a payment cancellation, that is, the largest variation will equal the customer's entire fortnightly payment. However, given that many variations are small, then the impact on outlays is not large. Nevertheless, even a small variation will have economic and other impacts on an individual customer.

Calculation of the accuracy of outlays

- 17.23 As noted earlier, the primary use to which the three purchaser departments put the RSS programme is to measure the accuracy of outlays on income support payments delivered by Centrelink.
- 17.24 To do this, the purchaser departments have to first identify the 'total payment inaccuracy'. That is the percentage of RSS reviews that have errors which have a dollar impact on payments, irrespective of the source of the error (that is customer error or Centrelink administrative error).
- 17.25 The inaccuracy of outlays is then calculated by dividing the sum of fortnightly dollar amounts of variations (upward variation, downward variation, cancellation/suspension) by the sum of the fortnightly payments to all sampled customers. The percentage figure is then calculated. To get the accuracy of outlays the purchaser departments then subtract this figure from 100 percent.
- 17.26 FaCSIA advised the ANAO that, based on the RSS data, the accuracy of outlays for 2004–05 was 97.9 percent for those major social security payments made by Centrelink on behalf of FaCSIA.¹⁵ DEWR advised the ANAO on 9 December 2005 that its assessment of the results of the RSS between 1 July 2004 and 31 March 2005 show that the average inaccuracy rate for working age payments was 4.2 percent. This equates to 95.8 percent of outlays on Centrelink payments for which DEWR is responsible being accurate.

15 These payments are Age Pension, Carers Payment and Child Disability Allowance.

Audit objectives

- 17.27 The overall objective of the audit was to assess whether the RSS Programme is effective and efficient in providing assurance on the levels of payment error and the resultant risks to the integrity of Australian Government outlays for payments administered by Centrelink.
- 17.28 Specifically, the audit assessed whether:
- the RSS Programme meets the objectives outlined for it in the Portfolio Budget Statements under which funding was provided;
 - there is an adequate methodology underpinning the RSS reviews;
 - the RSS reviews are conducted effectively and efficiently, and adequate quality assurance mechanisms exist to assure the results obtained from the RSS reviews; and
 - reporting by the agencies of the results of the RSS Programme is adequate and takes into consideration the issues identified in Audit Report No. 44 2002-03 *Review of the Parenting Payment Single Program*, and Audit Report No. 17 2002-03 *Age Pension Entitlements*.

Overall conclusion

- 17.29 The audit report acknowledged the three purchaser departments' efforts to find a method to measure the accuracy of outlays, and to monitor the level of Centrelink's administrative error, and the value of such information. However, the RSS is unable to uncover all incorrect payments due to the inherent limitation that not all customers will disclose all of their circumstances and/or all of the changes in their circumstances, even when asked in a face to face interview.
- 17.30 The ANAO recognised that no survey method to identify the level of Centrelink payments affected by error will be 100 percent accurate. In addition, the cost of uncovering all customer non-disclosure, even if a robust methodology to achieve this was identified, is likely to be prohibitive.
- 17.31 Notwithstanding this, the RSS programme has been relied upon by the purchaser departments and Centrelink to provide a measure of Centrelink's achievement against an agreed target in the individual agencies' BPAs for Centrelink's payment correctness, and is the key

plank in the assurance of around one-third of Australian Government outlays.

