

Disability Support Pension — Follow-on Audit

Department of Human Services

Department of Social Services

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Canberra ACT
29 November 2018

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Human Services and the Department of Social Services. The report is titled *Disability Support Pension — Follow-on Audit*. I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, reading 'Grant Hehir'.

Grant Hehir
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Summary and recommendations

Background

1. The Disability Support Pension (DSP) provides financial support to working age Australians who have a permanent physical, intellectual or psychiatric impairment that prevents or limits their capacity to engage in employment. In 2016–17, DSP expenditure was \$16.3 billion for about 760 000 DSP recipients.
2. The ANAO last audited the DSP in 2015–16. Auditor-General Report No.18 *Qualifying for the Disability Support Pension* made four recommendations, all of which were agreed by the Department of Social Services (Social Services) and the Department of Human Services (Human Services).
3. In May 2017, the Joint Committee of Public Accounts and Audit (JCPAA) released its inquiry on *Commonwealth Risk Management*, which was based on Auditor-General Report No.18. The JCPAA inquiry also examined the implementation of a number of measures that were not examined in Auditor-General Report No.18. The JCPAA made eight recommendations directed to Social Services and Human Services. The recommendations were noted by Social Services and Human Services, with the exception of recommendation four, which was agreed by Social Services. In addition, the JCPAA recommended that the Auditor-General consider the merits of a follow-up audit of the administration of the DSP. The Auditor-General agreed to this recommendation, and this audit implements it.

Rationale for undertaking the audit

4. The DSP is a significant expenditure and provides support to around three quarters of a million Australians. In recent years, the JCPAA and other parliamentary committees have expressed interest in the performance of Australian Government entities in relation to implementing audit recommendations. In *Commonwealth Risk Management* inquiry, the JCPAA asked the Auditor-General to consider the merits of a follow-up audit on the administration of the Disability Support Pension by Social Services and Human Services (JCPAA recommendation no.2). This audit adds to the sequence of follow-up audits on the implementation of audit recommendations, and provide assurance that Social Services and Human Services have both implemented the agreed recommendations and integrated the intent of the recommendations into their approach to program management.

Audit objective and criteria

5. The objective of this audit was to examine if Social Services and Human Services drive improvements in the Disability Support Pension program using data and information from multiple sources, including agreed Auditor-General and parliamentary committee recommendations. To form a conclusion against the audit objective, the ANAO adopted the following high-level audit criteria:

- Does Human Services provide and regularly update guidance and training for staff and contractors involved in DSP assessment and/or review processes?

- Do Social Services and Human Services effectively select existing DSP recipients for reviews of medical eligibility using evidence-based risk profiles that are assessed for efficacy?
- Do Social Services and Human Services effectively monitor, evaluate and report on program delivery?

Conclusion

6. Social Services and Human Services use data and information from multiple sources to drive performance improvements to the DSP program. The exception is that internal and external performance measures are not fully effective.

7. Human Services has developed and updated training and guidance for staff and contractors involved in DSP assessment and review processes. These updates were made in response to program changes, external scrutiny, and program learnings. Human Services does not comprehensively monitor if officers are communicating the reasons for access decisions to DSP applicants in a timely and accurate manner.

8. Human Services selects DSP recipients for review of medical eligibility under the 2016–17 Budget measure using evidence-based risk profiles. These risk profiles adopted learnings from initial implementation as well as from the 2014–15 Budget measure. Reviews undertaken as of June 2018 have established that the majority of recipients reviewed remain eligible for DSP.

9. Social Services and Human Services monitor, evaluate and report on delivery of the DSP program, but improvements should be made to the effectiveness of approaches across all three domains. The assessment of performance against outcomes is not complete as the departments do not have a comprehensive set of key performance measures for interdepartmental and external reporting. The interdepartmental timeliness key performance measure is biased, as it excludes DSP claims with processing times over 84 days. Evaluations focussed primarily on effectiveness and should be broadened to also address efficiency and cost-effectiveness. The departments have not implemented the Auditor-Generals' recommendation 3(a) from Report No.18 2015–16 to develop a more complete set of internal and external performance measures.

Supporting findings

Guidance and training

10. Guidance and training for Human Services' officers and contractors was reviewed following the initial ANAO DSP audit. The current guidance addresses documentation requirements to support key findings and recommendations and/or decisions at each stage of the DSP assessment process. Given these changes to the requirements to document eligibility decisions, the ANAO considers that recommendation no.1 from Auditor-General Report No.18 2015–16 has been implemented.

11. Training and guidance for subject matter experts could be enhanced by including advice on the level of detail required in documenting the outcomes of quality checks and the reasons for any changes to the customer's record. There would also be benefit in Human Services developing a standard format for reporting on quality reviews of DSP claims that allows tracking of performance against specific process standards over time.

12. The deed of standing offer for the provision of Government-contracted doctor services clearly specifies documentation requirements. Measures are in place to assess and facilitate compliance, including pre- and post-submission quality reviews of disability medical assessment reports by the contractor and quality checks of submitted reports by Human Services.

13. Human Services updates guidance and training in response to significant findings from external review bodies. Human Services' annual reports include information on external scrutiny by bodies such as the ANAO, the Commonwealth Ombudsman and parliamentary committees. Since Auditor-General Report No.18 2015–16, there has been only one external report impacting DSP guidance and training — Commonwealth Ombudsman Report 05/2016 Department of Human Services *Accessibility of Disability Support Pension for remote Indigenous Australians*. Human Services has implemented changes to guidance and training in response to recommendations from that report.

14. Human Services does not monitor if officers are communicating the results of access decisions to DSP applicants in a timely manner. DSP decision letters contain only generic text on the reason for the decision. Human Services conducts quality reviews that, in part, check the accuracy of the decision letters, but the extent to which applicants are contacted to explain the reasons behind the decision is not monitored. Human Services is currently trialling revised procedures aimed at improving the provision of information to applicants about the reasons for decisions.

Processes for reviewing the medical eligibility of Disability Support Pension recipients

15. The risk profiles and rationales used to select DSP recipients for review of medical eligibility are clearly documented. Human Services reviewed and refined the risk profiles used for the 2016–17 Budget measure, including consulting with internal medical experts. As at September 2018, a third of the expected reviews have been finalised, and no new reviews have been commenced since July 2017. Despite this, the work undertaken by Human Services to improve the risk profiling to better identify DSP recipients is directly related to Auditor-General recommendation no.2, which the ANAO considers has been implemented.

16. In response to JCPAA recommendation no.4, Social Services has explored options for data sharing with other government agencies to inform risk profiles and noted challenges associated with data matching in the short term. The ANAO considers that the department has implemented the recommendation, noting that future opportunities may arise once all relevant state and territory data is transferred into the National Disability Insurance Scheme in 2020.

Monitoring, reviewing and reporting on the Disability Support Pension

17. Human Services and Social Services have performance measures which are partly effective in assessing the delivery of the DSP. The timeliness indicator for processing DSP claims is biased as it excludes claims with processing times over 84 days. The key performance measures are partly relevant and reliable, but not complete. Further, there are no key performance measures for some deliverables in the bilateral management arrangement. The performance measures reported in the Human Services' and Social Services' annual performance statements are not clearly linked to the purpose/outcome in each departments' corporate plan and portfolio budget statement.

18. The inter-departmental key performance measures have not been reviewed and revised since they were first agreed in 2014, and as such, Auditor-General recommendation 3(a) to develop a more complete set of external and internal performance measures for the DSP has not been implemented.

19. Human Services and Social Services evaluate changes to the DSP, appeal data and quality control results to assess effectiveness. Auditor-General recommendation 4(a), to increase the analysis of DSP data, has been implemented by both departments.

20. Human Services' and Social Services' evaluations have limited consideration of efficiency.¹ The two departments consult extensively internally and with each other, but may benefit from greater engagement with external stakeholders when evaluating the impact of policy and process changes to the DSP.

21. Social Services undertook an internal review of the impairment tables, which implemented Auditor-General recommendation no.4(b). Social Services also commissioned an evaluation of the 2015 changes to the DSP claims process which altered medical evidence requirements and introduced an assessment by Government-contracted doctors. The latter evaluation drew upon data from only the first nine months of implementation. Given the availability of an additional two years of data, it would be timely for Social Services to further review the impact of these changes, focusing on both effectiveness (including cost-effectiveness) and efficiency.

22. Human Services has initiated reviews and pilots to try and improve the speed and accuracy of DSP claim processing with some success. Further analysis is underway to identify opportunities for improvement across the DSP claims process.

23. Human Services and Social Services have implemented a consistent approach to the collection and publication of DSP data, through the *Protocol for the Release of Social Security and Related Information*. As such, the ANAO considers that recommendation 3(b) has been implemented.

24. Social Services provides a large amount of demographic data regarding DSP recipients on www.data.gov.au every quarter, but there is limited information in the public domain about the time taken to process applications and the outcomes of appeals.

1 The Australian Standard on Assurance Engagements (ASAE) 3500 defines the following terms:
Effectiveness: the extent to which the intended objectives at a program or entity level are achieved.
Efficiency: the minimisation of inputs employed to deliver the intended outputs, in terms of quality, quantity and timing.

Recommendations

Recommendation no.1 When transitioning to the DSP online claims process, Human Services should:

Paragraph 2.60

- (a) Review the effectiveness of all current communications channels for unsuccessful Disability Support Pension applicants and revise where necessary; and
- (b) Ensure the capability to monitor the quality and timeliness of the method by which unsuccessful Disability Support Pension applicants are advised of the decision.

Department of Human Services response: *Agreed.*

Recommendation no.2 That the departments of Human Services and Social Services review and revise the external and inter-departmental key performance measures for the Disability Support Pension to ensure they are relevant, reliable, non-biased and complete and clearly linked to the:

Paragraph 4.48

- (a) Key deliverables documented in the bilateral management arrangement; and
- (b) Purpose and outcome documented in each departments' corporate plan and portfolio budget statements.

Department of Human Services response: *Agreed with qualifications.*

Department of Social Services response: *Agreed.*

Recommendation no.3 That Social Services conduct a further review in 2019 of the efficacy of 2015 changes to the DSP claims process to require raw medical records or evidence and a disability medical assessment by a Government-contracted doctor. The review should include:

Paragraph 4.71

- (a) an assessment of both effectiveness (including cost-effectiveness) and efficiency; and
- (b) consultation with both internal and external stakeholders.

Department of Social Services response: *Agreed.*

**Recommendation
no.4**

Paragraph 4.94

That Human Services and Social Services work together to increase transparency of Disability Support Pension data, by consulting with external stakeholders about how publically available data could be enhanced. For example, by including the time taken to process Disability Support Pension applications and appeal rates.

Department of Human Services response: *Agreed.*

Department of Social Services response: *Agreed.*

Summary of entity responses

25. The departments' summary responses are reproduced below. The full response from both entities is provided at Appendix 1.

Department of Human Services

The Department of Human Services (the Department) welcomes the ANAO's conclusion that the Department of Social Services and the Department use data and information from multiple sources to drive performance improvements to the Disability Support Pension program.

The report also recognises the work the Department has already undertaken to review and improve the Disability Support Pension claim process, supported by earlier audits and Parliamentary reports, and acknowledges the further work underway relating to Disability Support Pension.

The Department notes the ANAO's recommendations relating to inter-departmental and external performance measures and data. The department is committed to providing transparent performance information to key stakeholders, including partner agencies, the Australian community, and the Parliament. The department is also focussed on ensuring that performance measures are closely linked to the department's role in service delivery.

In relation to the department's external performance indicators, the department notes that there is no single external performance measure for its delivery of the Disability Support Pension. The department's performance measures are strategic level measures intended to capture the department's performance across the full suite of programs and payments it administers, and agreed in consultation with a range of stakeholders including partner agencies. Consequently it would not be consistent with the broader program structure to report on individual payments or programmes.

The Disability Support Pension is complex to administer. The audit does recommend some areas for improvement with which the department agrees.

Department of Social Services

The Department of Social Services (the department) welcomes the findings of the *Disability Support Pension – Follow-On Audit* (follow-on audit), including that the department uses data and information from multiple sources, including audit and parliamentary committee recommendations, to drive performance improvements to the Disability Support Pension (DSP) program.

The department agrees to the three recommendations of the follow-on audit relevant to its activities. The findings of the follow-on audit will inform work already underway to improve performance measures.

