

Data-matching
Department of Social Security
Follow-up Audit
Tabled 17 October 1996

Audit Report No. 12 1996-97

Abbreviations / Glossary

AFP	Australian Federal Police
ANAO	Australian National Audit Office
ATO	Australian Taxation Office
CAT	Client Authorised tax file number
CLEB	Commonwealth Law Enforcement Board
DEETYA	Department of Employment Education Training and Youth Affairs
DHFS	Department of Health & Family Services
DOF	Department of Finance
DMA	Data-Matching Agency
DMP	Data-matching Program
DSS	Department of Social Security
DVA	Department of Veterans' Affairs

EDF	Employment Declaration Form
FHOS	First Home Owners' Scheme
NSRS	National Selective Review System
PID	Personal Identity Discrepancy
QA	quality assurance
TFN	tax file number
URCOT	Union Research Centre on Organisation and Technology Ltd

Summary

Data-matching Program

1. The Data-matching Program (DMP) brings together information from key Commonwealth agencies through an automated process which compares and checks data to:

- detect instances where people are possibly receiving incorrect or incompatible payments of Commonwealth benefits;
- verify with the Australian Taxation Office income details disclosed to the agencies which made the income support payments; and
- detect instances of tax evasion.

2. The Program is administered by the Department of Social Security (DSS) under the *Data-matching Program (Assistance and Tax) Act 1990* and currently operates under a sunset clause due to take effect in January 1999. Matching takes place in a separate Data-Matching Agency set up within DSS specifically for this purpose.

3. In 1994-95 the Program generated around \$80 million in net benefits across all participating agencies, of which \$69.6 million is attributable to DSS.

Audit purpose and scope

4. This is a follow-up audit to Audit Report No.7, 1993-94 titled *Department of Social Security: Data-matching*. Its purpose is to report upon the effectiveness of the DSS actions in response to the recommendations of the original 1993-94 audit.

Overall conclusions

5. Data-matching continues to be a valuable compliance and control technique for validating voluntary compliance by DSS customers. It addresses areas of payment risk that other review activities do not cover as effectively. The Program is estimated to yield to DSS some \$90 million dollars in direct savings per annum (some \$70 million net).

6. The Department has made significant progress on the recommendations made by the Australian National Audit Office (ANAO) in its original audit. DSS has included a more comprehensive cost-benefit analysis of the Program in its Progress Reports to Parliament; achieved operational efficiencies through implementing legislative changes; introduced significant improvements in program performance through better targeting and project evaluation; and fulfilled its legislative and privacy obligations.

7. As a result of the improved targeting the Department has significantly increased the proportion of successful reviews, managing to increase the rate of successful reviews almost three-fold and exceeding the gains suggested possible by the ANAO in its original audit. The ANAO estimates that the improved targeting represents a gain of more than \$35 million gross savings per annum. In addition, the Department has increased the number of cases selected for data-matching review.

8. In noting the considerable progress made by the Department against the original audit recommendations, the ANAO considers that several recommendations have yet to be fully addressed. These are covered in this report and include reducing the variability in review results across offices, enhancing the TFN registration process, and validating savings assumptions.

Key Findings

9. Overall the Department of Social Security has made substantial changes to the Program which have resulted in greater efficiencies and effectiveness.

Improved targeting and technical refinements

10. DSS has responded to ANAO recommendations and implemented a variety of changes to improve the Program's targeting. It has introduced more formalised project evaluation, improved DMP business rules, refined the matching criteria, improved project deletions, reduced the number of successfully disputed section 11 letters (issued to clients suggesting their payments need review), revised handbooks and provided training to reinforce these changes, and introduced strategies which have reduced the number of discrepancies. As a consequence, the DMP's targeting has increased broadly by a factor of three. Savings from the program are estimated to be some \$90 million per annum gross.

Tax file number (TFN) savings

11. At the time of the 1993 audit the ANAO suggested some further savings could be achieved if the Department gave priority to the investigation of clients whose benefits had been cancelled or voluntarily withdrawn due to their failure to produce a TFN. The ANAO follow-up audit found that the Department had only been able to recoup around \$4 million

from the TFN follow-up project, finding that already the age of the claims made further savings unachievable without considerable expense. In contrast, DSS has exceeded the Program savings the ANAO projected as possible from improved targeting.

Personal Identity Discrepancies (PIDs) and TFN registration

12. There has been substantial reduction in the number of PIDs since the original audit. However there remains scope for further improvement. One of the difficulties arising from the present registration process has been the large number of clients exempted from income matching until they obtain their TFN. Automation of TFN registration at enrolment stage would be particularly beneficial in this regard and offers scope for further administrative savings.

Cost-benefit reporting has improved

13. Following the 1993-94 audit the Department has substantially improved the quality of the cost-benefit information provided to the Parliament. In particular, DSS now provides a more comprehensive cost benefit analysis which includes such costs as the Program's salary and computing costs, opportunity costs involved by DSS in running the DMP, costs attributable to the other DMP participating agencies, costs of each DMP project, an explanation of the savings estimate assumptions and methodologies, and the value of the DMP's deterrent effect. Areas warranting further attention include substantiation of the Program's carry-over savings assumptions; and updating the program protocol (a document which outlines the nature and purpose of data-matching).

Identifying emerging risks

14. There has been limited response to the ANAO's recommendation to widen consultation on emerging risks. However, a recent Departmental restructure offers the facility for this in keeping with the changed Commonwealth fraud arrangements under the Commonwealth Law Enforcement Board.

Opportunities to reduce variability in regional performance

15. The ANAO found the Department has made efforts to reduce variability in DMP performance across offices. As a result of DSS updating procedural instructions, providing training and introducing national performance standards for the DMP, there has been a significant improvement in overall office performance on data-matching.

16. While the ANAO recognises that external factors will lead to some variation in office review results, the ANAO is of the view that there remains opportunity to narrow variation in office performance and to raise performance of some lagging offices to meet national standards.

Quality assurance (QA)

17. Problems with data integrity and difficulties with network response to quality assurance

(QA) have limited the effectiveness of the Department's quality assurance program in improving the quality of DMP reviews. DSS is currently considering new QA initiatives based on a single officer determination approach which it plans to introduce in conjunction with a Job Redesign Project.

18 As the Department's considerations are still at a developmental stage, the ANAO is unable to form a final view on whether or not the Department's new approach to QA will be successful in addressing some of the quality issues affecting data-matching reviews.

Recommendations Where Further Attention is Warranted

Set out below are the ANAO's recommendations from the 1993 audit which, in the ANAO's view, warrant further attention. The ANAO considers that DSS has met the intent of the other recommendations.

1993 Recommendation
No. 16

The ANAO recommends that the Department sight relevant documentation such as the client's last assessment notice, to confirm that the TFN information supplied is that of the client.

*mal identity discrepancies (PIDs). In response, the Department
: ANAO recommended, in accordance with the Privacy Commissioner's
'Ds but there would appear to be scope for further improvement
e. The ANAO recommends that the Department re-examine the cost-
rocess in the light of other priorities (Para. 2.18).*

DSS response to this follow-up audit

The Department will re-examine the issue.

1993 Recommendation
No. 6

The ANAO recommends that DSS analyse client circumstances to validate and confirm the carry-over factors used in projecting forward savings which result from downward variations and cancellation of benefits.

*was particularly concerned that there was little evidence to support the
; even though they generate a significant proportion of the program's
. The ANAO acknowledges that there are cost-benefit considerations
mated savings, considers validation remains important*

DSS response to this follow-up audit

The Department believes that reference to average durations for all payment types supports its view that the carry-over factors used in projecting savings for Pensions and Allowances/Benefits are conservative. Nevertheless, the Department accepts that further work in this area needs to be built into its workplans.