- 17.32 While an internal definition of payment correctness may be agreed and understood between Centrelink and the purchasing departments, external reports quoting payment correctness based on this definition may be misleading to the outside reader. Centrelink reported in its 2004–05 Annual Report payment correctness of 96.8 percent. Using the ordinary meaning of the words ‘payment correctness’, this would suggest to a reader that 96.8 percent of customers receive a correct payment. However, the RSS data show that it is around 70 percent of customers who receive a correct payment.
- 17.33 The ANAO suggested that future external reporting of Centrelink’s performance against this target in the BPAs would be clearer if it were to convey a focus on administrative correctness rather than payment correctness.
- 17.34 The figure reported by agencies for the accuracy of outlays (for example, 97.9 percent for FaCSIA payments in 2004–05, and 95.8 percent for DEWR payments) suggests a level of precision that is not able to be supported by data from the RSS Programme due to the inherent limitation that not all customers will disclose all of their circumstances to Centrelink.
- 17.35 The purchaser departments received additional Budget funding to increase the sample sizes for the RSS programme. While there may be other benefits realisable from the increase in the sample size, this will not address the non-sampling error associated with customer non-disclosure. As noted in the audit report, customer non-disclosure is a form of non-sampling error and, therefore, cannot be addressed through a greater sample size. The purchaser departments also proposed enhancements to the RSS programme to uncover further non-disclosure, however, these will not, in themselves, uncover all non-disclosure.
- 17.36 The ANAO considered that it is important that agencies use the accuracy of outlays figure calculated from RSS data as an indicative measure of the level of accuracy of outlays on Centrelink payments, recognising its inherent limitations. The indicative RSS measure would need to be appropriately supplemented by, and used in conjunction with, other relevant information collected by Centrelink and the purchaser departments to provide the required level of assurance for these significant Australian Government outlays.

ANAO recommendations

Table 17.1 ANAO recommendations, Audit Report No. 43, 2005-06

1.	<p>The ANAO recommends that Centrelink make transparent, in its Annual Report and any other documents where the agency reports on its level of payment correctness, how the payment correctness figure is derived and in particular that the figure reported relates only to Centrelink administrative error identified by the RSS and does not include error identified in the RSS but attributed to customer action or inaction.</p> <p>Centrelink response: Agreed.</p>
2.	<p>The ANAO recommends that when reporting data from the RSS, Centrelink, FaCSIA, DEWR and DEST ensure that:</p> <p>(a) the source and limitations of the data are transparent, to enable readers to properly interpret the data and have confidence in the results; and</p> <p>(b) statistics indicating the proportion of customers correctly paid are clearly distinguished from statistics indicating the net effect of incorrect payments on government outlays.</p> <p>Agency responses: All four agencies agreed with the recommendation.</p>
3.	<p>The ANAO recommends that, following review and compliance activities, Centrelink aggregates and analyses information regarding the reasons identified for payment incorrectness to enable robust review, by both Centrelink and the purchaser departments, of the data collected through these activities.</p> <p>Centrelink response: Agreed.</p>
4.	<p>The ANAO recommends that Centrelink, FaCSIA, DEWR and DEST, when using the results of the RSS to measure the effectiveness of the control/compliance framework and to identify any emerging risks, take into account the possible skewing of data due to unidentified non-disclosure by customers of all their circumstances or relevant changes in their circumstances.</p> <p>Agency responses: All four agencies agreed with the recommendation.</p>
5.	<p>The ANAO recommends that FaCSIA, DEWR and DEST put in place procedures to assure themselves that Centrelink's operation of the RSS is efficient, effective and conducted independently within Centrelink.</p> <p>Agency responses: FaCSIA, DEWR and DEST all agreed with the recommendation.</p>
6.	<p>The ANAO recommends that Centrelink include information on the purpose of the RSS in recruitment and training materials for RSS Reviewers, and that Area RSS staff are provided with information on the outcomes of the RSS, given that it is the final product of their work.</p> <p>Centrelink response: Agreed.</p>
7.	<p>The ANAO recommends that Centrelink, DEWR, DEST and FaCSIA review the design of the RSS questionnaire in order to:</p> <p>(a) reduce the complexity of the questionnaire;</p> <p>(b) improve sequencing through the questionnaire; and</p> <p>(c) limit question repetition when using additional specialised modules.</p> <p>Agency responses: All four agencies agreed with the recommendation.</p>
8.	<p>The ANAO recommends that Centrelink review the RSS Team Room database, with a view to improving its useability, and that the information it contains is both current and relevant to RSS staff.</p> <p>Centrelink response: Agreed.</p>
9.	<p>The ANAO recommends that Centrelink:</p> <p>(a) develop and implement national selection criteria for RSS Reviewers;</p> <p>(b) develop and implement a national training package for all RSS staff; and</p> <p>(c) ensure appropriate Performance Assessment procedures are in place for all RSS Reviewers.</p> <p>Centrelink response: Agreed.</p>