Key learnings for all Australian Government entities

26. Below is a summary of key learnings, including instances of good practice, which have been identified in this audit that may be relevant for the operations of other Commonwealth entities.

Performance and impact measurement

- Reviews of administrative effectiveness are more meaningful when they draw upon complete and detailed analysis of program data.
- In evaluating the impact of program changes, consideration should be given to measuring both effectiveness and efficiency.
- Key performance measures should be clearly linked to the stated program purpose and comprehensive enough to measure all aspects of that purpose.
- Key performance measures should be revised and updated following major process changes that may impact the achievement of the measures.

Policy/program implementation

- For complex programs entities should develop detailed training and guidance materials. These should be regularly reviewed to ensure they are up to date. The design of mandatory staff training programs should include mechanisms for monitoring that staff have successfully completed the necessary training.

Recommendations from the ANAO and Parliament

- In considering recommendations made by external scrutiny bodies such as the ANAO and parliamentary committees, entities should endeavour to agree and implement a recommendation, or disagree and provide reasons as to why. Noting a recommendation does not provide clarity regarding the entity's intent with respect to the recommendation.
- Entities should ensure that there are processes in place to assure that a recommendation has been fully implemented before it is listed as complete and closed.

Audit findings

1. Background

The Disability Support Pension

1.1 The Disability Support Pension (DSP) provides financial support to working age Australians who have a permanent² physical, intellectual or psychiatric impairment that prevents or limits their capacity to engage in employment. In 2017–18, DSP expenditure was \$16.44 billion for 756,960 DSP recipients.

1.2 The Department of Social Services (Social Services) is responsible for the DSP legislative framework³, policy and financial appropriation. The Department of Human Services (Human Services) is responsible for the day-to-day operations of DSP, including conducting assessments of claims, making payments, reviewing continued eligibility and handling appeals.

1.3 The DSP had been one of the fastest growing areas of government spending but growth in expenditure on the DSP has slowed significantly since 2012–13. In September 2017, Social Services reported that the continuing decline in the number of people on the DSP was due to improved assessments, tightening of eligibility criteria and targeted reviews of eligibility.⁴ In February 2018, the Parliamentary Budget Office projected that expenditure on the DSP will grow on average by one per cent annually in real terms over the medium term, increasing from \$16.3 billion in 2016–17 to \$23.6 billion in 2027–28.⁵

1.4 Since 2012, key changes have been made to the DSP access process that have impacted the number of DSP recipients:

- 1 January 2012 — implementation of revised *Tables for the Assessment of Work-Related Impairment for Disability Support Pension* (impairment tables);
- 1 July 2014 — implementation of compulsory participation requirements for DSP recipients aged under 35 years and reviews of medical eligibility for certain DSP recipients under 35 years; and
- 1 July 2015 — full implementation of measures requiring DSP applicants to: submit original medical records; and be referred for a disability medical assessment by a Government-contracted doctor in some circumstances.
- 2016–17 Budget measure provided for 90,000 DSP recipients to have their continuing medical eligibility for the DSP reviewed (30,000 per year for three years).

2 When assessing eligibility for the DSP, ‘permanent’ is defined as a medical condition that has been ‘fully diagnosed, treated and stabilised, and in light of available evidence, it is unlikely that there will be any significant functional improvement within the next two years’.

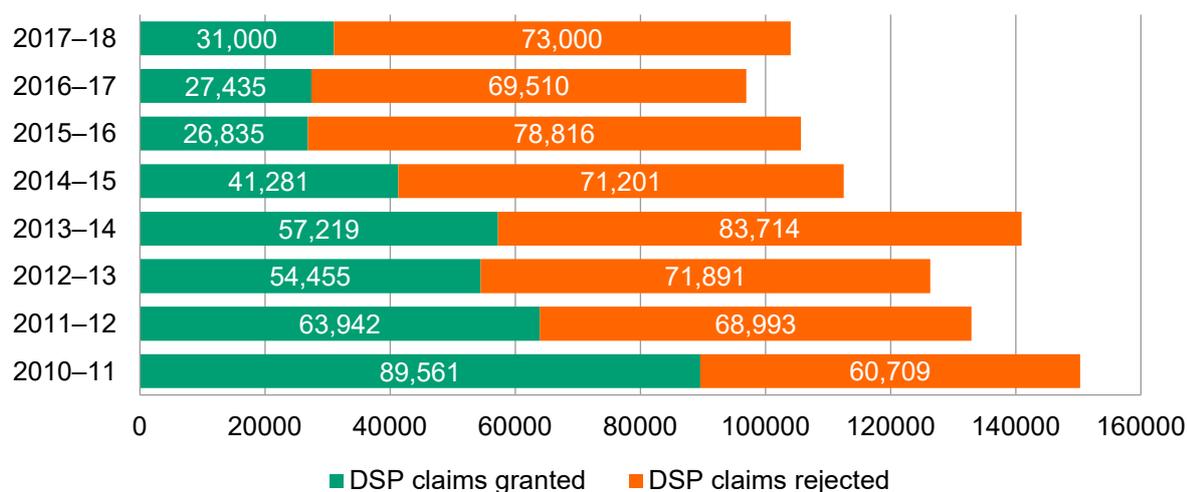
3 *The Social Security Act 1991* and related legislative instruments provide the legislative basis for DSP, including the rules of eligibility and the rates payable to DSP recipients.

4 Department of Social Services, *Annual Report 2016–17*, p. 22, available from https://www.dss.gov.au/sites/default/files/documents/10_2017/dss-annual-report-2016-17_mg.pdf [accessed 12 September 2018].

5 Parliamentary Budget Office, *Disability Support Pension—Historical and Project Trends*, February 2018, available from: https://www.apb.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/Disability_support_pension_Historical_and_projected_trends [accessed 16 May 2018].

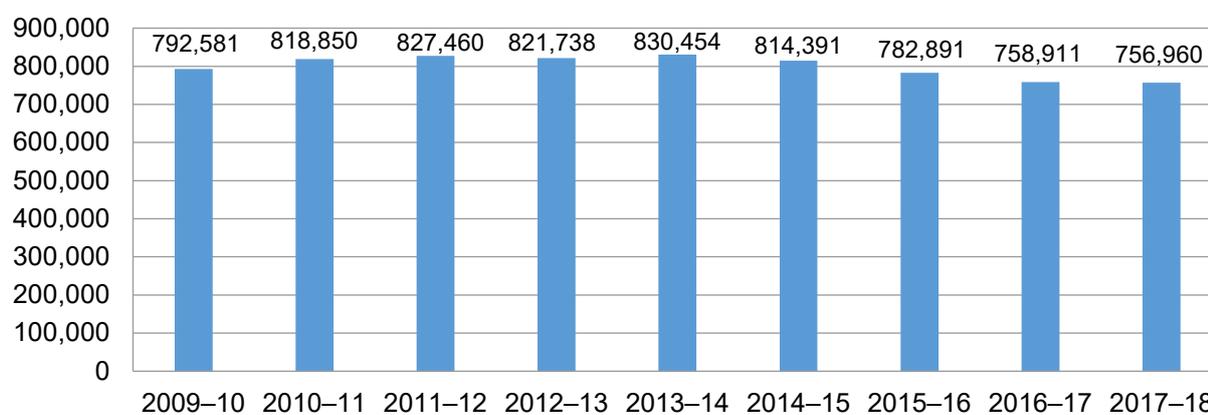
1.5 Trend data for DSP claims and for DSP recipient numbers are shown at Figure 1.1 and Figure 1.2 respectively.

Figure 1.1: DSP claims data — claims and rejections, 2010–11 to 2017–18



Source: ANAO reproduction of Social Services data.

Figure 1.2: Number of DSP recipients, 2009–10 to 2017–18



Source: ANAO reproduction of Social Services data.

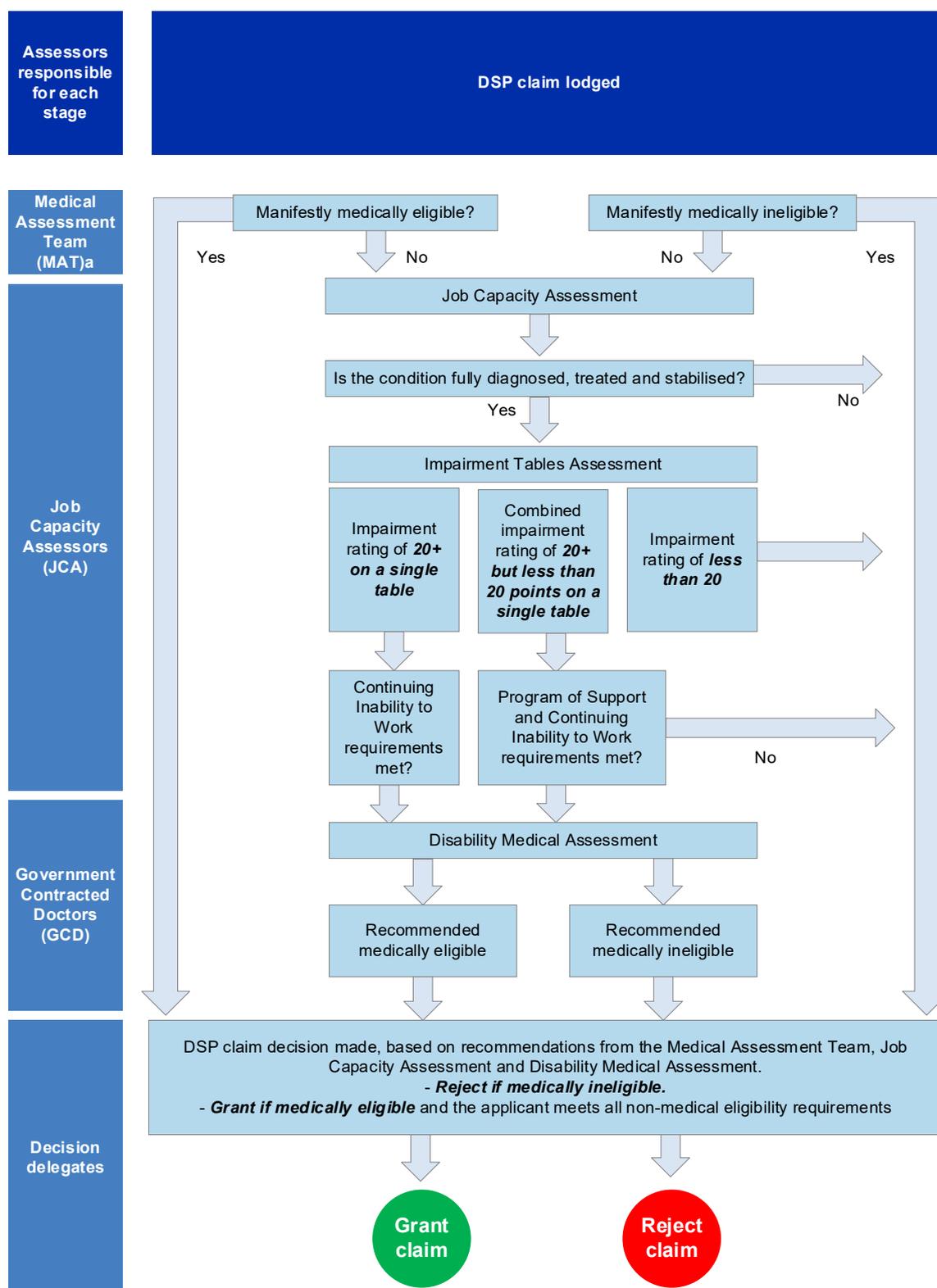
Disability Support Pension claims process

1.6 While some claimants (around 9.9 per cent of the DSP population in December 2017) are granted manifestly on the basis of the severity of their condition(s) (a manifest grant⁶), other applicants are required to undergo a job capacity assessment of their medical condition(s) and

- 6 Manifest grants, with no need for further assessment, may only be made where a person has:
- a terminal illness (life expectancy of less than 2 years with significantly reduced work capacity); or
 - permanent blindness (meets the test for permanent blindness for social security purposes); or
 - an intellectual disability where medical evidence clearly indicates an IQ of less than 70; or
 - an assessment indicating that they require nursing home level care; or
 - category 4 HIV/AIDS; or
 - a DVA disability pension at a special rate (Totally and Permanently Incapacitated).

continuing ability to work. The job capacity assessment is conducted by Human Services' officers who are health or allied health professionals (see paragraph 2.3). If the job capacity assessment report recommends DSP eligibility (other than manifest), applicants then attend a disability medical assessment conducted by a Government-contracted doctor (Figure 1.3).