1993 Recommendation
No. 8

The ANAO recommends that DSS report to Parliament on the extent to which the assumptions and expectations contained in the program protocol warrant reconsideration and revision. Performance benchmarks should be established for future monitoring of performance of the program.

update procedural aspect of the Program protocol, which the follow-up audit. Performance reporting issues are now largely met (3.14).

DSS response to this follow-up audit

The Department will complete an update of the procedural aspects of the Program protocol shortly.

1993 Recommendation
No. 11

The ANAO recommends that the Department widen its advisory and consultative arrangements as part of the process of research into new and emerging risk areas to be combated by data-matching.

ingements and within DSS offer DSS an opportunity to extend their so . The ANAO recommends that the Department use the research facility en and widen DSS's advisory and consultative arrangements into new data-matching in accordance with the Commonwealth framework for

DSS response to this follow-up audit

The Research and Development Section created within Compliance, Fraud and TeleService Division by the recent restructure will be responsible for assessing compliance risk and recommending means, including data-matching, of addressing emerging risks.

1993 Recommendation
No. 9

The ANAO recommends that DSS prioritise a reduction in the variability of performance between offices, building upon the national QA results. The focus should be on:

iques;

with the irregular data-matching workloads (e.g. by using refresher

with each national project, tailored by area office data-matching circumstances;

to ensure the best-practice review techniques are employed; and

cal characteristics and requirements.

While the Department has made efforts to reduce variability in

performance between offices, the ANAO is of the view that there remains opportunity to narrow variation in office performance and to raise performance of lagging offices (Para. 5.22).

The Department has had difficulties implementing an effective QA program to assist it to improve quality of DMP performance in offices. The Department is currently overhauling its QA arrangements. This report draws attention to some issues to be addressed in introducing new DMP QA initiatives (Para 6.11).

DSS response to this follow-up audit

Improving the performance of individual offices and Areas is an ongoing priority and the Department has achieved considerable success over recent years in reducing variability caused by factors within its control. The Department still considers that there are significant external factors that cause variability in the results achieved by all Regional Offices. It should also be noted that the range of performance (i.e. between the 'best' and the 'worst' performers in an Area) is not the same as variability (i.e. the range of achievement of most of the offices in an Area).

The new departmental QA process of Procedure and Accuracy Checking (PAC) to be implemented from December 1996 will incorporate quality assurance checks as part of the initial decision making process for new claims, reassessments and overpayments. Review work will be incorporated in this new process from March 1997. There will also be a secondary checking process using local audits by Area Offices to ensure the integrity of PAC checks on compliance work. The points made by the ANAO will be taken into account in devising these new arrangements.

1. Introduction

This is a follow-up audit of the actions of the Department of Social Security in addressing the ANAO's recommendations of October 1993 on the efficiency and effectiveness with which the Department conducts its data-matching activities under the Data-matching Program (Assistance and Tax) Act 1990. Those recommendations indicated the need to improve the quality of the cost-benefit information on the Program, enhance targeting and Program management through operational and administrative refinements, and reduce the variability of Program performance between offices.

Data-matching Program

1.1 The Data-matching Program (DMP) was introduced in the 1990-91 Budget and is administered by the Department of Social Security (DSS) under the *Data-matching Program (Assistance and Tax) Act 1990*. Through an automated process which compares and checks data, it brings together information from key Commonwealth agencies to:

- detect instances where people are possibly receiving incorrect or incompatible payments of Commonwealth benefits;
- verify with the Australian Taxation Office (ATO) income details disclosed to the agencies which made the income support payments; and

- detect instances of tax evasion.

1.2 The matching is undertaken by a separate Data-Matching Agency (DMA) set up within DSS specifically for this purpose. A full data-matching cycle conducted by the DMA has six steps (described in Appendix 1) which must be completed within two months of the cycle's commencement. No more than nine cycles may be conducted each calendar year and new cycles cannot commence until the previous cycle has finished. Appendix 1 outlines the steps involved.

1.3 Under the Act various legislative restrictions are imposed on the Program and the Privacy Commissioner has been given authority to issue guidelines on the matching of the data and to monitor and report to Parliament on the DMP.

Changes to the Act

1.4 Originally the Act gave the Program two years of operation, with a sunset clause to take effect in January 1993. Since the ANAO Audit, the sunset clause has been extended twice, and the Program's currently operating sunset clause takes effect on 22 January 1999.

1.5 Changes to the Data-matching Program Act which have affected the operation of the Program, apart from the sunset clause already mentioned, are summarised at Appendix 2.

1993 Efficiency Audit

1.6 The ANAO undertook an efficiency audit of the Program, reported in October 1993 - Audit Report No.7, 1993-94, Department of Social Security - Data-matching. The major findings of the ANAO's 1993-94 efficiency audit were that:

- data-matching under the Act was a valuable compliance and control technique to address areas of payment risk, particularly income risk, which other review activities did not cover as effectively;
- DSS needed to include a more comprehensive cost-benefit analysis of the Program in its Progress Reports to Parliament;
- savings from the Program had not been as high as originally estimated;
- there were a number of strengths in the Department's management of the Program but operational performance could be improved;
- scope existed for significant additional savings in the area of Tax File Number cancellations and surrender of benefits, and better targeting of data-matching reviews; and
- DSS effectively fulfilled its obligations under the legislation and privacy guidelines.

Objectives and criteria of this follow-up audit

1.7 This follow-up audit addresses actions taken by DSS in response to the recommendations of the original *ANAO Audit Report No.7, 1993-94, Department of Social Security - Data-Matching*. Its purpose is to report upon the effectiveness of the DSS actions in response to the

recommendations of the original 1993-94 audit.

1.8 The objectives of this follow-up audit were therefore to:

- identify the changes made by the Department since 1993;
- ascertain the extent to which the recommendations of the original audit have been implemented;
- assess the impact and effectiveness of the changes made, including intended outcomes; and
- identify the scope for further improvement.

1.9 As part of the audit, criteria were developed which assessed both progress against the recommendations and the effectiveness of changes made against the intended effect of the recommendations.

1.10 The follow-up audit focussed on DSS's National Administration in Canberra, and included visits to two Regional Offices. Most of the fieldwork was undertaken in March to July 1996. The audit cost \$94000 and was undertaken in accordance with ANAO Auditing Standards.

Audit opinion

1.11 Overall, the Department has made substantial achievements through implementing legislative changes, improved reporting procedures, savings collection, better targeting and project evaluation processes. These changes have resulted in both substantial increases in savings generated by the Program and in efficiency improvements. The findings of the follow-up audit are that following a recent Departmental restructure which has made provision to address recommendation 11, there has been progress on all the recommendations. While noting this progress, there are several recommendations which have yet to be fully addressed, primarily in the areas of reducing the variability in review results across offices, enhancing the TFN registration process, and validating savings assumptions. (see following chapters).

1.12 Appendix 3 summarises in table form the recommendations from the original audit, the Department's responses and the ANAO's assessment of the administrative effectiveness of the Department's actions.

2. Improvements in Project Management and Targeting

The 1993 audit indicated administrative savings were possible if management processes were improved to reduce the proportion of data matches then released for review which did not result in finding incorrect payments. This chapter describes the variety of Program refinements implemented by DSS since the audit and which have resulted in increasing the DMP's targeting by a broad factor of three, representing an annual savings gain for DSS in excess of \$35 million.