The Committee's review

17.37 The Committee held a public hearing on 18 October 2006, which was attended by representatives of the ANAO, Centrelink, FaCSIA, DEWR and DEST. The hearing examined aspects of the ANAO's report including the purchaser departments' implementation of the ANAO's recommendations, whether the major objectives of the RSS had been met, whether the other objectives of the RSS had been met, and other issues relating to the Access Card and Centrelink's staff inappropriately accessing customer records.

Implementation of recommendations

17.38 The Committee began the hearing by asking the departmental representatives collectively about the progress that has been made by them to implement the ANAO's recommendations. Not all of the recommendations were addressed individually at the hearing, however, those that were are outlined below.

ANAO Recommendation 1

17.39 Centrelink informed the Committee that their implementation of this recommendation was about to be published (and at the time of reporting, subsequently had been) in the Centrelink *Annual Report 2005-06*. Centrelink informed the Committee that the report:

...provides revised wording which reflects the recommendations from the ANAO. Our internal reports have also been revised as per the recommendation.¹⁶

ANAO Recommendation 2

17.40 This recommendation was in relation to the transparency and limitations of data reporting for the RSS, FaCSIA informed the Committee that:

...We have certainly taken No. 2, which is the one about reporting data, into account and the proof of the pudding will be fairly obvious in our next annual report, which will have the appropriate qualifications around the reporting of data.¹⁷

16 Centrelink, *Transcript of Evidence*, 18 October 2006, p.2.

17 FaCSIA, *Transcript of Evidence*, 18 October 2006, p.3.

ANAO Recommendation 4

- 17.41 This recommendation was concerned with the control/compliance framework and the identification of risks especially in relation to unidentified non-disclosure by customers about their circumstances. FaCSIA responded stating:

...[in relation to] the one about taking care around data skewing when interrogating the data for emerging risks, we have increased our capacity in FaCSIA to do better interrogation of the data and work more closely with Centrelink to ensure that we are clear where skewing might occur.¹⁸

ANAO Recommendation 5

- 17.42 This recommendation was in relation to the purchaser departments establishing assurance frameworks to assure themselves that Centrelink's conduct of the RSSS was 'efficient, effective and conducted independently'. FaCSIA responded on behalf of the purchaser departments that:

... we have put more procedures in place, including working with all of the other agencies on a more collaborative approach.¹⁹

ANAO Recommendation 6

- 17.43 The inclusion of information in relation to RSS in the recruitment process and training process for RSS reviewers was the focus of this recommendation. It also adds that Area RSS staff be given information on the outcome of the RSS, given it is the final aspect of their work.
- 17.44 Centrelink informed the Committee that:

We have basically produced new recruitment and training materials which have been used since 1 July. Reporting schedules have been developed. Reports have been circulated to national support staff and to the policy departments by each of the 15 areas we operate under.²⁰

18 FaCSIA, *Transcript of Evidence*, 18 October 2006, p.3.

19 FaCSIA, *Transcript of Evidence*, 18 October 2006, p.3.

20 Centrelink, *Transcript of Evidence*, 18 October 2006, p.2.

ANAO Recommendation 7

17.45 This recommendation requested that the purchaser departments review the design of the RSS questionnaire so as to reduce its complexity, improve sequencing of questions and limit the repetition of questions.

17.46 Centrelink informed the Committee that:

We have basically worked with each of the policy departments present here to revise the questionnaires that are given to customers selected in random sample surveys. They have been agreed and deployed.²¹

17.47 FaCSIA reinforced the comments made by Centrelink, stating:

We have certainly been working with Centrelink on ensuring that we have a better design of the questionnaires.²²

Recommendation 29

The Committee recommends that a copy of the revised RSS questionnaire, implementing the ANAO's recommendation 7 be provided to the Committee.