Figure 1.3: Process for assessing medical eligibility for the DSP



Note a: The Medical Assessment Team was created for all DSP claims in July 2017 — the ‘streamlined approach’. The team is the first to consider if an applicant is manifestly eligible or manifestly ineligible, but this can also be considered by the Job Capacity Assessors.

Source: ANAO simplified version of Human Services flow chart.

Recent consideration of the Disability Support Pension by the Auditor-General and the JCPAA

Auditor-General Report No.18 2015–16 *Qualifying for the Disability Support Pension*

1.7 In January 2016, the Auditor-General tabled Report No.18 2015–16 *Qualifying for the Disability Support Pension*. The report concluded that:

Changes to the DSP eligibility assessment processes introduced in January 2012 aimed to taper DSP growth and reduce new grants. [...] DSS has not undertaken any formal review or evaluation of the eligibility changes. [...] At a day-to-day level, while the eligibility processes for DSP applied by Human Services were in keeping with legislation, eligibility decisions could be better documented. There was also a risk that the vast majority of DSP recipients will remain on DSP for long periods without any review of continued entitlement.

1.8 The Auditor-General's report made four recommendations (see Appendix 2) to assist in improving the administration of DSP eligibility processes, all of which were agreed by the entities. Due to the timing of Auditor-General Report No.18 2015–16, it did not consider some key policy and procedural changes to the DSP, including:

- two changes to the DSP access process, which took effect from January 2015, requiring:
 - DSP applicants to submit raw medical records or evidence instead of a treating doctors' reports; and
 - applicants who are not manifestly eligible to be referred for a disability medical assessment by a Government-contracted doctor where the job capacity assessment recommends eligibility for the DSP.⁷
- a 2016–17 Budget measure that provided for increased reviews of recipients' continuing medical eligibility for the DSP. These reviews are conducted by Human Services staff and may also include a disability medical assessment.

JCPAA inquiry report *Commonwealth Risk Management*

1.9 In May 2017, the Joint Committee of Public Accounts and Audit (JCPAA) reported on its inquiry, *Commonwealth Risk Management*, which was based in part on Auditor-General Report No.18 2015–16. During the inquiry, the JCPAA examined the implementation of the Auditor-General's recommendations and also considered a number of new DSP measures that were not examined in the Auditor-General's report.

1.10 The JCPAA's inquiry concluded that there was further scope for administrative and risk management improvements to the DSP program. The JCPAA made eight recommendations directed to Social Services and Human Services (see Appendix 3), one of which was agreed and the remainder were noted. Social Services and Human Services provided a joint response to the JCPAA in December 2017, but the JCPAA requested further information which was provided in May 2018. Additionally, in May 2018, the ANAO sought an update regarding the noted recommendations. A

7 This measure was progressively introduced from 1 January 2015. The Implementation Plan for the measure anticipated that as the claims process was revised, there would be an effect on DSP claims processing times.

summary of the work undertaken by both departments in lieu of agreeing to the noted JCPAA recommendations is included at Appendix 2 of this report.⁸

1.11 The JCPAA also recommended that the Auditor-General consider the merits of a follow-up audit of the administration of the DSP (recommendation no.2), which was agreed by the Auditor-General. Throughout this current report, the ANAO has considered whether Human Services and Social Services have implemented the agreed recommendations from the Auditor-General report and the JCPAA inquiry. A summary of the ANAO's conclusion on the agreed recommendations is included at Appendix 3.

Audit approach

Audit objective, criteria and scope

1.12 The objective of this audit was to examine if Social Services and Human Services drive improvements in the DSP program using data and information from multiple sources, including agreed Auditor-General and parliamentary committee recommendations.

1.13 To form a conclusion against the audit objective, the ANAO adopted the following high-level audit criteria:

- Does Human Services provide and regularly update guidance and training for staff and contractors involved in DSP assessment and/or review processes?
- Do Social Services and Human Services effectively select existing DSP recipients for reviews of medical eligibility using evidence-based risk profiles that are assessed for efficacy?
- Do Social Services and Human Services effectively monitor, evaluate and report on program delivery?

Audit methodology

1.14 In addition to reviewing key policy, procedural, governance and risk management documentation, the audit team:

- checked if there was sufficient evidence that Social Services and Human Services had implemented the agreed recommendations from Auditor-General Report No.18 and the subsequent JCPAA inquiry report;
- examined documents relating to the development, implementation, monitoring and reporting of DSP program performance measures and other DSP program data; and
- interviewed relevant Human Services and Social Services officers, DSP stakeholders; and staff from Sonic HealthPlus (the contracted provider of Government-contracted doctors).

1.15 The audit team did not review individual DSP client records or assess the quality of decision-making for access to the DSP.

8 The December 2017, May 2018 and September 2018 government responses to the JCPAA's *Commonwealth Risk Management* inquiry can be viewed on the Parliament of Australia website: https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CRM/Government_Response

1.16 The audit was conducted in accordance with the ANAO Auditing Standards at a cost to the ANAO of about \$343,134. The team members for this audit were Cheryl Wilson, Deanne Allan, Matt Owen, Katherine Lawrence-Haynes and David Brunoro.

2. Guidance and training

Areas examined

This chapter examines whether the Department of Human Services (Human Services): provides and regularly updates guidance and training for staff and contractors involved in Disability Support Pension assessment and review processes; and are communicating the results of access decisions to applicants.

Conclusion

Human Services has developed and updated training and guidance for staff and contractors involved in Disability Support Pension assessment and review processes. These updates were made in response to program changes, external scrutiny, and learnings. Human Services does not comprehensively monitor if officers are communicating the reasons for access decisions to Disability Support Pension applicants in a timely and accurate manner.

Areas for improvement

The ANAO has made one recommendation aimed at ensuring that, in designing its new online claims process for the Disability Support Pension, Human Services provides for the capability to monitor whether officers are communicating to applicants the reasons for access decisions.

The ANAO suggests that:

- training and guidance for subject matter experts could be enhanced by including advice on the level of detail required in documenting the outcomes of quality checks and the reasons for any changes to the customer's record; and
- there would be benefit in Human Services developing a standard format for reporting on quality reviews of Disability Support Pension claims, which allows tracking of performance against specific process standards over time.

Does guidance and training for staff and contractors require documentation that provides a clear audit trail of reasoning across Disability Support Pension assessment and internal review processes?

Guidance and training for Human Services' officers and contractors was reviewed following the initial ANAO Disability Support Pension audit. The current guidance requires Human Services officers to document key findings and recommendations and decisions at each stage of the Disability Support Pension assessment process. Given these changes to the requirements to document eligibility decisions, ANAO considers that recommendation no.1 from Auditor-General Report No.18 2015–16 has been implemented. Training and guidance for subject matter experts could be enhanced by including advice on the level of detail required in documenting the outcomes of quality checks and the reasons for any changes to a customer's record. There would also be benefit in Human Services developing a standard format for reporting on quality reviews of Disability Support Pension claims that allows tracking of performance against specific process standards over time.

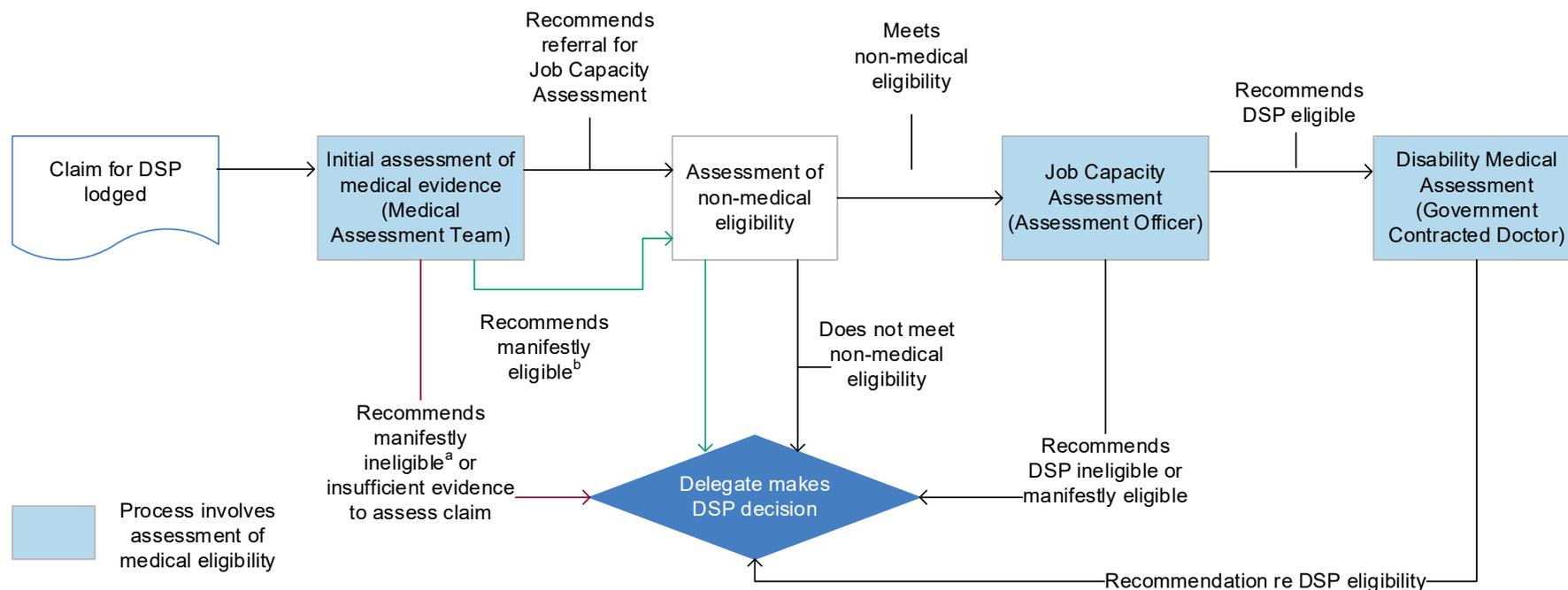
2.1 Auditor-General Report No.18 2015–16 *Qualifying for the Disability Support Pension*, found that while the vast majority (around 97 per cent) of job capacity assessment (JCA) reports examined were supported by evidence, documentation regarding the reasons for assessment decisions could be improved. Further, the report found that where the decision delegate (the delegate) made changes to a JCA report, the fact that a change was made was documented but not the nature of the change(s) or the supporting rationale. As such, the Auditor-General recommended that:

No.1: Human Services: (a) review the guidance it provides to assessors on the level of detail to be included in Job Capacity Assessment reports, particularly for assessments of impairment ratings, a person’s inability to work and program of support obligations; and (b) require delegates to clearly specify any changes they make to the Job Capacity Assessment reports.

2.2 The Disability Support Pension (DSP) claims process has changed since that examined by Auditor-General Report No.18 2015–16. As illustrated at Figure 2.1, as at July 2018, a DSP claim may progress through between one and three separate assessments of the medical evidence before the claim is finalised.⁹ In addition DSP applicants who are found ineligible may also seek an internal review of the decision by Human Services.

9 At any point in the assessment, the applicant may provide further medical evidence to Human Services on their own volition, or when requested by Human Services. In respect of new DSP claims finalised between 1 July 2017 and 30 June 2018: 24.5 per cent were only subject to an initial assessment by the Medical Assessment Team; 54.5 per cent had an initial assessment of medical evidence by the Medical Assessment Team and a JCA only; and the remaining 21 per cent of claims went through all three assessments of medical evidence.

Figure 2.1: Disability support pension assessment points — July 2018



Note a: An applicant for DSP may be considered manifestly ineligible if the initial assessment of medical evidence finds that: the applicant's medical condition is not fully diagnosed, treated and stabilised; the diagnostic criteria for specific impairment tables is not met, or the condition is clearly temporary; or the applicant has a clear ability to work at least 15 hours per week.

Note b: Refer to Footnote 5 in Chapter 1.

Note: Following Job Capacity Assessment, if the applicant is considered manifestly medically eligible, referral to Disability Medical Assessment is not required.

Source: ANAO analysis of Human Services' documentation.

Guidance and training

Medical Assessment Team and job capacity assessors

2.3 As at June 2018, Human Services employed about 667 (553 full time equivalent) allied health professionals (assessment officers) within Assessment Services. Most assessment officers rotate between two main roles: the Medical Assessment Team¹⁰, which undertakes an initial assessment of medical evidence supporting DSP claims; and conducting JCAs.