Improved targeting and sub-setting of matches

2.1 The DMA has a technical document (called the business rules) which specifies the types of records to be matched; the matching criteria (or match keys) used to match one record against another; and the refining criteria (sub-sets) to be applied to match keys in order to further eliminate cases where there is

no need for review. Each specified project (of which the DMA runs about 80 per annum) match data to detect particular risks of incorrect benefit discrepancies - for example, one project may match customers in receipt of Job Search Allowance against a mutually exclusive group of customers receiving AUSTUDY benefits (a student allowance).

2.2 In this follow-up audit the ANAO found that the Department now implements a formal evaluation program to delete projects which address obsolete risks; runs projects at optimum times of the year; and changes some projects to more accurately reflect income limits for payments. The Department analyses individual DMP projects results; projects with little or no result are reconsidered. In evaluating the results of projects the Department consults participating agencies and the Privacy Commissioner. The nature and details of project evaluations and changes are documented.

2.3 As recommended by the ANAO, DSS has undertaken a detailed review of individual business (matching) rules and a review of the success in targeting specific risks to increase the quality of key selections. The Department has refined its sub-setting process so that as far as possible the data-matching refinements are conducted as part of the DMA's step 5 (i.e. when payment and income are matched). At this stage, DSS reviews sample selections to see if new projects seem to be producing reasonable results against the intended risk category. If there are any problems, they are investigated and re-run as necessary. Before any selections are released to Regional Offices for review they are refined using re-selection and sub-setting rules.

2.4 The ANAO also found that the Department has improved this refinement process, focusing on those matches with the greatest potential for results. DSS have found this particularly useful for new projects. It also offers the Department another opportunity to filter out any minor mistakes.

Improved performance results

Table 1 Data-matching Program Performance Results 1992-96

Year	Reviews completed	Downward variations (%)	Overpayments (%)
<i>1992-93</i>	<i>64 204</i>	<i>8.6</i>	<i>11.5</i>
<i>1993-94</i>	<i>61 637</i>	<i>11.1</i>	<i>14.9</i>
<i>1994-95</i>	<i>92 399</i>	<i>23.6</i>	<i>19.2</i>
<i>1995-96</i>	<i>94 558</i>	<i>23.2</i>	<i>29.3</i>

Source: DSS

2.5 Table 1 above shows that as a result of these improved targeting and sub-setting refinements, DSS has significantly increased the proportion of successful reviews, has increased the number of selections, and produced improved savings.

2.6 DSS has managed to increase the DMP's rate of successful reviews almost three-fold, exceeding the gains suggested possible by the ANAO in its original audit. DSS has directed these efficiency and effectiveness gains to improving the savings from the Program rather than reducing matches. As a result in 1994-95 the Program generated around \$80 million in benefits net after administrative costs across all agencies, of which \$69.6 million is attributable to DSS. The improved targeting represents a gain of more than \$35 million gross savings per annum on the basis of the Department's assumptions about the duration of savings from downward variations.

Improved management of deletions

2.7 Recommendation 14 of the audit was aimed at significantly reducing the number of selected matches which were subsequently deleted by review staff, and which are referred to as 'deletions.' At the time, the DMP's rate of deletions had been 13.4 per cent of all matches selected and the ANAO believed a more focused national analysis of individual project deletion rates and the causes of deletions would enable the Department to improve its project performance. The ANAO was also of the opinion that management of deletions could be improved, particularly by finding the reasons (which are coded) why so many matches were being deleted. (For instance, there was a high number of deletions being coded 'other' rather than the NSRS providing a more accurate code reason for their deletion).

2.8 The Department has since sought feedback on deletion practices from its network staff and undertaken a review of the available data on the reasons for DMP selections being deleted. Following this review, the Department introduced a number of technical and administrative changes to its recording and reselection rules, which reduced the number of deletions substantially from their 1993 figure of over 10000 to 1092 in 1996. These changes also had the effect of substantially reducing the number of cases recording a reason of 'other'.

Reductions in the number of successfully disputed section 11 letters

2.9 Under section 11 of the Act, action may not be taken against a client until a letter has been sent to the client concerned. These letters inform clients of the information the Department has which suggests their payments need to be reviewed and asks them to contact the Department on the matter. The client is allowed 28 days to respond. This requirement is void if the issuing of such a letter would prejudice the effectiveness of an investigation. The number of section 11 letters provides a performance measure or benchmark, as does the proportion of section 11 letters sent that are subsequently successfully disputed by clients.

2.10 In 1993 the ANAO found marked variations between projects and between regions regarding successfully disputed Section 11 letters and suggested improvements were necessary to reduce the high proportion of successfully disputed letters by examining why they occurred. In the ANAO's view these results indicated that the quality of DMP review and the procedures associated with the release of section 11 letters could be improved. DSS's subsequent examination confirmed this view.

2.11 In part the previous problems stemmed from miscodings. DSS has since incorporated a clarified definition of a 'dispute' and more specific detail in its operational guidelines on when not to issue a section 11 letter.

2.12 As a percentage of section 11 letters sent, disputed letters have fallen from 7.09 per cent in 1993-94 to 3.29 per cent in 1994-95. The Department continued to target reductions in section 11 variations as a priority for 1995-96, advising that efforts were concentrated on a formal quality assurance exercise and visits to Regional and Area staff. The trend continues downwards with the proportion estimated to be around 2.5 per cent for 1995-96.

Documentary evidence for TFNs and the reduction of Personal Identity Discrepancies

2.13 Recommendation 16 in the 1993 ANAO audit identified the desirability of reducing the

considerable costs involved in investigating Personal Identity Discrepancies (PIDs) in the data-matching process. PIDs are cases where the personal identity details held by DSS for a particular tax file number (TFN) are different to the personal identity details held by the ATO. They are detected during step 4 of the DMA cycle when the personal identity details held by DSS and the ATO are compared.

2.14 At the time of the original audit the ANAO suggested DSS could make an annual savings of around \$1.8 million by placing the onus on clients to produce documentary evidence of their tax file number (TFN) at the enrolment stage. The Department accepted the intent underlying the recommendation but instituted alternative approaches to improve the handling of discrepancies in accordance with the Privacy Commissioners advice.

2.15 A major element of the Department's approach was a bulk mailout asking clients to correct their TFNs. The mailout processed some 90000 cases where the information was different between DSS and the ATO, and corrected some 35000 DSS records. Clients who did not respond to the request for their correct TFNs had their identity and income details investigated. DSS calculated the cost of upgrading the database to be \$164 000 in salaries and administrative expenses. The experience of the mailout also led the Department to clarify and reissue the project codes and training instructions for PIDs. It also resulted in DSS implementing a new strategy to bring attention to the importance of data integrity in the Regional Office network, through releasing additional PID reviews to Regional Offices for processing.

2.16 These actions, and the changes in step 4 where the DMA undertakes identity matching (discussed in Appendix 2, section 3), reduced the number of PIDs from 165 000 in cycle 22 to 30 000 in cycle 26.

Scope to improve the TFN registration process

2.17 Although there have been substantial reductions in PIDs, there appears scope for further improvement. One area warranting attention is a reduction in the number of Client Authorised TFN (CAT) indicators. These are indicators placed on the DSS system file to exempt a client from quoting their TFN while awaiting a TFN from the ATO. At September 1995 there were 58000 CAT indicators on the DSS system, and a DSS review has found no apparent administrative reason to explain such large numbers. In fact many of these CAT cases were found to have been on DSS files in excess of 28 days; delays in clearing CAT indicators represent a risk since these records are exempt from being used in the income matching process.