ANAO Recommendation 9

17.48 This recommendation related to the development and implementation of national selection criteria for RSS Reviewers and a national training package for all RSS staff.

17.49 Centrelink informed the Committee that:

We now have national selection criteria which are used for the selection of all reviewers. There is a national training package. We used to train people slightly differently in different parts of Australia; we now have one national package which we use to train all staff. We have put in place new performance assessment procedures for all staff in this area, and all of that went live on 1 July as well.²³

21 Centrelink, *Transcript of Evidence*, 18 October 2006, p.2.

22 FaCSIA, *Transcript of Evidence*, 18 October 2006, p.3.

23 Centrelink, *Transcript of Evidence*, 18 October 2006, p.2.

Meeting the major objectives of the RSS programme

17.50 The ANAO examined the extent to which the RSS meets the objective of the RSS Programme, that being essentially to measure the level of incorrect payments. A related examination was undertaken concerning the detection of undisclosed changed circumstances.

17.51 The ANAO examined the data produced on the size and types of error within the information collected by Centrelink. The data consisted of the 2004-05 sample survey used by the RSS which showed that of 10 048 reviews conducted, 4552 (or 45.3 percent) contained at least one error within the data, with the total number of errors reported as 7037. An error is derived from comparison between the records currently held by Centrelink and information obtained during an RSS interview. Centrelink:

...categorises reviews with an error into those with a Centrelink administrative error and/or a customer error with no dollar impact and those with a Centrelink administrative error and/or customer error with a dollar impact.²⁴

17.52 The Committee followed this information by asking Centrelink why some errors initially defined as customer errors were reclassified as Centrelink errors. Centrelink responded:

Sometimes when you do a survey of a customer you can find more than one error. There were some instances where a customer had made a mistake and some where we had also made a mistake. What we did was count those as Centrelink errors. So, where there were two or more errors, we counted both of those errors as Centrelink errors rather than trying to split the errors and attribute some of them to the customers. We did not want to double count things and we thought the more reasonable approach was to count them as Centrelink errors.²⁵

17.53 The Committee then enquired as to examples of the kinds of errors that Centrelink made. Centrelink acknowledged that errors may or not lead to a situation where a customer has their payment affected and added:

24 ANAO Audit Report no 43, 2005-06, *Assuring Centrelink Payments - The Role of the Random Sample Survey*, Commonwealth of Australia, June 2006, p. 19.

25 Centrelink, *Transcript of Evidence*, 18 October 2006, p.2.

The types of things that get picked up in the survey are where information is provided by a customer and somebody from Centrelink enters that information into our system... A misspelling of a name... the transcription of a birth date; the transcription of two numbers...²⁶

- 17.54 While some administrative errors may not lead to a customer's payment being affected (having a dollar impact), the information (or lack of information) provided by a customer to Centrelink ultimately does. The ANAO acknowledged that the RSS process does have some limitations. The major issue was the inability of the survey to detect all incorrect payments due to the fact that not all customers disclose all of their circumstances or changes to their circumstances. Centrelink and the purchaser departments have defined payment correctness as:

...the percentage of [RSS] reviews without a dollar impact error based on information provided by the customer. This definition clarifies that customer error is excluded from the calculation of payment correctness. Centrelink procedural errors that do not impact on the customer's payments are also excluded.²⁷

- 17.55 The ANAO suggested that the RSS identifies cases where information provided at RSS interviews differs from that held currently by Centrelink.²⁸ The RSS is an effective mechanism in the detection of changed customer circumstances due to the process involving a face-to-face interview with a customer and completely reviewing all records held. A major limitation of this process may be, however, that a customer fails (even at an RSS interview) to fully disclose all of the information leading to a potential change of circumstance. Non-declaration could include non-disclosure of assets or non-disclosure of additional income received during a reporting period (for example, cash-in-hand) work.