2.4 New assessment officers are required to complete an induction and training program over a period of about nine weeks comprised of a mix of formal training and on-the-job experience. The *Induction and Training Framework for New Assessors* (training framework) provides for new assessment officers to first observe JCA interviews and report writing, then progress to conducting JCA interviews and drafting reports, initially with a coach present. Documentation requirements for JCA reports are addressed throughout the training, including regular feedback during coaching sessions on reports drafted by the assessor.

2.5 The training framework requires an Executive Level 1 (EL1) officer to sign off on each aspect of the training as it is completed. On completion of training, the EL1 confirms whether the new assessor meets all requirements to work independently. Human Services advised the ANAO that all sign offs are completed manually and the new assessor retains the documentation. JCA reports for all new assessors are quality checked until specific criteria from the *Assessment Services Quality Framework* are met. This data is kept electronically.

2.6 The key guidance for Human Services' officers on required levels of documentation for JCA reports is the *Report Writing Guide* (the Guide). The 2018 Guide is more detailed than the 2014 version which was available during fieldwork for Auditor-General Report No.18 2015–16. The Guide provides general writing advice along with specific requirements for documenting key findings; including with regards to impairment ratings; inability to work; and program of support — three areas identified for improvement in Auditor-General Report No.18 2015–16. In addition, the Guide provides examples of supporting rationales and/or standardised text to be used in defined circumstances. Given these updates to the Report Writing Guide, the ANAO considers that recommendation 1(a) from Auditor-General report no.18 2015–16 has been implemented.

2.7 Human Services advised the ANAO that assessment officers who rotate into the Medical Assessment Team are required to undertake additional training which provides: specific information needed to work with the ICT system and record decisions; along with contextual information and refresher training on manifest eligibility and rural, remote and Indigenous considerations. The Medical Assessment Team uses a prescribed form to make one of six possible recommendations, which must be supported with a rationale. Training documentation provides a

10 The Medical Assessment Team commenced operation on 8 May 2017 and undertakes an initial assessment of the medical evidence provided for new DSP claims shortly after lodgement. The team:

- identifies claims that can be manifestly granted or manifestly rejected without a new JCA, including where there is insufficient medical evidence;
- liaises with treating doctors, the Health Professional Advisory Unit and/or the claimant if further medical information is required to assess medical eligibility; and
- recommends referral for a JCA if the claim cannot be manifestly assessed.

discussion of each possible recommendation and provides some guidance on matters to be considered in undertaking and/or documenting the decision.

Government-contracted doctors

2.8 From January 2015, if a JCA recommends that an applicant is medically eligible for DSP the applicant is referred for a disability medical assessment (DMA) by a Government-contracted doctor to verify the person's medical eligibility.¹¹ In addition, a person may be referred to a Government-contracted Doctor for a DMA where the person: has requested a review of a decision by Human Services about their eligibility for DSP and the delegate considers the applicant meets DSP medical eligibility; or is a current recipient of DSP who has been selected for a medical review of eligibility.

2.9 Government-contracted doctors must complete a program of online¹² technical and procedural training before Human Services is meant to grant them the system access that is required to conduct a DMA. The technical training is aimed at preparing Government-contracted doctors to assess medical conditions for DSP consistent with relevant legislative instruments and policy guidelines. The training discusses the assessment and documentation required to support key findings/decisions, for example, whether each of the applicant's conditions are fully diagnosed, treated and stabilised. It also emphasises the importance of the Government-contracted doctor clearly documenting any differences in findings between the DMA and the JCA and providing justification for these differences. Documentary requirements for DMA reports are discussed further in paragraphs 2.22–2.23.

DSP decision delegates

2.10 Once a claim for DSP has been assessed against the non-medical eligibility criteria and all applicable assessments of medical eligibility are completed (refer to Figure 2.1), the claim is progressed to a Human Services' officer with delegated authority to make the DSP decision (delegate). Delegates are responsible for checking DSP non-medical access criteria and, prior to making a DSP access decision, checking the JCA report to ensure that it is complete, consistent and correct. Where a claim has been sent for a DMA, the delegate is also required to quality check the DMA report, including that report findings and any differences between the JCA and DMA reports are clearly justified.¹³ Quality checks of JCA and DMA reports by delegates are important as acceptance of the report by the delegate will, with some exceptions, trigger the claim to be processed automatically as accepted.

2.11 Delegates must undergo training which includes both general induction modules and DSP-specific modules delivered through formal learning and on-the-job experience. Training materials specify that delegates need to clearly document the decision, including the reasons for the decision and the evidence (JCA and DMA) used to make the decision. Guidance for delegates on rejecting a DSP claim also requires officers to include sufficient details in the rejection file note 'to assist Service

11 The exception is where an assessment officer makes a recommendation that a person is manifestly eligible for DSP. See Footnote 6 in Chapter 1 for an explanation of manifest eligibility.

12 Sonic HealthPlus, the current provider of contracted doctors services, advised the ANAO that they were trialling a process whereby new contracted doctors worked through the training packages while on a teleconference with senior staff, allowing for interaction and questions. This new approach was to commence from 1 July 2018.

13 A discussion on the outcomes of quality assessments of DMAs by delegates is provided at paragraphs 2.24 to 2.26.

Delivery Network staff in providing an explanation of the decision if the customer or nominee contacts the Department.’

2.12 As noted in paragraph 2.1, the Auditor-General recommendation 1(b) was that training and guidance require delegates to clearly specify any changes they make to the JCA reports. Human Services advised the ANAO that where a delegate finds problems with the JCA or DMA, that does not vary the DSP claim outcome, they are required to return the report to the assessment officer or Government-contracted doctor for correction, rather than making changes to the report themselves. In a limited number of circumstances, the delegate may be required to make changes to the JCA report. In these instances, operational guidance requires the reasons for the change to be coded into specific fields. A file note is to be included which specifies that the medical conditions and/or work capacity screens have been updated and the reason for this update. The guidance notes that when an override is recorded the new values for work capacity and medical conditions are displayed as an annotation to the relevant JCA report. This process was changed in response to recommendation 1(b), and the ANAO considers that this recommendation has been implemented.

Subject matter experts and authorised review officers

2.13 Following an adverse DSP access decision, an applicant may seek a quality check of the decision by a subject matter expert¹⁴, potentially followed by a formal review of the decision by an authorised review officer. Subject matter experts and authorised review officers have the power to affirm, vary or set aside a decision.

2.14 Subject matter experts are required to undertake training about the internal review process and their role within it and about prioritising quality check/review requests. Human Services has advised that the quality check/review is generally prioritised when the request for review is lodged. Subject matter experts and authorised review officers are able to categorise a review as a priority should they deem it necessary. The training briefly addresses the need for subject matter experts to correct the customer’s record, should errors be identified, and to document the findings from the quality check, but does not specify the level of detail required. Operational guidance for subject matter experts does not provide any further clarification. Human Services advised that the training undertaken by subject matter experts is conducted through a combination of online training via the department’s Learning Management System and facilitated training. Following completion of training, a ‘skill tag’ is applied to the officer’s record, after which they can be allocated work aligned to that skill tag.

2.15 Authorised review officers are required to attend workshops and complete online training and participate in mentoring. The training includes detailed information regarding documentary requirements, addressing both the progress of the review and the documentation of the decision. An *Authorised Review Officer Style Guide* is available which sets out key principles for drafting a letter to the applicant advising the outcome of the internal review and reasons for the decision. The style guide provides examples of the type of information to be included under each of the core headings to be addressed in the letter, namely: issues; law and policy; evidence; findings of fact;

14 Subject matter experts are experienced Human Services officers who are independent of the original decision and who quality check the decision for errors, such as: mistakes in coding or calculation; information not considered; or incorrect application of policy, legislation or procedure. Where mistakes are identified, the role of the subject matter expert is to correct the customer’s record. They can also arrange a new JCA referral in cases where significant new medical evidence is provided by the applicant.

and reasons for the decision. Operational guidance also sets out the documentation required at various stages of the review process.

2.16 Other than e-learning courses, training records for the Medical Assessment Team, job capacity assessors, and authorised review officers are not held centrally. As such, Human Services does not have a system to assure themselves that all staff had completed the required induction and training programs. Where training is mandatory, there would be merit in Human Services considering implementation of a system to record that the required training and induction has been delivered before an assessor commences independent work.

Quality review processes

2.17 Human Services has quality review procedures at each stage of the DSP assessment process and for internal reviews conducted by authorised review officers. Quality frameworks for JCA and DMA reports include both pre- and post-submission checks of a selection of reports (chosen both randomly and based on risk). Standardised assessment tools are available which require the reviewer to assess, among other things, whether key findings and recommendations are adequately documented.

2.18 In the five months from January 2018 to May 2018, Human Services reported that 2260 reports (2182 JCA reports) were reviewed for quality and 92 per cent were found to meet the minimum quality standard of 80 per cent, including that:

- medical conditions were justified in 96 per cent of reports;
- where an impairment rating was required (1406 reports), the correct table was selected and correct rating assigned in 92 per cent of reports; and
- where an assessment of work capacity was required (2171 reports), the findings were sufficiently justified in approximately 98 per cent of reports.¹⁵

2.19 DSP eligibility decisions are subject to Human Services' Quality On Line (QOL) system.¹⁶ The *National Quality On Line Standards* state that the QOL system selects decisions for quality review based on the delegate's proficiency level — 100 per cent of decisions by new staff/learners are reviewed, transitioning down to two per cent of decisions by proficient staff. The review includes whether documentation meets minimum standards. Human Services also conducts post assessment quality reviews of a random selection of DSP claims, stratified by key risk areas identified through, for example, complaints and appeals data; QOL results; or staff feedback. Human Services produces a report for service managers and team leaders on the results of these quality reviews but not in a consistent format or over a consistent timeframe.

2.20 Human Services advised the ANAO that quality reviews are conducted on a selection of authorised review officer internal review results letters. These reviews occur prior to the letter being sent to the customer. Letters are selected at random and Human Services advised that the quality team aims to complete two pre-checks per authorised review officer per month. In addition,

15 Auditor-General Report No.18, 2015–16 found that evidence supporting the impairment rating could have been improved in around 25 per cent of reports reviewed by the ANAO; and assessments of work capacity could have been better documented in around 13 per cent of reviewed reports.

16 Quality On Line is a decision monitoring and checking system that uses a sampling algorithm to select activities for checking based on the system, service reason, activity type; and proficiency level of staff.

Human Services advised the ANAO that post-decision checks are conducted of a random selection of authorised review officer cases the month after completion.

Do arrangements with external providers specify expected levels of documentation and are mechanisms in place to assess compliance?

The Deed of Standing Offer for the provision of Government-contracted doctor services clearly specifies documentation requirements. Measures are in place to assess and facilitate compliance, including pre- and post-submission quality reviews of disability medical assessment reports by the contractor and quality checks of submitted reports by Human Services.

2.21 As noted in paragraph 2.8, Government-contracted doctors are required to conduct a DMA of DSP applicants and recipients in certain circumstances. From 1 July 2015 to 31 December 2016 Human Services commissioned Medibank Health Solutions Pty Ltd to undertake this role. From January 2016, following a competitive tender process, Human Services commissioned Sonic HealthPlus as the new provider of Government-contracted doctor services until 31 December 2019 (with the option to extend for two further periods, each of up to one year).

Deed requirements

2.22 The deeds of standing offer (the deeds) with both Medibank Health Solutions and Sonic HealthPlus specified expected levels of documentation to support the findings of DMAs. As summarised in Table 2.1, documentation requirements were similar across both deeds, but the Sonic HealthPlus deed included two alterations in the requirements.