2.18 As the original audit indicated, some of the problems associated with TFN registration and Personal Identity Discrepancies could be addressed at the enrolment stage. One way of doing this is through automation at enrolment stage in DSS offices rather than by the ATO. Under the current procedure the ATO processes about 115 000 TFN applications per annum. It appears from DSS research that automation could save the ATO an estimated \$1.3 million in salaries in the ATO branch offices and could be expanded to accommodate any other agency undertaking TFN applications in the future.

2.19 Automation of TFN registration also offers the opportunity of strengthening Program performance and integrity. Departmental papers suggest that automation is possible with significant establishment cost for DSS, but with savings especially for ATO, in future years. **It would seem timely to reassess the cost benefit given the potential benefits of TFN automation. The Department has indicated it will re-examine this issue.**

Further TFN savings achieved since the audit

2.20 The 1993 audit suggested some \$12 million further gross savings could be achieved if the Department established priorities for investigation of clients whose benefits had been cancelled or voluntarily surrendered due to their failure to produce a TFN when the Program was introduced. A priority investigation was recommended because review and recovery of overpayments would become more difficult over time.

2.21 The ANAO found that DSS had investigated a number of these cases and recouped around \$4 million. DSS advise that \$4 million was as far as they were cost-effectively able to recover because the age of the claims meant the necessary follow-up information was often inadequate and therefore expensive to pursue. The Department did follow-up the bulk of the Pensions and Newstart cases on which they had information and 60 per cent of Family Payment customers whose payments were stopped for failure to satisfy TFN requirements subsequently complied. Further investigation was not considered cost-effective against other priorities.

2.22 In contrast, DSS has exceeded the administrative savings the ANAO projected as possible from improved targeting (see para. 2.6). Since the original audit DSS has increased the number of selections it completes by around 40-50 per cent. The accrued savings directly attributable to the Program increased from some \$36 million in 1992-93 to around \$90 million in 1995-96. The percentage of reviews it releases nationally, and which produce no reductions, dropped from 85 per cent at the time of the original audit to around 60 per cent in 1995-96.

3. Cost-benefit Reporting

By responding to the ANAO recommendations to enhance the quality of the cost-benefit information it provides to the Parliament, DSS has substantially improved its reporting in the three DMP Progress Reports subsequent to the audit. This chapter discusses both the effect of these improved reporting procedures and the scope for further improvements.

Reporting of costs

3.1 In 1993 the ANAO found that the cost-benefit reporting of the DMP had not been sufficiently comprehensive and that costs reported were generally understated. Consequently the ANAO's first recommendation had been that the DMP provide the Parliament with a more comprehensive cost-benefit analysis which included such costs as the Program's salary and computing costs; opportunity costs foregone by DSS in running the Data-matching Program, costs attributable to the other DMP participating agencies; costs of individual projects; an explanation of the savings estimate assumptions and methodologies; and the value of the DMP's deterrent effect.

3.2 The follow-up audit found that DSS has satisfied this recommendation in that all costs suggested by the ANAO were now quantified in DSS Annual Reports. The 1995 presentation of this material was also found to have improved on the reporting format of earlier reports. However, the ANAO noted that one of the effects of the Program's revised formats and methodologies was that making comparisons over time was difficult. The ANAO considers that in improving formats attention could be given to ensuring the data presented is comparable over time.

Reported cost-benefits

3.3 The total 1994-95 Program costs for all agencies to run the DMP was around \$20 million. The greatest component of this cost was the DSS salary and overhead amount which was about \$1.5 million for National Administration and \$12.4 million for the Area and Regional offices. The Program yielded a net benefit to the Department of \$69.6 million and its cost-benefit ratio is demonstrated in Table 2 below.

Table 2
DSS cost - benefit report for the years 1992-95

	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>
Costs	\$70 360.1	\$79 752.1	\$83 777.9
Benefits	\$13 915.9	\$16 016.1	\$14 218.1
Net Benefits	\$56 444.2	\$63 736.0	\$69 559.8
Cost/benefit ratio	1:5.1	1:5.0	1:5.9

Source: DMP Annual Reports to Parliament

Cost attribution

3.4 At the time of the original audit the ANAO was of the view that an attribution of DMA costs across the participating agencies would be of value to a cost-effective targeting of Commonwealth compliance resources. Since then, the Department has researched the attributable agency costs of running the Program, and estimated that on 1992-93 figures, DSS would gain around \$600 000 annually from all participating agencies but that the ATO alone could charge DMP around \$3.5 million for its input to the Program. DSS acknowledged that as this cost distribution stood, the Program had significantly more value to DSS than to the other participating agencies with about 90 per cent of savings achieved by the Program up to 1993-94, belonging to DSS. The present cost-benefit ratio shows that benefits for DSS and other agencies had evened out by 1994-95, to around 1:6 for DSS and 1:5 across all agencies.

3.5 The concern for the Department regarding DMP attribution of costs was in the precedent this would establish for other Departmental joint agency activities. In the past DSS had resisted such claims on the grounds that information DSS had sought from other agencies was under *sections 1304, 1306 or 1307 of the Social Security Act 1991*, which placed a legal obligation on these agencies. Were DSS to start charging other agencies for doing what is defensible as being in the public interest, DSS's capacity to argue that others should do it free of charge would obviously be seriously weakened.

3.6 After consideration, and consultation with the Department of Finance, DSS decided that it would be administratively inefficient to attribute costs at this time. It has indicated that it will review user-charging now that it has confirmation that the Program will continue beyond 1996.

Reporting methodology and costing assumptions

3.7 The 1993 audit recommendations 4-8 were collectively aimed at improving specific aspects of reporting and the methodological transparency of DSS's DMP savings estimates. The ANAO found that DSS had substantially met most of the recommended reporting improvements,

evidenced by the explanatory information DSS now supplied and the incorporation of a discounting factor into the raised overpayment estimates. However, in the ANAO's view there is room for improvement in the Department's responses to recommendations 6, 7 and 8. These are discussed below.

Methodology and assumption issues

3.8 DSS makes two key assumptions regarding the level and timing of actual and estimated savings:

- the percentage of overpayments identified which will be recovered; and
- the carry-over factor assumptions for cancellations and downward variations in rate, which assume there will be a percentage of direct savings achieved in the year of detection, the following year and the year after.

3.9 In 1994-95 DSS substantially revised its methodology for estimating overpayment savings; changing the average recovery rate to 87 per cent of overpayments *raised* from 70 per cent of overpayments *identified*. The revision provides firmer estimates of savings; it is based upon data on debt recovery and has been explained in the DMP Annual Reports.

3.10 The Department's carry-over assumptions assume savings from downward variations are projected forward 26 fortnights for Newstart clients and 52 fortnights for pension and family clients. The former assumption is based upon a 1992 Departmental study by its Mobile Review Teams confirming the validity of claiming savings over 26 fortnights in Job Search, Newstart and Sickness Allowance and Special Benefit payments. The latter, as pointed out in the original audit, has no evidence to support it, yet Family Payments produce by far the greatest part of savings. It is therefore a pivotal assumption.

3.11 For this reason the ANAO recommended that DSS review the carry-over factors. In response DSS indicated that it 'had not completed a study to test the current validity of this formula but would do so when resources permitted;' but since then there has been no review of the carry-over assumptions. The Department acknowledges that data for Family Payments are not available but has been disinclined to expend resources to confirm what it believes is a conservative assumption.