- 17.56 Centrelink uses the definition of payment correctness in conjunction with its Business Assurance Framework (BAF). The BAF defines 'correctness' as:

26 Centrelink, *Transcript of Evidence*, 18 October 2006, p.6.

27 ANAO Audit Report no 43, 2005-06, *Assuring Centrelink Payments – The Role of the Random Sample Survey*, Commonwealth of Australia, June 2006, p. 56.

28 ANAO Audit Report no 43, 2005-06, *Assuring Centrelink Payments – The Role of the Random Sample Survey*, Commonwealth of Australia, June 2006, p. 65.

...the right person is paid; under the right programme; at the right rate; and for the right date(s).²⁹

17.57 Under the BAF analysis, Centrelink have determined that the payment accuracy rate is 96.6 percent, meaning that there is an overall level of payment incorrectness of 3.4 percent.

17.58 This figure contrasts sharply with the ANAO's own analysis of payment incorrectness. The ANAO defined incorrect payments as:

...the number of customers in the RSS sample who have an error in their record, which leads to an error in their payment, that has a dollar impact.³⁰

17.59 The ANAO's analysis found that 29.8 percent of RSS reviews in the 2004-05 RSS survey contained errors which had a financial impact on a customer.³¹ Essentially this analysis incorporated all variants of error, not just Centrelink errors which produce a dollar impact for the customer.

17.60 The Committee asked Centrelink whether they were satisfied with the level of errors in payments having a dollar impact being approximately 30 percent. Centrelink responded that:

It depends on what you can control. We are more interested in improving what we can control, noting that, as you would be aware, the majority of the gap between broadly 70 and 100 percent is due to people either deliberately or unintentionally not providing the most recent piece of information.³²

17.61 The Committee was pleased to note, however, that as of February 2006, Centrelink and the purchaser departments had advised the ANAO that:

Centrelink will not in future report or refer to payment accuracy, Centrelink will continue to report on payment correctness and will continue to provide all relevant data to

29 ANAO Audit Report no 43, 2005-06, *Assuring Centrelink Payments - The Role of the Random Sample Survey*, Commonwealth of Australia, June 2006, p. 58.

30 ANAO Audit Report no 43, 2005-06, *Assuring Centrelink Payments - The Role of the Random Sample Survey*, Commonwealth of Australia, June 2006, p. 64, footnote 102.

31 ANAO Audit Report no 43, 2005-06, *Assuring Centrelink Payments - The Role of the Random Sample Survey*, Commonwealth of Australia, June 2006, p. 55, Table 3.1.

32 Centrelink, *Transcript of Evidence*, 18 October 2006, p.5.

each policy department to enable their reporting of payment accuracy.³³

- 17.62 The Committee asked Centrelink what was being done to ensure that their clients were aware of the fact that the survey does have limitations. Centrelink responded that:

The main thing we have done is develop a far more comprehensive description of what payment correctness means... in our forthcoming [since released] annual report, we have put that quite lengthy description, which we will table at the end of the meeting. Basically, it makes the figure clear and describes how it is arrived at, what it is not, what it includes and what it does not include. Probably the most important thing is that it makes it clear that the figure of 96 percent – and it has always been 95 percent and upwards – is only about Centrelink’s payment correctness, that is, the correctness of our decision making. The explanation we have put in now shows quite clearly that it does not include customer error. Therefore, I think that is much more transparent.

- 17.63 The Committee asked Centrelink for an example of significant change that has occurred as a result of the RSS process. Centrelink responded:

...the main benefit to us is being able to break down the analysis and look at the reasons why errors occur. For example, the largest source of error is really customers misreporting, or not reporting at all, on their earnings. That is the largest source of error. We have undertaken a few things that will help to start to address that. There is the government funded campaign called Support the System that Supports You, which is having a very large impact. A huge number of customers are ringing us to update their records. We have a number of examples of employers electronically reporting salary directly to Centrelink and we want to move further down that track. We now have the capacity for automated voice reporting, so people can ring up on the telephone, which is much easier than having to wait in a queue. We have introduced customer accounts, which are sent out to customers regularly so that they ought to be able to look at and update them... We have a number of measures that we