Table 2.1: Summary of document requirements

Deed requirements — Medibank Health Solutions and Sonic HealthPlus	Changes in the Sonic HealthPlus deed
<p>Documentation must be current, accurate, up to date and consistent with the deed requirements at the time of delivery.</p> <p>Disability medical assessments must confirm (or otherwise) whether:</p> <ul style="list-style-type: none"> • The diagnosis is supported by the evidence. • The condition is fully diagnosed, treated and stabilised. • The condition is permanent for the purposes of DSP qualification. • The impairment rating applied by the job capacity assessor is in accordance with the <i>Tables for the Assessment of Work-Related Impairment for Disability Support Pension</i> (impairment tables). <p>Disability medical assessments must utilise the <i>Government-contracted Doctor Medical Assessment Form</i>.</p> <p>Documentation must adequately explain key terms and symbols.</p> <p>Documentation must be in English.</p>	<p>Documentation must be of a professional standard in terms of its presentation, accuracy and scope.</p> <p>Disability medical assessments must confirm (or otherwise) that the customer’s diagnosis by the treating doctor is supported by the evidence provided to Sonic HealthPlus.</p>

Source: ANAO analysis of deeds of standing offer between Human Services and Medibank Health Solutions Pty Ltd and between Human Services and Sonic Health Plus Pty Ltd.

Government-contracted Doctor Medical Assessment form

2.23 The *Government-contracted Doctor Medical Assessment* form is included as an attachment to the deeds. In practice, Government-contracted doctors complete the form online via the Human

Services IT portal. The structure of the form requires Government-contracted doctors to provide evidence to support key findings/conclusions by referencing the medical evidence submitted with the claim (or subsequently obtained from treating doctors) and/or by providing a rationale for professional judgements. For example, the form requires:

- for each diagnosis impacting the customer's ability to function, an assessment of:
 - if the impact of the condition on the customer's ability to function is likely to persist for at least 24 months and, if so, the reasoning supporting this assessment;
 - if the condition is fully diagnosed, treated and stabilised and the reasoning supporting this assessment;
- where a condition is considered to be fully diagnosed, treated and stabilised, the provision of an impairment rating, which specifies the impairment table¹⁷ used and the descriptors from the relevant impairment table that are met; and
- advice about whether the report differs from the JCA report and, if so, details of how the Government-contracted doctor's recommendation differs from the JCA and why.

Assessing compliance

Review by decision delegate

2.24 Human Services' decision delegates officers assess submitted DMA reports prior to accepting the report and making a decision about eligibility for the DSP. If the DMA report does not meet the required standard it is returned to the Government-contracted doctor for correction. Operational guidance for delegates notes that:

The Delegate must not accept a DMA report that contains any quality issues or does not assess all the customer's medical conditions. It is critical that Delegates ensure the DMA report is satisfactory from a quality perspective before being accepted [...]

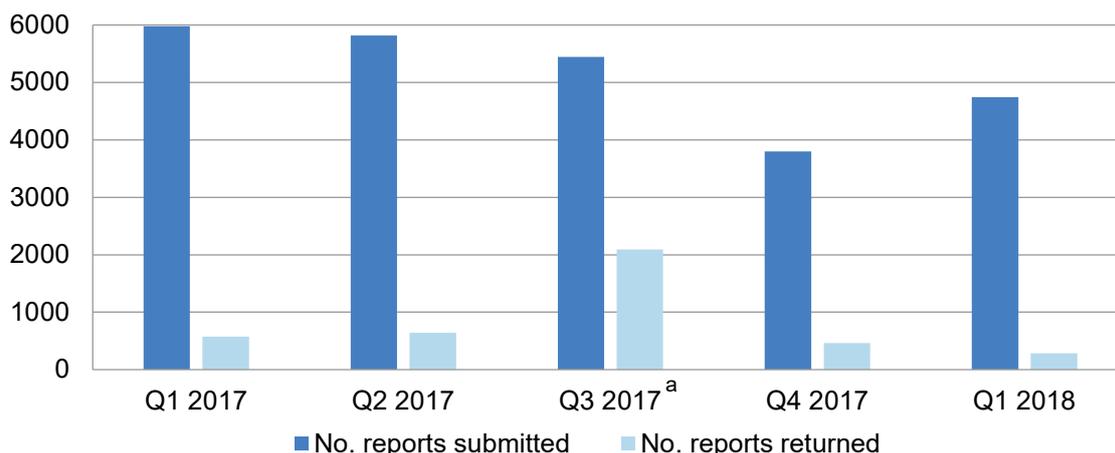
The report must include sufficient relevant information and justification of the customer's functional ability and impairment ratings, where applicable, to allow the delegate to confidently make an appropriate decision about the individual's medical eligibility for DSP.

2.25 Sonic HealthPlus reports on the number of submitted and returned DMA reports in its monthly and quarterly performance reports to Human Services. Results by quarter for the period 1 January 2017 to 31 March 2018 are summarised at Figure 2.2. During this period (excluding quarter 3 of 2017), 9.6 per cent of DMA reports were returned to Government-contracted doctors by Human Services.¹⁸

¹⁷ Impairment Tables are discussed further in paragraph 4.57 of this report.

¹⁸ Some reports submitted during the period 1 January 2017 to 31 March 2018 will not have been returned by Human Services until after 31 March 2018 and as such are not captured in this data. In addition, a report may be counted multiple times where it is returned and resubmitted more than once during the period.

Figure 2.2: Submitted and returned DMA reports by (calendar year) quarter

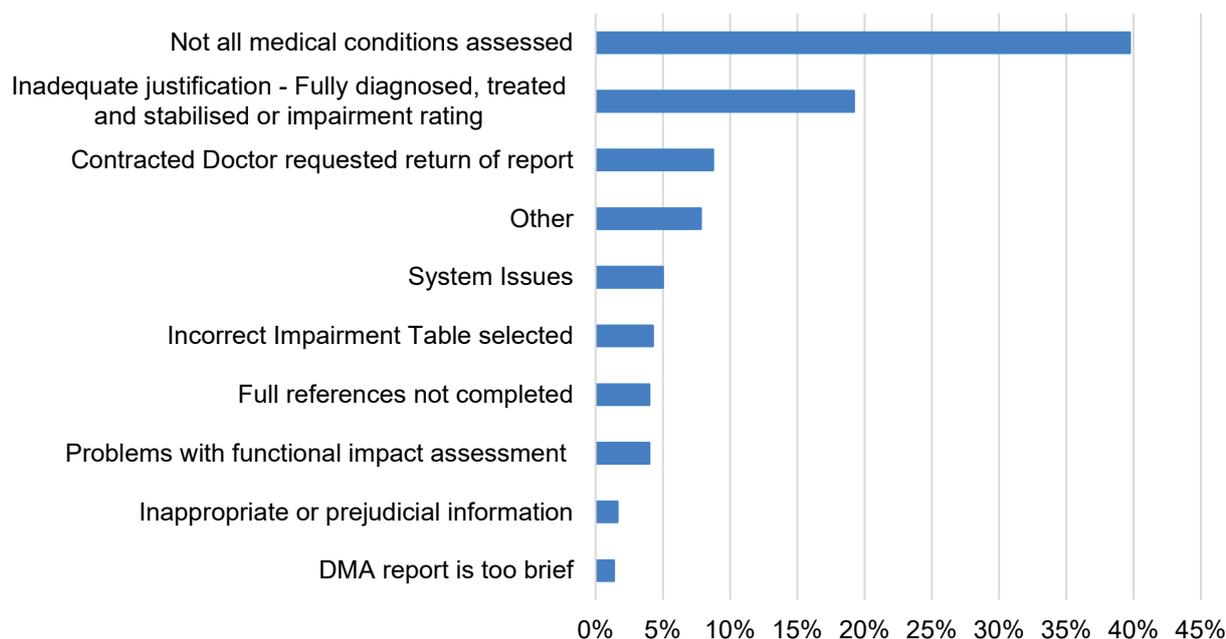


Note a: The third quarter 2017 results were impacted by an ICT system issue which lead to a large volume of reports being returned in error.

Source: ANAO analysis of quarterly reports submitted to Human Services by Sonic HealthPlus.

2.26 Sonic HealthPlus also reports on the reasons DMA reports are returned by Human Services to the Government-contracted doctor. The top ten reasons DMAs were returned to the Government-contracted doctor are at Figure 2.3.¹⁹

Figure 2.3: Top ten reasons for return of disability medical assessment reports^a



Note a: The sample included 1520 returned reports from 2017 quarters 1, 2 and 4, and 2018 quarter 1, for which a return reason was available (representing about 78 per cent of all reports returned in these quarters). 2017 quarter 3 results were excluded due to data issues.

Source: ANAO analysis of data provided to Human Services by Sonic HealthPlus.

¹⁹ Prior to 2017, the system could not capture the reasons for a returned report. In the first quarter 2017, the reason for return of DMA reports was not identified in around 65 per cent of cases, declining to around ten per cent in quarter 2 2017 and to less than one per cent in subsequent quarters.

Clinical Governance Framework

2.27 In addition to specifying documentation requirements and use of the *Government-contracted Doctor Medical Assessment Form*, the deed of standing offer between Human Services and Sonic HealthPlus requires Sonic HealthPlus to comply with a clinical governance framework (the framework). Among other things, the framework sets out how Sonic HealthPlus will ensure the quality of DMA reports by: undertaking pre-submission checks of the first ten DMA reports produced by new Government-contracted doctors (quality reviews)²⁰; and conducting targeted and random checks of submitted DMA reports (quality audits).

2.28 The process for undertaking quality reviews and audits is documented and includes a comprehensive list of review/audit questions. These questions address the adequacy of evidence/justification provided to support report findings. Sonic HealthPlus reports on quality review and audit activities and outcomes in its monthly and quarterly performance reports to Human Services.

2.29 As at 2 April 2018, about 60 per cent of new medical practitioner Government-contracted Doctors and 39 per cent of new clinical psychologist Government-contracted doctors had successfully completed the quality review process.²¹ Human Services and Sonic HealthPlus monitor progress of Government-contracted doctors through the quality review process via a spreadsheet that is considered at weekly clinical governance teleconferences.

2.30 Sonic HealthPlus conducts both targeted and random quality audits of DMA reports after they are submitted to Human Services. Table 2.2 summarises the nature and outcomes of quality audits of DMA reports between January 2017 and March 2018. The number of critical errors has generally declined over time. Where a critical error is detected the framework requires: a full assessment of the DMA report to be undertaken and documented; and Human Services to be notified so that any eligibility decisions which were based on the report recommendations can be reviewed in light of the auditor's assessment.

Table 2.2: Quality audits of disability medical assessments by Government- contracted doctors — January 2017 to March 2018

Quarter ^a	Nature of audit	No. of reports audited	No. of reports with errors ^b	
			Critical No. (%)	Non-critical No. (%)
Q1 2017	Targeted audit of Government-contracted doctors identified as not producing reports of adequate quality	100	11 (11)	25 (25)
Q2 2017	Random audit	112	7 (6.3)	34 (30.4)
Q3 2017	Targeted audit of Government-contracted doctors with a high rate of report returns	63	1 (1.6)	37 (58.7)
Q3 2017	Random audit	160	2 (1.3)	76 (47.5)

20 Human Services and Sonic HealthPlus further agreed, in May 2017, that the first two DMA reports from existing contracted Doctors would be quality reviewed.

21 Sonic HealthPlus advised the ANAO that it can take many months for new contracted doctors to have ten DMA reports quality reviewed, especially contracted doctors in regional locations who may get only a small number of referrals.

Quarter ^a	Nature of audit	No. of reports audited	No. of reports with errors ^b	
			Critical No. (%)	Non-critical No. (%)
Q4 2017	Targeted audit of DMAs completed via telephone	96	0 (0)	43 (44.8)
	Random audit	119	1 (0.8)	51 (42.9)
Q1 2018	Targeted audit of Government-contracted doctors who had successfully completed quality review	117	1 (0.9)	31 (26.5)
	Random audit	142	2 (1.4)	57 (40.1)
Total January 2017–March 2018		909	25 (2.8)	354 (38.9)

Note a: Quarters are for the calendar year. That is, quarter 1 refers to the period January to March.

Note b: Critical errors are defined as errors where the DMA recommendation may be incorrect as a result of the error. Non-critical errors are those that do not impact the outcome of the DMA and may include administrative errors such as the placement of content in the report.

Source: ANAO analysis of Sonic Health Plus quarterly clinical audit reports to Human Services.

Performance monitoring

2.31 Human Services undertakes a detailed analysis of Sonic HealthPlus' monthly performance reports. This analysis informs discussions at quarterly face-to-face meetings with Sonic HealthPlus to review performance under the deed over the preceding quarter. Report return rates, progress in completing quality reviews, and outcomes of quality audits are discussed at the quarterly meetings along with planned actions to address areas of concern.