3.12 The ANAO acknowledges that there are cost benefit considerations in devoting resources to assess the validity of assumptions. However, Family Payment carry-over assumptions are significant for estimated savings. **The ANAO is of the opinion that an assessment of these assumptions remains important and recommend that it be completed when resources permit. The Department has now accepted that further work in this area needs to be built into its work plans.**

Program protocol

3.13 In the original audit the ANAO drew attention to the extent to which the assumptions and expectations contained in the Program protocol document prepared in accordance with Item 3.1 of the Schedule to the principal Act, warranted reconsideration and revision (Recommendation 8). As the audit indicated, the protocol represented a basis for assessing the Program against a benchmark.

3.14 The DSS Reports to the Parliament now effectively describe the performance of the Programs. Notwithstanding these Reports, the Department is responsible for updating the

protocol document. The Privacy Commissioner has also requested that this be done. The Department has indicated its willingness to update the procedural aspects of the Program Protocol and work on this has recently commenced.

Effect of other data-matching programs

3.15 One of the reasons the Department has cited for the DMP's failure to realise the Program savings originally estimated, is its inter-relationship with the two other data-matching programs - Accelerated Claimant Matching and Employment Declaration Form (EDF). All three programs address in different ways the risks associated with identity, dual payments and income. Together they constitute a fraud layering process, with the DMP operating as the final filter for incorrectness which is not detected through the two earlier filter programs.

3.16 The ANAO did not investigate in detail the interrelationships of these other data-matching programs with the DMP. However, it did consider the degree of integration operationally and managerially. The ANAO found that DSS managed the three programs in separate Sections. While information on each program was available to all Section managers, there appeared scope for more integration. The DSS Division responsible for these programs has undergone a re-structure which now groups the EDF and DMP work within the same Section.

Quantifying voluntary compliance

3.17 At the time of the original audit the ANAO acknowledged that compliance was difficult to quantify but suggested that the Department place a value on the deterrent effect of the Data-matching Program and report this to the Parliament in 1993.

3.18 To address this issue, DSS provided a calculation based on its experience of the 1990-91 Amnesty. Using the 4900 Amnesty clients who had terminated their benefits as a base figure, the Department had categorised these numbers by program type, determined the percentage of forfeitures for each program and applied the results to the total DSS client population. The Department had then multiplied the results by the average value of overpayments and downward variations to determine a gross value for voluntary compliance. On this basis the Department has estimated the deterrent effect of the Program to be some \$100 million per annum for the future, for actual numbers of beneficiaries and benefit rates.

3.19 Thus the Department has met the ANAO's recommendation. While these estimates are, increasingly, based upon ageing data, consideration of updating the voluntary compliance assumptions needs to bear in mind the difficulty of quantifying this effect. Given that direct savings are now substantial - of the order of \$90 million gross per annum - updating voluntary compliance estimates would seem of limited value at the moment. However, the Department should keep this under review.

4. Emerging Risks

Recognising the role of risk management in good APS business practice, the ANAO recommended in the 1993-94 audit that DSS widen its arrangements for identifying new and emerging risks to the DMP Program. This chapter describes how recent changes may allow the Department to better address the intent of this recommendation.

ANAO recommendation

4.1 In the original audit the ANAO considered (Recommendation 11) that DSS could benefit from wider consultation to address emerging risks to be combated by the Data-matching Program. At the time, the Department accepted the intent of the ANAO recommendation but was of the view that its internal assessment and maintenance of links with international counterparts, the Australian Federal Police (AFP), welfare agencies and social research bodies provided it with a sufficient research base into new and emerging risk areas to be combated by data-matching.

Follow-up audit result

4.2 The Department uses ideas and advice from within its Network and Program Areas and from other participating agencies to detect the emerging risk areas to be combated by data-matching. In particular, each DMP project detailed the specific risk it was designed to detect and the match and refinement criteria used to contain that risk. DSS's Fraud Control Plan shows how the DMP fits into the Department's wider plan for addressing major Program risks. However, the ANAO found limited evidence that the Department was benefiting from any process of data-matching research which examined comparative material or went beyond reliance on its own internal analysis in enhancing DSS's data-matching risk assessment.

4.3 For example, the Department can only obtain limited relevant input from its involvement in an international group which meets annually to discuss wider social security matters, including general compliance issues, since DSS is regarded as being on the leading edge for data-matching. Furthermore, the Department receives no particular risk management assistance from the AFP through its Memorandum Of Understanding.

4.4 However, since the original audit, the Commonwealth Law Enforcement Board (CLEB) has been established and, through consultation with Commonwealth Departments and agencies, CLEB has been developing a more comprehensive approach to Commonwealth fraud issues. This factor has influenced DSS's recent restructuring and the Department now advises that the regrouping of resources afforded by the restructure has provided it with an opportunity to broaden its external risk assessment to better accommodate the intent of the ANAO's recommendation in accordance with the new Commonwealth framework for fraud control.

4.5 **The ANAO recommends** that the Department use the research facility afforded by its recent restructure to strengthen and widen DSS's advisory and consultative arrangements into new and emerging risk areas to be combated by data-matching in accordance with the Commonwealth framework for fraud control.

5. Regional Variations and Performance

The 1993 audit reported that the ANAO considered variations in the levels of performance between DSS offices were wider than necessary. This chapter reviews the effectiveness of the Department's actions in managing and improving this situation. Against a background of substantially higher overall Program performance, there remains scope to narrow the differences in review outcomes between offices.

ANAO 1993 audit findings

5.1 In 1993 the ANAO audit identified a high degree of variability between Regional Offices in the

results found in data-matching reviews. The ANAO suggested that contributory factors to the DMP's regional variability in performance included:

- differing priority being afforded review projects by regional management;
- staff shortages and staff rotation disrupting review activity and review experience;
- training needs;
- coding problems;
- demographic variations; and
- differing levels of voluntary compliance.

5.2 In recommending that DSS give priority to a reduction in the variability of performance between offices, the ANAO suggested the Department build upon the results of the national Quality Assurance (QA) program which it was then introducing and put in place a number of changes including better practice techniques, refresher courses, better supervisory structures and tailoring selections more to meet local characteristics.

5.3 In response the Department indicated the intention to use the results of its quality assurance testing and best practice studies to improve performance. It also expressed the view that regional economic, social and demographic factors were the major determinant of the variability of results.

DSS efforts to reduce variability

5.4 Since the original ANAO audit, the Department has made efforts to reduce variability in DMP review performance between offices. Initially, with the participation of the Privacy Commissioner, these efforts concentrated on quality assurance. As discussed in chapter 6 the Department's QA process for the DMP Program has had limited success. Improved quality assurance remains a challenge.

5.5 In 1995 the Department conducted a series of DMP staff surveys aimed at identifying issues or internal factors which may be influencing the DMP's standards of review results. In analysing the survey results and through other work the follow-up audit identified the following factors as needing attention:

- the lack of technical expertise in completing DMP reviews and problems resulting from staff rotations and inexperienced supervision;
- poor coding and filing practices;
- the low management priority given to network review work generally; and
- an inadequate QA reporting format (which is discussed in chapter 6).

5.6 In the ANAO's view the Department's findings confirmed the ANAO's earlier observations of contributing factors to variations in performance. Some of these are discussed further below.

Staff turnover and supervisor experience

5.7 The DSS survey results had shown the Departmental practice of rotating staff was

compounding the difficulties staff had in acquiring the necessary technical expertise to complete DMP reviews. Although there is evidence of improved technique, the matter remains a problem.

5.8 The rotation practice continues with DSS attempting to limit the impact on quality of DMP reviews by providing a DMP help-desk facility to the network, updating procedural handbooks, issuing process instructions regularly via electronic Bulletins to all Regional Offices and conducting training courses when its staff resources permit. The ANAO observed that DSS also used the visits of the Privacy Commissioner as a regional training opportunity.