33 ANAO Audit Report no 43, 2005-06, *Assuring Centrelink Payments – The Role of the Random Sample Survey*, Commonwealth of Australia, June 2006, p. 57.

use to bring our staff to the highest level of performance possible. There are two sources of error, as you would appreciate: administrative errors and customer errors. By far, the largest source of error is the customer, but we have a number of initiatives in Centrelink, such as our Getting It Right campaign, where we emphasise particular aspects of the process with our staff. Forms have been revised; training has been comprehensively revised.³⁴

- 17.64 In relation to the RSS process, the Committee questioned its 'worth'. Questions were raised in regards to the benefits gained by Centrelink and the possibility that greater value could be found in processes other than the RSS. Centrelink responded:

The policy departments need assurance about whether the money is being spent in accordance with government decisions... and to do that you need a sufficient sample to look across the range of payments. This mechanism is principally about assurance, and I think it adds value. We actually derive a lot of other benefit from it. We learn as we go about areas that we ought to improve, either in terms of administration or in terms of advice to the public et cetera, so there are a lot of other spin-offs from it. I do not think we have a choice other than to do this.³⁵

Meeting other objectives of the RSS programme

- 17.65 Another objective of the RSS programme is its ability to be able to measure the reasons for incorrect payments. This particularly relates to the reasons as to why customers do not provide Centrelink with accurate information regarding their circumstances.
- 17.66 The ANAO's report highlighted the fact that there are a series of conditions which must be met by the customer in order to meet the requirements for each type of payment. For example, Newstart Allowance requires customers to fulfil an Activity Test which involves obligations such as attending all job interviews that the customer is offered as well as accepting suitable work offers. The non-disclosure of this type of information (such as not having attended a job interview when it was offered), along with non-disclosure of

34 Centrelink, *Transcript of Evidence*, 18 October 2006, p.4.

35 Centrelink, *Transcript of Evidence*, 18 October 2006, pp.3-4.

income and/or assets is the most common reason for there to be a discrepancy in the information held by Centrelink leading to incorrect payment.

- 17.67 The Committee asked Centrelink what mechanisms are in place to ascertain whether a customer is providing accurate information to Centrelink. In addition, the Committee asked how Centrelink could ascertain a customer's claims that the customer had informed Centrelink of changes to their circumstances which subsequently were not recorded on the system. Centrelink replied:

Some of that is a judgement call. We train our staff in interview techniques and we structure the questionnaires in a way to try to test the information that the customers are giving us, but there is a certain degree of judgement that our staff have to exercise, which is where the issue of non-disclosure has been raised in the audit report.³⁶... I would also add that we do plan to introduce a receipting process so that where a customer actually says, 'I told Centrelink,' we will ask: 'Provide us with the receipt number and we will go and check all of that.'³⁷

Recommendation 30

That Centrelink advise the Committee of progress in implementing the receipting process for calls to call centres in relation to customers reporting their circumstances. In addition, the Committee would like to be kept informed of whether the receipting mechanism makes a difference in the rates for payment correctness.

Other issues

- 17.68 The Committee also explored other issues pertaining to Centrelink. These were issues surrounding the proposed introduction, at the time, of the then government's Access Card and also inappropriate access of customer records by Centrelink staff.

36 Centrelink, *Transcript of Evidence*, 18 October 2006, p.6.

37 Centrelink, *Transcript of Evidence*, 18 October 2006, p.

Access card

17.69 At the time of the Committee's review, the Commonwealth government was exploring options for providing access to health, social and veterans' services. Chief amongst the new method of service delivery was to be a smartcard-based Access Card embedded with a microchip. The Office of Access Card website stated that the microchip:

...is expected to include your name, address, details of children or other dependants, digitised photo, signature, card number, expiry date, gender and concession status... No financial information, health records or your Tax File Number will be on the smartcard, in the chip or held by the registration service.³⁸

17.70 The Committee enquired as to whether Centrelink looked forward to the proposed introduction of the Access Card. Centrelink responded:

One thing it is going to do is to improve the quality of the proof of identity arrangements for each individual. We are currently quite robust in how we do proof of identity, but we have not always been. In the past we had a much simpler approach to proving identity. I think there is great value in making sure that we are really clear about the individuals.³⁹

17.71 The Committee quoted media reports which stated that there would be in the vicinity of 16 million, 15-minute interviews over a two-year period as part of the application process for the Access Card.⁴⁰ Centrelink was subsequently asked whether the agency could cope with the extra pressures that would bring the agency and whether there was a proposal to increase Centrelink's resources to cope with the anticipated introduction of the Access Card. Centrelink replied:

I just note that the detail of that is not settled. The second point I would make is that we already have a lot of the information that you would require to enrol yourself, for example, in an access card, in respect of millions of Australians. So for a lot of people it will be quite a simple

38 Office of Access Card website at http://www.accesscard.gov.au/about_card.html accessed June 2007.

39 Centrelink, *Transcript of Evidence*, 18 October 2006, p.7.

40 See: S Dunlevy, 'Centrelink too stupid to run the smartcard', Daily Telegraph, 28 July 2006, p. 32.

process...If someone is a recent Centrelink customer and we have done their proof of identity checks in the last few years then we have a lot of the information we would require to actually sign them up to the card. Would there be extra resources? Yes, there will be resources provided to whichever organisations are signing people up.⁴¹

- 17.72 The Committee also related the issues surrounding the Access Card to the rates of error as described previously. The Committee asked whether Centrelink would be comfortable with the current levels of error in its data being translated into error on the Access Card. Centrelink responded:

Often when we are talking about an error here we may have had, for example, 20 interactions with [an individual] and, on one of those interactions, we may have mis-keyed the name, mis-keyed the address, et cetera. So it is down at that sort of level. In terms of signing people up and proof of identity and issuing access cards, we are really good at it, and Medicare is really good at it. If anything, and I am projecting forward now, what that card would do is reduce the numbers of errors. For example, I would expect that people would be able to swipe the card and, rather than us keying in information every time they visited, there would be an automatic transfer of that information and up they would come.

- 17.73 The Committee also noted that as well as the interview process, the responsible agency would be required to take photographs which would be placed on the Access Card thus mitigating fraud risks. Centrelink was asked whether its offices would be used for this process. Centrelink responded that although this question was yet to be settled:

We will give people a lot of choice about where they can get it done. What I expect will happen is that in rural areas we will go out to people – and when I say ‘we’, it might not be Centrelink taking the photograph... When I talked about a choice I expect that it will be Australian government organisations doing the sign-up and the choice will be around giving people choice of more locations than currently exist.⁴²

41 Centrelink, *Transcript of Evidence*, 18 October 2006, p.7.

42 Centrelink, *Transcript of Evidence*, 18 October 2006, p.9.

Inappropriate use of customer records by Centrelink staff

17.74 The Committee noted newspaper reports which had cited inappropriate use of customer records by staff. The Committee asked Centrelink how this behaviour is dealt with. It also sought from Centrelink a qualification as to the types of access to information that is allowed by staff. Centrelink responded that:

We have an ironclad rule that no staff member is to deal with the records of someone with whom they are associated. This is principally relatives and other people with whom they are associated... you cannot do that, with exceptions. If you have a brother with a disability or an elderly aunt, someone who cannot act on their own behalf, we have arrangements in place where you can have nominees. You can formally nominate someone else to deal with your record. Other than that, for us it is a breach of our code of conduct and the majority of people in those figures fall into that category. There are still a lot of people who are not in that category, and we basically have a zero tolerance approach and we are very public about it.⁴³

17.75 The Committee was also informed that staff who had been deemed to have inappropriately accessed records had been subject to disciplinary action. Such action has included dismissal and demotion.

17.76 The Committee is pleased to note Centrelink's decisive action in relation to staff who have inappropriately accessed information.

43 Centrelink, *Transcript of Evidence*, 18 October 2006, p.10.