2.32 In addition, Human Services holds weekly clinical governance teleconferences with Sonic HealthPlus. Sonic HealthPlus produces a clinical governance report for discussion at each meeting which, among other things, provides: the latest results of quality review activity, including reasons why reports fail the review process; an analysis of reports returned by Human Services in the previous week and reasons for return; and information on any complaints or incidents relating to Government-contracted doctors. Meeting outcomes include agreement by Human Services and Sonic HealthPlus on strategies to improve the quality of DMA reports by targeting:

- individual Government-contracted doctors by, for example, requiring them to complete additional training or subjecting additional reports to quality review; and
- systemic issues through, for example, revising Government-contracted doctor training and trialling a mentoring process for new Government-contracted doctors.

Is guidance and training updated in response to significant findings from external review bodies?

Human Services updates guidance and training in response to significant findings from external review bodies. Human Services' annual reports include information on external scrutiny by bodies such as the ANAO, the Commonwealth Ombudsman and parliamentary committees. Since Auditor-General Report No.18 2015–16, there has been only one external report impacting DSP guidance and training — Commonwealth Ombudsman Report 05/2016 *Department of Human Services Accessibility of Disability Support Pension for remote Indigenous Australians*. Human

Services has implemented changes to guidance and training in response to recommendations from that report.

2.33 Consistent with requirements of the *Public Governance, Performance and Accountability Rule 2014*²², Human Services provides information in its Annual Report on external scrutiny by bodies such as the ANAO, parliamentary committees and the Commonwealth Ombudsman. Human Services reported that during the period July 2015 to June 2017: ANAO had published 11 performance audit reports on Human Services' programs; the Commonwealth Ombudsman had published six section 15 (own motion) reports; and there had been two parliamentary inquiry reports published. Of these reports, three were of direct relevance to the DSP:

- Auditor-General Report No.18 2015–16 *Qualifying for the Disability Support Pension*.
- The December 2016 Commonwealth Ombudsman's Report No. 05/2016, *Department of Human Services: Accessibility of Disability Support Pension for remote Indigenous Australians* (Ombudsman's Report No. 05/2016)²³; and
- The Joint Committee of Public Accounts and Audit (JCPAA) inquiry report *Commonwealth Risk Management*, tabled in May 2017. The JCPAA directed a number of recommendations to Human Services (see table 1.2), which the Department noted. None of the recommendations were related to training and guidance.²⁴

Implementation of Commonwealth Ombudsman's recommendations²⁵

2.34 Human Services has a central coordination unit that coordinates the relationship with the Commonwealth Ombudsman's office. The unit provides a contact point for the Ombudsman's office and:

- reports data quarterly to the departmental Executive Committee on Ombudsman's investigations underway across the department and requests for information. The report includes trend data over the preceding four quarters; response timeliness; and an analysis of investigations by service 'brand';
- monitors the department's implementation of recommendations resulting from the Ombudsman's own motion reports and provides progress reports to the Executive;

22 Subsection 17AG(3) of the PGPA Rule requires that the annual report include information on any external scrutiny of the entity that has occurred within the reporting period. The annual report must detail any significant developments in external scrutiny that the entity has been subject to and the entity's response to those events.

23 The report can be viewed on the Commonwealth Ombudsman website: http://www.ombudsman.gov.au/data/assets/pdf_file/0024/42558/Accessibility-of-DSP-for-remote-Indigenous-Australians_Final-report.pdf [accessed 8 August 2018].

24 A review by ANAO of parliamentary committee reports, Auditor-General reports, and section 15 reports by the Commonwealth Ombudsman, published between July 2017 and June 2018, did not identify any additional reports of relevance to the DSP.

25 Two additional Commonwealth Ombudsman reports were of relevance to the DSP, Report No. 04/2015—*One year on from the Centrelink Service Delivery Report* and Report No. 06/2016—*Accessibility of Indigenous Language Interpreters: Talking in Language Follow up Investigation*. However, as both were follow on reports, whereby the Commonwealth Ombudsman had itself examined implementation of recommendations from previous reports, they were excluded from ANAO's analysis.

- examines ‘closure reports’ provided by program areas responsible for implementing specific Ombudsman’s recommendations and makes a decision as to whether or not the recommendation has been fully implemented and should therefore be closed; and
- holds a quarterly liaison meeting with the Ombudsman’s office.

2.35 There are also regular meetings between the Ombudsman’s office and some program areas, including an ‘everything DSP’ meeting which is held about every six months. These meetings provide an opportunity for information exchange between the Ombudsman’s Office and DSP program officers within Human Services, with a particular focus on implementation of new policies or processes and trends in complaints received by the Ombudsman’s office. Human Services reported progress on implementation of recommendations from Ombudsman’s Report No. 05/2016 at this forum.

2.36 Ombudsman’s Report No. 05/2016 made eight recommendations, four of which had implications for guidance and training for staff and contractors. The remaining recommendations related to: guidance/advice for members of the public/health professionals; consultation processes; and monitoring and reporting. On 30 May 2018, the Secretary of Human Services wrote to the Commonwealth Ombudsman to advise that all of the recommendations within the purview of Human Services had been implemented.

2.37 ANAO’s analysis confirms that Human Services has implemented changes to operational guidance and training in response to the Ombudsman’s recommendations in Report No. 05/2016. In addition, consistent with recommendation seven of the Ombudsman’s report, Human Services is monitoring and reporting on trends for remote/very remote Indigenous claimants compared to all remote/very remote claimants. A quarterly report is provided to the DSP Programme Board.²⁶ ANAO’s review of Human Services’ documentation also identified that Human Services had updated operational guidance in response to Ombudsman’s findings in individual DSP case investigations.

Procedures for monitoring implementation of ANAO recommendations

2.38 Human Services monitors implementation of ANAO recommendations through its audit committee. A report is provided to each meeting updating the Committee on work underway and/or completed to address outstanding ANAO recommendations, along with an assessment of whether Human Services is on track to implement the recommendation by the anticipated date. Human Services’ Audit Division makes recommendations to the committee to close an ANAO recommendation, following an assessment of the evidence supporting closure. In respect to recommendation one from Auditor-General Report No.18 2015–16, Human Services’ Audit Division reviewed the closure documentation on 18 July 2016 and supported the closure of this recommendation.

26 The DSP Programme Board is comprised of Senior Executive officers across Human Services who are involved in DSP service delivery. The Programme Board is responsible for: discussing the progress of service delivery implementation and impacts; considering issues and/or service delivery approaches that could impact on the Department or the delivery of the DSP; and providing advice to the Senior Responsible Officer.

Are staff communicating the results of access decisions to applicants in a timely and accurate manner?

Human Services does not monitor if officers are communicating the results of access decisions to DSP applicants in a timely manner. DSP decision letters contain only generic text on the reason for the decision. Human Services conducts quality reviews that, in part, check the accuracy of the decision letters, but the extent to which applicants are contacted to explain the reasons behind the decision is not monitored by the Department. Human Services is currently trialling revised procedures aimed at improving the provision of information to applicants about the reasons for decisions.

2.39 Auditor-General report no.18 2015–16 found that:

There is potential for reviews and appeals activity [for the DSP] to be reduced by improving communication ... In particular, by clearly explaining the basis for rejecting a claim initially so that applications can make an informed decision on whether or not they should submit an appeal.

2.40 A determination by Human Services that an applicant is ineligible for the DSP is a reviewable decision. If, after receiving an explanation of the decision, the applicant does not believe that the decision is correct they may request an internal review of the decision.²⁷ Applicants must be notified of the outcome of their application in order to exercise this right of review. Understanding the reasons for the decision may assist applicants to: form a view about whether or not they consider the decision to be correct; and/or provide additional information to address evidence gaps identified during the DSP assessment process.

2.41 Guidance for officers making DSP eligibility decisions advises that:

The customer **must** be informed of the decision in writing through an automated or manual rejection letter.

The Service Officer must also make 2 genuine attempts to phone the customer to deliver an Income Finalisation Interview (commonly known as a Service Offer Interview).

Communicating DSP access decisions in a timely manner

2.42 Depending on the reasons for rejection, the DSP claim decision letter may be automatically generated by the ICT system or manually generated by the decision delegate. Automatic rejection letters generated by Human Services' ICT systems are sent two business days from the date of being triggered and are then available online or sent via Australia Post. If a letter cannot be automatically generated, decision delegates manually generate a letter and attempt to conduct a service offer interview. Human Services advised that unless a timeframe is specified in the guidance material, decision delegates are expected to complete each step in immediate succession, including when they inform DSP applicants of the access decision.

27 As at June 2018, Human Services' internal review process requires an applicant to have a quality check prior to an internal review. At the conclusion of the quality check, the subject matter expert is required to try to contact the applicant to explain the findings, at which point the applicant may request an internal review. If the subject matter expert is unable to contact the applicant, they may either finalise the quality check or refer the matter to an authorised review officer for an internal review. If the subject matter expert finalises the quality check, the applicant must contact the department to request an internal review.

2.43 Human Services' operational blueprint instructs staff to attempt a service offer interview with claimants via an outbound call at the time the staff member finalises a DSP claim. The blueprint also instructs staff that details of the service offer interview, successful or otherwise, are to be annotated in a document on the claimant's record. Human Services does not monitor if officers are communicating the results of an access decision in a timely manner. Additionally, the DSP post assessment quality checks do not consider the timeliness of the service offer interview or the letter with DSP applicants.

Communicating DSP access decision in an accurate manner

Issuing decision letters

2.44 For automated decision letters, the system uses codes to record the reason a DSP claim is rejected and a description of the code is used in correspondence with customers, providing a brief reason for the decision. For example, if the rejection reason is that the applicant's impairment rating is assessed as less than 20 points on the impairment tables, the code 'NSI' is used and the decision letter will include the sentence 'You have been assessed as not having an impairment rating of 20 points or more.' Some DSP claim rejections require the results letter to be manually generated by the delegate.

2.45 Human Services performs DSP post-assessment quality checks of decisions accuracy and compliance with requirements. Most recently, this has been conducted for DSP decisions finalised in May-July 2017, August-October 2017 and January-June 2018. Of note:

- Each round of quality checks focused on a different set of categories (reasons) for the claim outcome, so a longitudinal view of quality trends for DSP decisions cannot be assessed by the department (Human Services has advised that the sample sizes are relatively small and are not intended to provide a longitudinal view by sampling the same quality elements in each round);
- From the quality check reports, it is not possible to identify the exact percentages of reviewed claims or of all claims where a letter was not issued or an incorrect rejection reason was stated in the letter as all data is provided in summary form instead of as quantifiable data; and
- The quality checks were not designed to assess if the automatically and manually generated letters clearly explain the reasons for the decision to the satisfaction of the applicant or their representative.

2.46 In the May to July 2017 report, 639 decisions were quality checked from five claim outcome categories. 96.1 per cent of the checked claims had the correct claim outcome and 76.1 per cent were fully process compliant. In one of the categories (DSP claims rejected without the completion of a JCA or DMA), 149 claims were reviewed and 13 did not have the correct claim outcome and 30 were not fully process compliant. In this specific category (n=149):

- there were 'multiple cases' where the outcome letter to the applicant was not issued — a not stated number of instances out of the 30 claims with process errors;
- there were 'multiple instances' where the incorrect rejection reason was given. The number of instances is not stated.

2.47 In the August to October 2017 report, 675 decisions were quality checked from five different categories that related to Medical Assessment Team recommendations. 90.8 per cent had the correct claim outcome and 71.7 per cent were fully process compliant. Human Services provided 'DSP Masterclasses' to address learning needs that were identified in the August-October 2017 report. Human Services has advised that the 'multiple instances' and 'multiple cases' issues were used to inform the content of the masterclasses.

2.48 In the January to June 2018 report, 350 decisions were quality checked from claims in two categories. Across these two categories, 48.6 per cent of checked claims were fully process compliant and no outcome errors were identified. This report did not consider the accuracy of letters to applicants.

Service offer interviews

2.49 As noted in paragraph 2.41, in addition to the letter on the outcome of the application, delegates are required to conduct a service offer interview where an applicant is found ineligible for DSP.²⁸ The purpose of the interview is to: explain the reasons for rejection; advise of possible alternative income support payments that the applicant may be eligible for; discuss employment services referrals; and advise of review rights.

2.50 The operational blueprint for rejecting a DSP claim requires officers to make two 'genuine' attempts to phone the customer to deliver the service offer interview. In September 2017, an operational message was distributed to staff processing DSP claims advising that, effective immediately and until further notice, officers were required to make only one attempt to contact an applicant when rejecting a claim.²⁹ This change was designed to reduce the number of claims currently in progress. The decision letter invites DSP applicants who do not agree with the decision to contact the department to 'check the details and explain the decision'.