Coding practices and file management

5.9 DSS has repeatedly stressed the importance of correct coding and accountability to Regional Managers through DMP Bulletins and QA reports. Notwithstanding these efforts the ANAO's follow-up audit found that poor coding practices identified in 1993 were still occurring to some degree. They affect the performance results of the DMP by understating the number of overpayments the Program has detected.

5.10 In addition, the ANAO also found that the loss of files, the incorrect recording of events in files and the failure to maintain or up-date information in some files present ongoing difficulties for the DMP. Around 10 per cent of files are unable to be located during the QA process.

5.11 Effective file management is a matter of some significance in the DMP, as it is a requirement of DMP legislation that certain documents are removed from the files and destroyed within specific time frames. For this reason DSS's national standard for file documentation is set at 100 per cent. The June 1996 QA results show that only 84 per cent of files had their documents correctly destroyed.

Review work priority

5.12 In Regional Offices there is a tension between the need for managers to use their staff to provide counter service and to maintain review activity. This has led to counter service being given higher priority than review activity.

5.13 The Department has sought to improve DMP results by increasing the target weighting for Departmental performance assessment that offices receive from completing DMP reviews. DSS is also considering pilot testing an Area cluster concept which would allow greater staff concentration on review work (see para. 6.4).

Introduction of new DMP standards

5.14 One of the Department's initiatives to improve Regional Office performance has been the introduction of national standards for DMP reviews. These were introduced in March and revised in July 1995 and were seen by the Department as being achievable, that is 'non stretching', for all Regions.

5.15 They are:

- a timeliness standard of 85 per cent completion of all data-matching selections within 126 days;
- a downward variation rate of 23 per cent for compliance reviews; and

- an overpayment rate of 23 per cent for compliance reviews.

ANAO Follow-up audit findings

5.16 In following-up these issues in 1996, the ANAO found that there had been significant improvements in overall DMP performance. (These are discussed more fully in chapter 2). Project refinements have produced better selections, and better timing is reflected nationally in the increasing number of selections being completed, and the significant rise in the percentage of reviews resulting in a cancellation, rate reduction or raised overpayment.

5.17 However, within the higher overall performance, there remains, in the ANAO's view, opportunity to narrow variations in office performance and to raise performance of some offices.

5.18 A considerable range of results is still reflected across offices. For example, DSS files indicate that at Area Office level, the 1995-96 rate of downward variations ranges from 35.3 per cent to 17.9 per cent and from 39.4 per cent to 20.4 per cent for overpayments raised (see Appendix 4).

5.19 The ANAO recognises that external factors do affect review results and will lead to some variations. For example, offices with a relatively small number of Family Payment reviews will tend to achieve generally lower results than the average because the Program is particularly successful at identifying non-compliance for Family Payments. Some of the variations described in Appendix 4 will be due to this factor. However, in the ANAO's view, analysis suggests some of the variation is also due to other factors. The Department's survey findings have also suggested that there is variation in practices which, again in the ANAO's view, will lead to varying results.

5.20 The ANAO also found that many offices, despite having greatly improved their results since 1992-93, are nevertheless still below the national performance standard. 55 per cent of Regional Offices in 1995-96 were below standard for downward variations and 29 per cent for overpayments. One Area, for example, is performing below standard partly due to a low proportion of Family Payment reviews. But even when allowance is made for this, the majority of Regional Offices in the Area are performing below standard for downward variations.

5.21 The ANAO estimates that achievement of the national standards by all offices would generate several million dollars in savings. Some of the specific areas that would help address this have been discussed in this chapter.

5.22 The ANAO remains of the view that a reduction in the variability of performance between offices is possible, including greater achievement of national standards by Regional Offices.

6. Quality Assurance

The persistence of regional performance variations increases the need for quality assurance practices to be of a high order and to be based on data of integrity and quality. This chapter examines some of the difficulties the Department has had implementing an effective QA program to assist it to improve quality of performance in offices.

ANAO findings

6.1 As discussed in chapter 5, the ANAO's 1993 audit found wide variations in performance between DSS offices, and recommended DSS give priority to reducing this variability. At the time of the audit it seemed that the Quality Assurance package which had then just been introduced would be instrumental in addressing these concerns. Unfortunately, the Department has had limited success in achieving intended outcomes from its QA process.

Poor network response to the DSS QA package

6.2 Almost from its inception the Department has experienced difficulties in the level of network response to the Department's QA selections. The December 1993 quarter response rate was only 27 per cent and, although this has since risen to around 50 per cent at times, it still was only 45 per cent in March 1996. The ANAO notes that this situation has persisted for several years, although the most recent results suggest an improvement. In June 1996 the QA response rate was 70 per cent.

QA review reporting

6.3 In the past the Department has experienced problems with the way DMP QA results were reported. Reports contained little by way of presentation analysis; there was a focus on recording rather than interpretation. The Department has recently reviewed its reporting to overcome some of these problems. However, the ANAO considered further enhancements could be made to improve the content, flow of questions and report readability. The June 1996 QA report format has incorporated these changes.

QA strategies for DMP

6.4 In March 1996 DSS expressed the need for 'a major overhaul' of the QA process. The Department is considering pilot testing a cluster concept whereby specially designated Area review staff would handle all compliance reviews, but the matter is still at discussion stage. The Department is also developing 'local audits' which would be targeted at the discretion of the Area office (e.g. comprehensive examination of one or two Regional Offices or checking of one review type or procedure across all offices). Local knowledge and audit results supported by national data would inform targeting and risk identification.

Job Redesign Trials

6.5 The Department's consideration of new QA initiatives coincides with DSS trials for a Job Redesign Project. This project is considering changes in the nature of DSS jobs through increased job flexibility and operational structures; improving customer service by bringing the point of decision closer to the customer; multi-benefit skilling; rotation/mobility between jobs; the introduction of cross program generic payments, and improved technological opportunities.

6.6 In examining how to remodel the Department's approach to its QA process, DSS commissioned advice from the Union Research Centre on Organisation and Technology (URCOT) in the context of the Job Redesign Trials.

6.7 This advice confirmed the need for improved timeliness of the DSS QA process, greater understanding among all staff about the need for QA, the meaning of the results as distributed in the Network and closer understanding between QA and Departmental improvement efforts. URCOT suggested the QA be based on the principle that each member of staff be responsible for quality assurance and that this principle be understood as a fundamental element in a broader approach to

DSS quality improvement.

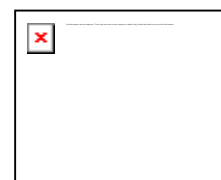
6.8 The new QA proposals, which are still under consideration, advocate a more outcome-focussed DSS QA system which, among other characteristics, eliminates the procedural checking inherent in the current QA process. Under the new proposal, checking would occur soon after decision-making and before the decision is released. The fundamental difference of this proposal is that the Single Officer system on which it is based continues to require checking of procedures but no longer includes checking of procedural errors in the reporting of accuracy in decision-making.

6.9 This new approach to QA distinguishes the provision of data for reporting and policy development purposes from the purposes of ensuring accurate decision-making, improving staff development and continuous improvement. As the Department recognises, it will therefore require a tighter approach to risk identification and management than has typically occurred in the Department's regional operations.

6.10 Since these DSS proposals are at developmental stage, the ANAO is unable to form a final view on whether or not the Department's new approach to QA will be successful. This was the position in the earlier audit when the Department had newly introduced the existing QA process. As discussed earlier in this report, the process ultimately had limited success in addressing some of the quality issues. The present proposals do address what the ANAO would consider essential to success - a strategy for staff commitment to the QA process. Already Departmental trials have found that staff involved have reported a much stronger sense of responsibility for their initial assessments and for 'getting it right the first time'. This and some of the other matters discussed earlier need to be addressed in any new QA program.