2.51 The extent to which a service offer interview is successfully held is unknown³⁰. While the outcome of an attempted service offer interview must be annotated on the customer's record, the Department had not mandated where on the customer record, and as such, the information may be in one of a number of free text fields. Furthermore, there was no standard text required to be used, so searching free text fields to ascertain the outcomes of attempted service offer interviews would have been unlikely to yield useful results. In October 2018, Human Services advised the ANAO that it has recently implemented 'standard drop down' selections and closed the use of non-standard free text options in one of the free text letter templates to improve quality. It is also working to resolve the free text issue and is investigating other systems for quality assurance of all letters.

2.52 In two reviews of the DSP access process, Human Services identified successful contact rates with DSP customers of around 30 to 40 per cent.

2.53 The May-July 2017 post-assessment quality check report found that decisions in the claims category 'DSP claims rejected without completion of a JCA or DMA' had 'multiple occurrences' where there was no evidence of a service offer interview being attempted or undertaken. The

28 An interview may also be required where DSP is granted, if requested by the applicant.

29 Officers are required to make one attempt to reach the applicant on 'every available phone number'.

30 Unsuccessful attempts to contact the applicant and successful contact with the applicant will both satisfy the requirement to conduct a service offer interview.

report did not state if cases where a service offer interview was attempted but the call/s was not answered were excluded from these 'multiple occurrences'.

2.54 The August to October 2017 report found that, for three of the categories, "the highest occurring issue was that no Service Offer Interview was conducted or attempted". The data for this was not provided, but a total of 287 claims were not fully process compliant. The report also notes that the direction to reduce the attempts at making a service offer interview (from two to one) was introduced in September 2017 and that there was an improved service offer interview success rate in October 2017.

2.55 Human Services has identified barriers to staff making contact with customers via telephone and that this is largely attributable to departmental calls being presented as 'Blocked Call ID'. In May 2018, Human Services commenced work to mandate the use of an SMS prior to the DSP service offer interview, as this had been found to increase the incidence of successful contact.³¹

2.56 Human Services has advised that in August 2018 operational guidance for staff on rejecting a DSP claim was updated to require officers to send an SMS message to the applicant advising that Human Services will be calling them. This pre-call notification text advises that 'Centrelink will call you today to discuss {RECIPIENT} {TOPIC}. Calls from us will display as blocked. Please answer this call. Do not reply by SMS.' The officer is required to attempt to call the applicant five minutes after the SMS is sent.

2.57 As at September 2018, Human Services did not have the data monitoring capability to check if an SMS was sent before the DSP service offer interview for all claims.

2.58 Human Services is considering options that may improve the delivery of service offer interviews to DSP applicants. Having a Medical Assessment Team officer conduct the service offer interview for DSP applicants who the Medical Assessment Team deemed ineligible for DSP has been trialled and is currently being evaluated. As at August 2018, the roll out of this alternative process is still being considered by Human Services.

2.59 Human Services does not have statistics on the percentage of unsuccessful DSP applicants who participate in a service offer interview to explain the reasons for the decision. This data, if broken down by the officer/s making the call, could help to guide the most effective way to advise the DSP applicant of the access decision. Human Services has advised that as a result of the initiatives mentioned in 2.51, it hopes that data extraction will provide information on the number of DSP applicants who successfully participated in a service offer interview. Analysis of the rate of appeals when there is and is not a service offer interview could help to show the value of the service. The transition of DSP to online claiming may provide an opportunity to make improvements to data quality.

31 While not directly connected to the DSP service offer interview, a trial whereby Human Services Authorised Review officers sent an SMS prior to ringing customers about their appeal, found that contact was successful 58 per cent of the time compared to 42 per cent of the time when no SMS was sent.

Recommendation no.1

2.60 When transitioning to the DSP online claims process, Human Services should:

- (a) Review the effectiveness of all current communications channels for unsuccessful Disability Support Pension applicants and revise where necessary; and
- (b) Ensure the capability to monitor the quality and timeliness of the method by which unsuccessful Disability Support Pension applicants are advised of the decision.

Department of Human Services response: *Agreed.*

2.61 *The Department is about to embark on the transformation of disability payments through the Welfare Payment Infrastructure Programme, and the implementation and refinement of the Disability Support Pension online claim. As part of the transformation programme, the Department will be reviewing its existing processes including current communication channels, such as letters and telephone calls.*

2.62 *Additionally, the Department will examine the potential for improvements to the way it communicates with its claimants, and the way it captures, stores and uses data, including monitoring the quality and timeliness of advice to unsuccessful DSP claimants.*

2.63 *The Department will consider how and when improvements can best be made, taking into account the rollout of new technology platforms or the need to rely on existing ICT.*

3. Processes for reviewing medical eligibility of Disability Support Pension recipients

Areas examined

This chapter examines whether the risk profiles used by the Department of Human Services to select Disability Support Pension recipients for review of their medical eligibility are clearly documented and refined in light of experience and if the Department of Social Services has explored options for data sharing with state, territory and Commonwealth programs in order to inform risk profiles.

Conclusion

The Department of Human Services selects Disability Support Pension recipients for review of medical eligibility under the 2016–17 Budget measure using evidence-based risk profiles. Risk profiles for the 2016–17 measure were revised in response to learnings from the 2014–15 Budget measure and initial implementation of the 2016–17 measure. Reviews undertaken as of June 2018 have established that the majority of recipients reviewed remain eligible for Disability Support Pension.

3.1 Auditor-General Report No.18 2015–16 *Qualifying for the Disability Support Pension* examined the business-as-usual processes used by the Department of Human Services (Human Services) to review the eligibility of Disability Support Pension (DSP) recipients. The report also examined the initial outcomes of a 2014–15 Budget measure to review the medical eligibility of a selection of DSP recipients aged under 35. The report found that although the overall business-as-usual compliance review activity undertaken by Human Services each year was significant, the likelihood of a DSP recipient being medically reviewed was low. This was despite the fact that medical grounds were the most likely reason for an individual having their claim for DSP rejected. The Auditor-General’s report also noted that preliminary results from the 2014–15 Budget measure indicated that the rate of payment cancellation was higher than anticipated.

3.2 The Auditor-General’s report further found that reviewing the entire stock of DSP recipients would be expensive and ineffective for some groups, but there was scope for Human Services to improve the efficiency of the current review process and to apply new and more effective targeting of recipient medical reviews.

Recommendation No.2: To improve the efficiency and effectiveness of the current review process, the ANAO recommends that Human Services, in cooperation with DSS, include options in its risk profiling to better identify recipients whose medical conditions have a greater prospect of improvement.

3.3 Subsequently, the Government announced in the 2016–17 Budget that Human Services would undertake an additional 30 000 medical reviews of DSP recipients per annum for three years (90 000 overall).

3.4 The Joint Committee of Public Accounts and Audit (JCPAA) inquiry, *Commonwealth Risk Management*, which was based on the Auditor-General’s report, raised concerns in respect of the methodology used by Human Services to select DSP recipients for review of medical eligibility under the 2014–15 and 2016–17 Budget measures. In particular, the Committee expressed concern that some recipients with manifest or severe disability had been selected for review under the 2014–15

measure and considered that the efficacy of selection criteria should be evaluated and options for data sharing explored with other Commonwealth, state and territory programs.

Are risk profiles for selecting Disability Support Pension recipients for review of medical eligibility clearly documented and refined in light of experience?

The risk profiles and rationales used to select Disability Support Pension recipients for review of medical eligibility are clearly documented. Human Services reviewed and refined the risk profiles used for the 2016–17 Budget measure, including consulting with internal medical experts. As at September 2018, a third of the expected reviews have been finalised, and no new reviews have been commenced since July 2017. The Department of Social Services (Social Services) estimated that 10 per cent of recipients reviewed would have their payments cancelled. As at June 2018, the reviews undertaken so far have established that the majority of people (about 97 per cent) reviewed remain eligible for DSP. Despite this, the work undertaken by Human Services to improve the risk profiling to better identify DSP recipients is directly related to Auditor-General recommendation no.2, which the ANAO considers to have been implemented.

The 2014–15 Budget measure

3.5 The 2014–15 Budget measure aimed to review the medical eligibility of 28,000 DSP recipients under the age of 35 who were granted DSP in the three years prior to the implementation of the revised *Tables for the Assessment of Work-Related Impairment for Disability Support Pension* (impairment tables) in 2012 (i.e., the period 1 January 2008 to 31 December 2011). Human Services had planned to conduct reviews under this measure over an 18 month period from 1 July 2014 to 31 December 2015. However, the work was not finalised until April 2017 and Human Services has advised that this was primarily due to recipients not providing medical evidence.

3.6 The target group and exclusion criteria used to select recipients for medical review under the 2014-15 Budget measure are documented in Human Services' internal operational guidance. Exclusion criteria included recipients who were granted DSP on manifest grounds and recipients who had an assessed work capacity of zero to seven hours per week.

3.7 The risk profiles used to select recipients for review under the 2014–15 Budget measure were not refined or reviewed as the measure progressed. Human Services advised the ANAO that criteria were not refined due the short implementation period of the measure. A total of 24,158 reviews were finalised for the measure, and 18.6 per cent (4505) of reviews resulted in cancellation of payment (prior to appeals). This was greater than the expected 10 per cent cancellation rate. The majority of DSP recipients who had their payments cancelled no longer met the medical eligibility requirements under the revised Impairment Tables.

3.8 Human Services advised the ANAO that as at 30 March 2018, around 76 per cent of recipients who had their payment cancelled under the 2014–15 Budget measure had appealed the decision. Of appeals lodged and decided, about 20 per cent had been overturned by the authorised review officer or Administrative Appeals Tribunal, reducing the effective cancellation rate to around 15.8 per cent. Human Services advised the ANAO that in over 70 per cent of overturned decisions the appellant had provided new or additional evidence.

The 2016–17 Budget measure

3.9 The 2016–17 Budget measure was introduced to review the medical eligibility of a further 30,000 DSP recipients per year for three years, commencing 1 July 2016 (90,000 total).³² The scope of the review activity was expanded from the 2014–15 measure to include recipients over the age of 35 years. The anticipated efficiencies of \$62.1 million (over five years) were to be directed to the National Disability Insurance Scheme savings fund.³³

3.10 The risk profiles³⁴ used to select and exclude recipients for reviews at the commencement of the 2016–17 Budget measure were clearly documented. The risk profiles were designed to identify recipients with mild to moderate functional impairment and some capacity to support themselves through paid work.

3.11 In October 2016, Human Services paused the review activity and decided to amend the selection criteria following adverse media reports that severely disabled and manifestly eligible DSP recipients had been selected for review under the measure.³⁵

3.12 Human Services consulted with the department's Health Professional Advisory Unit to develop a list of 111 medical conditions that would exclude a recipient from review under the measure. These conditions included a range of cancers, genetic conditions, and degenerative diseases. Human Services also explored other criteria, such as inclusion of a trustee on the recipient's file, which could act as a quasi-marker of severe disability and thus assist to identify recipients who were unlikely to improve over time and therefore should not be selected for medical review.

3.13 Additionally, in February 2017 Human Services engaged the CSIRO's Data61 team to develop an algorithm that would have the potential, over time, to better identify the DSP recipients most likely to no longer be eligible for the DSP, based on medical and non-medical factors. Human Services uses a rule-based risk profile to select DSP recipients for review under the 2016–17 measure. The Data61 project sought to develop a prediction system that estimates the likelihood of the review outcome (eligible or ineligible) for current DSP recipients and is based on:

applying machine learning techniques to examples of customers with completed reviews (assessed under the current eligibility criteria). The machine learning algorithm learns a relationship that relates known customer data to review outcome based on these historical examples, then uses that relationship to predict outcomes for customers that have not yet been reviewed.

32 Department of Social Services, *2016–17 Budget Measure: Disability Support Pension*, available from <https://www.dss.gov.au/our-responsibilities/disability-and-carers/budget-measures> [accessed 2 October 2018].

33 Commonwealth Government, *2016–17 Budget Measures Budget Paper No.2*, p. 143, available from https://www.budget.gov.au/2016-17/content/bp2/download/BP2_consolidated.pdf [accessed 2 October 2018].