6.11 The ANAO recommends that in introducing new DMP QA initiatives the Department introduce mechanisms which ensure QA reviews are responded to in a timely fashion, that records and decisions are adequately and regularly monitored and that an environment exists which promotes continuous improvement.

Canberra ACT
17 October 1996



P. J. Barrett
Auditor-General

Appendix 1 - Data-matching Program Cycle



Appendix 2 - Key Legislative Changes Affecting the Data-matching Program Since the Original Audit

Apart from the extension of the sunset clause discussed in chapter 1 of this report, other key changes to the DMP involving legislation include:

1. Adjustments to Data Collection

1.1 Removal of First Home Owners' Scheme

When the Data-matching Program began it included data from the First Home Owners' Scheme (FHOS) which, at that time, was administered by the Department of Health, Housing and Community Services. FHOS had been introduced by the Government in 1983; the cessation of which was announced in the 1990 Budget, with 30 June 1991 being the final date for applications to be lodged. In 1994, at the time when the DMP was given its first two-yearly extension, FHOS data was removed from in the data-matching process.

1.2 Removal of redundant data

Reference to identity data held by the Australian Electoral Commission and the Health Insurance Commission were removed in 1995 on the basis that this data was now of limited use to the DMA.

1.3 Assessment date authorisation

To improve the value to assistance agencies of income data from the ATO and to reduce the onus on DSS customers to provide evidence of reassessments, authorisation was given for the ATO to provide the DMA with the date of a person's most recent ATO assessment. This change was necessary because certain overpayments under the Data-Matching Act can only be raised from *the date* of the assessment.

1.4 'Income data' inconsistencies removed

Changes were introduced into the legislation in 1995 for *section 3* and *Item 7 of section 7* of the *Act* to include the amount of Dependent Spouse Rebate claimed by a client. This information is needed for the purposes of identifying cases of dual claim of Home Child Care Allowance /Parenting Allowance and the Dependent Spouse Rebate.

1.5 Definition of 'spouse'

In 1995 an amendment was made to the *Data-matching Program (Assistance and Tax) Act 1990* so that the definition of 'spouse' under this Act has the same meaning as 'partner' in the *Social Security Act 1991*.

1.6 Improved linking of records

A legislative amendment was made in 1995 which allowed the DMA to add two numerals to the end of every agency identification number so that each record being matched had a unique number. This ensured that the DMA could attach the ATO data to the correct record with greater accuracy and efficiency. The change followed consultation with the Privacy Commissioner.

2. Changes to the reporting of cost-benefits

2.1 Triennial comprehensive reporting

Under the Data-Matching Act DSS had been required to provide Annual Progress Reports detailing the actual cost and benefits flowing from the Program, any non-financial factors considered relevant, difficulties in the operation of the Program and how they have been overcome, details of the total number of data matches undertaken and the proportion of identity discrepancies discovered.

In January 1996, at the time the DMP was granted a third extension on its sunset clause, the annual reporting requirements were modified, on the basis that the level of annual reporting was costly in terms of resources, and was no longer necessary as the value of the Program in its early years had now been demonstrated.

The new reporting terms of subsection 12 (2B) replaced the requirement on agencies to provide comprehensive reports to the Parliament on an annual basis with a requirement that such reports be provided every three years and that interim annual reports of financial year outcomes (savings achieved, cancellations effected) be provided to the Privacy Commissioner on an annual basis. The Program's first three-yearly comprehensive report is due to be tabled after 30 June 1998 and will cover the three-year period ending on that date. Future reports, assuming the Program continues, are to be prepared for each subsequent three-year period. The Act still requires that the triennial reports be tabled in the Parliament.

3. Changes in handling Personal Identity Discrepancies

Step 4 of the DMP can result in a data-match which identifies a Personal Identity Discrepancy (PID), which is when the assistance agency identity details do not match the ATO identity details. As such a discrepancy warrants further investigation in order to give effect to the purposes of the Program, it was returned to the source agency for action, and these records were eliminated from the remaining steps of the DMP cycle.

Since the commencement of cycle 3 in 1994 the Department has instituted an operational change in the way it deals with PIDs, so that the possibility of capturing more matches is increased by including these discrepant records in the payment matching part of step 5. There was already scope in the existing legislation to accommodate this operational change, which followed consultation with the Privacy Commissioner.

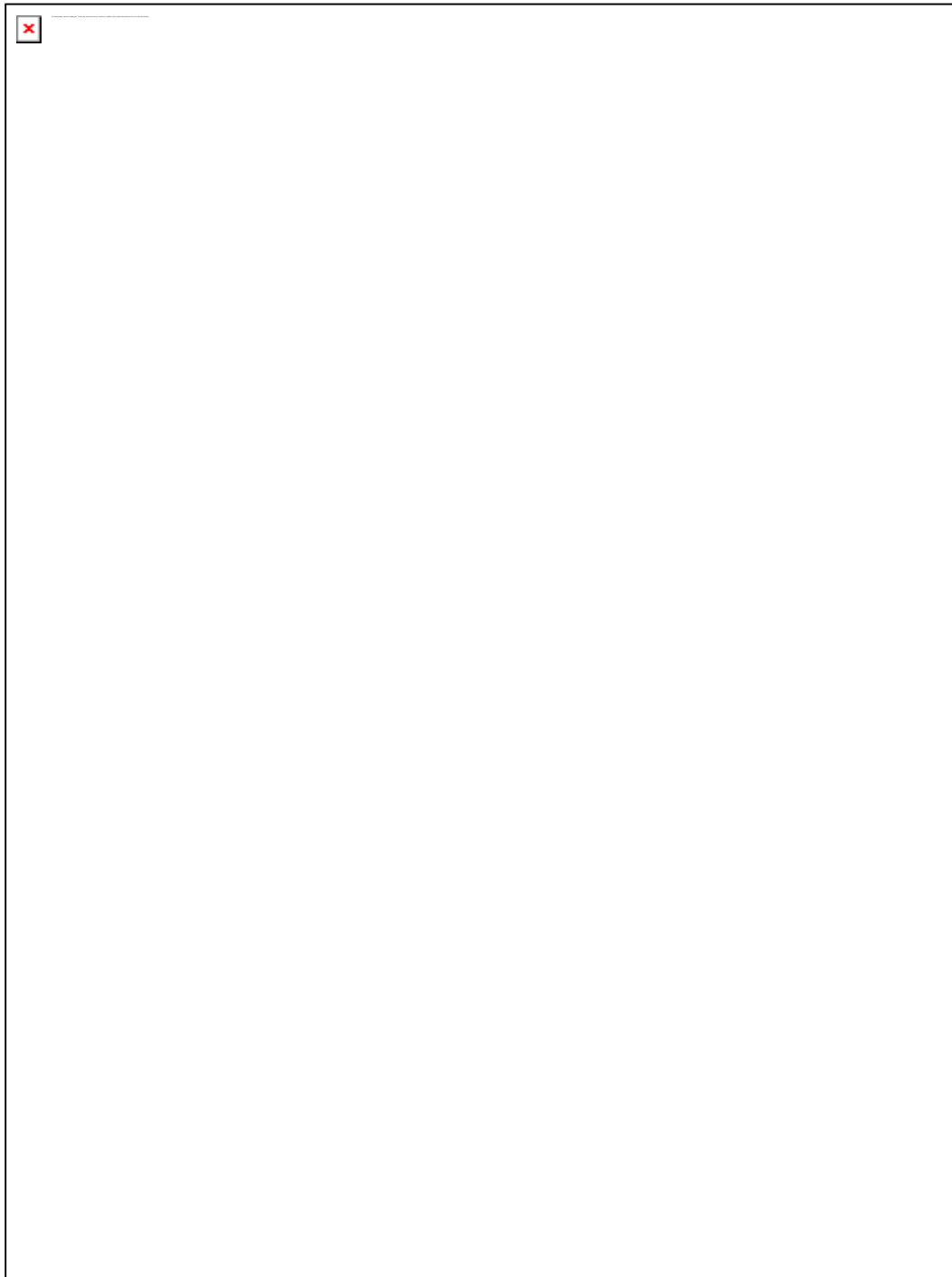
Appendix 3 - Summary of Audit Recommendations and ANAO Follow-Up Findings

Recommendation	ANAO findings on the effectiveness of DSS action
<p>No 1: The ANAO <i>recommends</i> that the DSS Cost/Benefit Analysis to be incorporated in the October 1993 Report on Progress include comprehensive costing information associated with the DMP and the review of data matches, including at a minimum the additional costs identified by the ANAO in this report.</p>	<p>Parliamentary Reports now clearly identify and quantify the full range of costs, including those suggested by the ANAO. (See discussion at 3.1 & 3.2)</p>
<p>No 2: The ANAO <i>recommends</i> that DMA and DSS costs incurred to match source agency data should be identified, quantified and charged to all beneficiaries of the matching activity.</p>	<p>DSS identified and quantified costs but decided it was administratively inefficient to attribute costs to participating agencies at this time. DSS will review again after 1996. (see 3.3)</p>
<p>No 3: The ANAO <i>recommends</i> that individual DMP project costs be recorded and reported to help identify cost-effective projects.</p>	<p>The ANAO considers DSS has met the general intention of this recommendation by implementing a formal program evaluation which records and identifies the most cost-effective projects. (see 2.1)</p>
<p>No 4: The ANAO <i>recommends</i> that explanatory narrative be included when reporting the rationale for savings estimates, disclosing to users the components included, and the effect of changes in methodology.</p>	<p>DSS has satisfied this recommendation in the DMP Annual Reports to Parliament. (see 3.7f)</p>
<p>No 5: The ANAO <i>recommends</i> that DSS consider incorporating into its savings estimates a factor which reduces the average value of an overpayment raised in future years to reflect the expected reduction in the value of future overpayments identified.</p>	<p>This recommendation has been satisfied in DMP Annual Reports. (see 3.7)</p>
<p>No 6: The ANAO <i>recommends</i> that DSS analyse client circumstances to validate and confirm the carry-over factors used in projecting forward savings which result from downward variations and cancellation of benefits.</p>	<p>Room for improvement by substantiating carry-over savings assumptions. (see 3.10 - 3.14)</p>
<p>No 7: The ANAO <i>recommends</i> that DSS include a more considered estimate of the deterrent effect of the Data-matching Program in its cost/benefit analyses.</p>	<p>DSS published voluntary compliance estimates in 1993, and updated these in 1995 to take account of current benefit rates and number of beneficiaries. (see 3.17 - 3.19)</p>
<p>No 8: The ANAO <i>recommends</i> that DSS report to Parliament on the extent to which the assumptions and expectations contained in the Program protocol warrant reconsideration and revision. Performance benchmarks should be established for future monitoring of performance of the Program.</p>	<p>Need to update procedural aspects of the Program protocol, which the Department had underway at the time of the follow-up audit. Performance reporting issues largely met through Annual Reporting mechanisms. (see 3.13 & 3.14)</p>
<p>No 9: The ANAO <i>recommends</i> that DSS prioritise a reduction in</p>	<p>While the Department has made significant</p>

<p>the variability of performance between offices, building upon the national QA results. The focus should be on:</p> <ul style="list-style-type: none"> • identifying best-practice review techniques • addressing the problems associated with the irregular data-matching workloads (e.g. by using refresher courses) • issuing best-practice testing programs with each national project, tailored by area office data-matching coordinators to take account of local circumstances • supervision of regional office reviews to ensure the best-practice review techniques are employed, and • tailoring selections released to suit local characteristics and requirements. 	<p>improvement in overall performance, there remains opportunity to narrow the variation between offices in performance and to raise performance of some offices to meet national standards (5.22)</p> <p>The ANAO found the Department's QA process had been ineffective in assisting Regional performance change. In recognition of the problems the Department had been experiencing with their QA package, the Department was remodelling its QA program and integrating it with the Department's Job Redesign Project at the time of the follow-up audit. (see chapter 6 discussion and 6.11)</p>
<p>No 10: The ANAO <i>recommends</i> that the Department develop its project management process to provide a more project-specific and formalised approach including:</p> <ul style="list-style-type: none"> • development of an Implementation Plan • formal appraisal of individual project performance, and • benchmark results to be achieved by individual projects. 	<p>Department has implemented a more formal and project-specific management process. (see 2.1)</p>
<p>No 11: The ANAO <i>recommends</i> that the Department widen its advisory and consultative arrangements as part of the process of research into new and emerging risk areas to be combated by data-matching.</p>	<p>There has been limited response on this, but a recent Departmental restructure offers the facility to meet this recommendation in keeping with the changed Commonwealth fraud arrangements under CLEB. (see chapter 4 discussion and follow-up recommendation No 3 at 4.5)</p>
<p>No 12: The ANAO <i>recommends</i> that the Department undertake detailed review of individual project refinement criteria and business (matching) rules, including success in targeting specific risks, in order to reduce the number of inappropriate selections.</p>	<p>The Department has instituted the changes recommended by the ANAO, resulting in significant reductions in inappropriate selections. (see 2.1f)</p>
<p>No 13: The ANAO <i>recommends</i> that, further to recommendation 12, the use of specific sub-setting rules be investigated by the Department, with a view to replacing these rules with business (matching) rules as part of individual project refinement criteria.</p>	<p>Fully satisfied (see 2.1f)</p>
<p>No 14: The ANAO <i>recommends</i> that the Department introduce a more focused national approach to analysis of project deletions and deletion practices generally, as described in this report.</p>	<p>The Department has introduced more focused national approach reducing the number of deletions substantially. (see 2.6 & 2.7)</p>
<p>No 15: The ANAO <i>recommends</i> that the Department examine</p>	<p>The Department examined the situation, as the</p>

<p>further the implications of the high proportion of section 11 letters that are subsequently successfully disputed by clients for certain projects and regions.</p>	<p>ANAO recommended, and introduced changes which have resulted in a falling trend of section 11 letters which are successfully disputed . (see 2.8 - 2.11)</p>
<p>No 16: The ANAO <i>recommends</i> that the Department sight relevant documentation such as the client's last assessment notice, to confirm that the TFN information supplied is that of the client.</p>	<p>The Department instituted alternative approaches to those the ANAO recommended in accordance with Privacy Commissioner advice. See discussion of TFN issues at 2.12 - 2.22 and follow-up recommendation No 1 at 2.19.</p>

Appendix 4 - Area Office Downward Variations and Overpayments 1995-96



Appendix 5 - Performance Audits in the Social Security Portfolio

Set out below are the titles of the reports of the main performance audits by the ANAO in the Social Security Portfolio tabled in the Parliament in the past three years.

Audit Report No.9 1995-96
Teleservice Centres
Department of Social Security

Audit Report No.4 1995-96
Regional Office Resourcing and Benefit Processing
Department of Social Security

Audit Report No.7 1993-94
Data-Matching
Department of Social Security