34 Risk profiles refer to weighted selection criteria that are used to assess the likelihood that a recipient will no longer meet medical eligibility requirements.

35 In evidence to the JCPAA, Human Services advised that effective application of risk profiles depends on the information present on the customer's record, and that not all of the relevant information, such as the fact that a recipient was manifestly eligible for the DSP, was available or captured in a way that could be identified by data profiling. In April 2018, Human Services advised the ANAO that when a recipient is selected for review, customer records are being updated to include manifest tags if appropriate.

3.14 In total, Human Services initiated 23,803 reviews in 2016–17, and a further 6,253 reviews were initiated in July 2017, taking the total number of reviews initiated to 30,056. The 30,000 reviews planned to be initiated in 2017–18 were not commenced, and as at September 2018, the department had not commenced any reviews in 2018–19. It was originally anticipated that by July 2018, Human Services was expected to have completed 60,000 reviews and that 10 per cent of recipients reviewed would have their payments cancelled.

3.15 Social Services and Human Services have advised their ministers throughout the course of implementing this Budget measure, including advice on the ‘pause’ in initiating reviews in October 2016 and that no new reviews had been initiated since July 2017.

3.16 At estimates hearings in March³⁶ and May 2018³⁷, the Secretary of Social Services advised that the department was in the process of reviewing the 2016–17 Budget measure, including looking at the outcomes to see whether the measure is operating as intended. Social Services provided advice to the Minister in July 2018 on the performance of the measure to date.

3.17 At the estimates hearing in October 2018³⁸, the Secretary of Social Services stated that the government has decided not to continue with the Budget measure of reviewing 90,000 DSP recipients for eligibility. The Secretary stated that the decision was made on 19 October 2018. There is not a public document in relation to this decision and details may be reported in the mid-year economic and fiscal outlook report. The Secretary reported that 30,056 reviews were initiated and 28,784 have been finalised, with 555 recipients no longer eligible for DSP. Human Services is finalising the residual 1272 reviews. In addition, the standard compliance process to ensure the integrity of the outlays continues.

3.18 Based on this information, the majority of people (approximately 98%) whose DSP eligibility review has been completed, remain eligible for DSP.

Decisions regarding recipients selected under superseded risk profiles

3.19 Human Services established a taskforce in July 2017 to quality check all review decisions made under the 2016–17 Budget measure which had recommended the cancellation of a recipient’s payment.³⁹ Among other things, these customers were assessed against the revised exclusion criteria and risk profiles to ascertain if they would have been selected for review under the revised arrangements. The taskforce aimed to identify systemic issues with the risk profiles used to select recipients for review and to incorporate learnings into future review work.

3.20 The taskforce found that of the 7637 DSP recipients recommended for cancellation under the 2016–17 Budget measure, about 56 per cent would not have been selected for review under the revised exclusion criteria/risk profiles. In the vast majority of cases (n=4041) there was medical evidence of a condition that was now on the exclusion list as it was indicative of a severe disability. The remainder had a range of vulnerability or complexity factors, such as having a nominee or significant mental health conditions. Additionally, 246 DSP recipients were excluded due to

36 Community Affairs Committee Hansard, Senate Estimates, 1 March 2018, p. 100.

37 Community Affairs Committee Hansard, Senate Estimates, 31 May 2018, p. 79.

38 Community Affairs Committee Hansard, Senate Estimates, 25 October 2018, pp. 27-28.

39 Recommendations to cancel a recipients DSP payments may have been because the recipients did not provide medical evidence or adequate medical evidence. Subsequently, Human Services changed its processes to be more active in assisting recipients to gather medical evidence.

identified vulnerabilities Human Services did not proceed with payment cancellations for these 4287 recipients.

3.21 ANAO notes that it is not possible for Human Services to completely eliminate the risk of selecting a recipient who is manifestly or severely disabled for medical review as in most instances the department does not hold contemporary medical records. That is, there is no requirement for recipients to advise the department of any deterioration in the conditions assessed for DSP or of the emergence of new co-morbidities. The Taskforce found that 56 per cent of recipients who were initially selected for review would not have been selected under the revised risk profiling approach, which shows a reduced risk of selecting inappropriate review candidates.

3.22 Human Services advised the ANAO that the Data61 system was applied to selections from April 2017. However, as no reviews have been initiated since July 2017, the learning algorithm has had little opportunity to mature. Human Services advised that the Data61 prediction system will be incorporated into future medical reviews.

3.23 The risk profiles currently in use by Human Services were finalised in June 2017 and are clearly documented. There is scope for further improvement if the machine learning algorithm is applied. ANAO considers that the revised risk profiles provide for effective selection of DSP recipients for review, within the limitations afforded by DSP recipient records. Despite the delay in initiating reviews, Human Services is currently working to use the risk profiling implemented under the 2016–17 Budget measure to inform its broader compliance program. On this basis, the ANAO considers recommendation no.2 from Auditor-General Report No.18 2015–16 to be implemented.

Has the Department of Social Services explored options for data sharing with relevant state, territory and Commonwealth programs to inform risk profiles?

In response to JCPAA recommendation no.4, Social Services has explored options for data sharing with other government agencies to inform risk profiles and noted challenges associated with data matching in the short term. The ANAO considers that the department has implemented the recommendation, noting that future opportunities may arise once all relevant state and territory data is transferred into the National Disability Insurance Scheme in 2020.

3.24 During the JCPAA inquiry, the committee noted that some of the severely disabled or manifestly eligible recipients of DSP that were inappropriately selected for medical review under the 2014–15 Budget measure were residing in full-time state-funded residential care (such as nursing homes). The committee considered that using rent assistance and related data to identify recipients residing in full-time state-funded residential care would result in a more efficient targeting process for reviews, because it is highly unlikely that such recipients will see improvements in their conditions and therefore become medically ineligible for the DSP.

3.25 Human Services subsequently advised the committee that: it had limited capacity to cross-check data with other Government and state and territory systems; it did not have the capacity to cross-check its own system data to identify if DSP recipients were in receipt of rent assistance payments for residential care; and that the department's records may not indicate or flag that a recipient is manifestly eligible or residing in full-time care.

3.26 The JCPAA subsequently recommended that:

Recommendation 4: DSS and Human Services investigate the capture and sharing of data between Federal departmental systems and with State and Territory governments to improve the identification and exclusion from review of manifestly eligible and other severely disabled recipients.

3.27 On 21 December 2017, Social Services agreed to the recommendation. In September 2018, Social Services provided the JCPAA with a status update for recommendation four. The update noted that data on individual's disabilities is currently held by multiple jurisdictions and in various non-standardised forms but that following the national roll out of the NDIS by July 2020, the NDIA will hold Australia-wide, standardised data on the disabilities of NDIS participants. As such, Social Services advised that 'further consideration of this [data matching] option should be deferred until after 2020 where, if similar issues arise in the future, a cost benefit analysis could occur with the benefit of an established NDIA data set.' The ANAO considers that recommendation no.4 from the JCPAA inquiry is implemented.

4. Monitoring, reviewing and reporting on the Disability Support Pension

Areas examined

This chapter examines whether the departments of Social Services and Human Services monitor, review and report on the Disability Support Pension, including: an assessment of the internal and external key performance measures and publication of program data; the evaluation activities undertaken by both departments; and the implementation of recommendations three and four from Auditor-General Report No.18 2015–16.

Conclusion

The departments of Social Services and Human Services monitor, evaluate and report on delivery of the Disability Support Pension program, but improvements should be made to the effectiveness of approaches across all three domains. The assessment of performance against outcomes is not complete as the departments do not have a comprehensive set of key performance measures for interdepartmental and external reporting. The interdepartmental timeliness key performance measure is biased, as it excludes Disability Support Pension claims with processing times over 84 days. Evaluations focussed primarily on effectiveness and should be broadened to also address efficiency and cost-effectiveness. The departments have not implemented the Auditor-General's recommendation 3(a) from Report No.18 2015–16 to develop a more complete set of internal and external performance measures.

Areas for improvement

The ANAO made four recommendations aimed at: improving the linkages between key performance measures and key deliverables/program outcomes for the delivery of the Disability Support Pension; re-evaluating recent changes to the Disability Support Pension claims process; and enhancing publically available data on the Disability Support Pension.

Do the departments of Human Services and Social Services have performance measures that effectively assess the delivery of the Disability Support Pension?

The departments of Human Services and Social Services have performance measures which are partly effective in assessing the delivery of the Disability Support Pension. The timeliness indicator for processing Disability Support Pension claims is biased as it excludes claims with processing times over 84 days. The key performance measures are partly relevant and reliable, but not complete. Further, there are no key performance measures for some deliverables in the bilateral management arrangement. The performance measures reported in the departments' annual performance statements are not clearly linked to the purpose/outcome in each departments' corporate plan and portfolio budget statement.

The inter-departmental key performance measures have not been reviewed since they were first agreed in 2014. Auditor-General recommendation 3(a) to develop a more complete set of external and internal performance measures for the Disability Support Pension has not been implemented.

4.1 Auditor-General Report No.18 2015–16 *Qualifying for the Disability Support Pension* found that there was scope for more complete and meaningful performance measures and reporting for the Disability Support Pension (DSP). In particular, the audit report noted that:

[The Department of Social Services] reports little information about the efficiency, effectiveness and economy of the program or of DSP eligibility processes. [The Department of Human Services] reports (in its Annual Reports) aggregate performance information on income support and provides no performance information (other than the total volume of Job Capacity Assessments conducted during the year) on service delivery aspects.

4.2 The Auditor-General recommended that the departments of Social Services (Social Services) and Human Services (Human Services):

3(a): develop a more complete set of external and internal performance measures for the effective delivery of DSP.

4.3 In order to assess whether Social Services and Human Services have fully implemented this recommendation, the ANAO examined the:

- internal reporting on DSP operational performance conducted by each department;
- inter-departmental reporting of key performance measures (KPMs) as part of a bilateral management arrangement between the two entities; and
- external reporting of KPMs in each departments' annual performance statement.

Internal reporting on operational performance

4.4 Both Human Services and Social Services internally monitor and create detailed DSP data reports.

4.5 Two DSP reports are provided quarterly on the Social Services intranet (for access by Social Services officers):

- *DSP Health of Program* reports which are infographic dashboard reports that show a variety of trends, including grant rate, authorised review officer and Administrative Appeals Tribunal outcomes, and demographic data.
- *DSP Factsheets* which contain a sequence of tables that give specific DSP data similar to that presented graphically in the health of program reports.

4.6 Human Services' executives are provided with detailed DSP-specific reports, including:

- quarterly *DSP Executive Dashboard* reports: are provided to the Human Services' National Manager for Disability and the DSP Programme Board.⁴⁰ The dashboard reports contain detail on claim processing statistics including population, grants, rejections, cancellations, appeals, reviews, call wait times and customer satisfaction; and
- monthly *DSP Flow* reports: are considered by the DSP Programme Board. The flow reports contain detailed information on DSP claim assessment and processing.

40 The DSP Programme Board is described at Footnote 26 in Chapter 2 of this report.

Inter-departmental key performance measures

Governance arrangements

4.7 In October 2014, Social Services and Human Services established a bilateral management arrangement (BMA)⁴¹ that details the payments and services that Human Services delivers on behalf of Social Services — including the DSP. In 2017–18 the administered outlay of all payments delivered under the BMA was about \$110 billion. The BMA Head Agreement (2014) establishes how the departments will work together to achieve the desired outcomes. It outlines: roles and responsibilities of key staff; governance arrangements; strategic key performance measures (KPMs); an escalation process; and the performance and reporting framework. The BMA is supported by:

- seven protocols which detail the processes, frameworks and guidelines on a range of core matters (e.g. communications and media); and
- eight service arrangements that outline the more detailed expectations (including KPMs) regarding the delivery of groups of programs, services and payments.

4.8 The DSP is included in the 2014 *Age, Disability and Carer Service Arrangement* (Service Arrangement). Despite the requirement to do so, the endorsed service arrangement does not include any KPMs. The KPMs currently in use were endorsed by the secretaries of both departments in October 2014 but were never added to the service arrangement. Additionally, the DSP-specific KPMs endorsed by the secretaries were listed as ‘transitional only, pending upcoming policy developments’. The ANAO observed one minor change in the DSP-specific KPMs between October 2014 and July 2018, but there was no evidence to indicate that the KPMs had been reviewed in response to the ‘pending policy developments’.

4.9 In April 2018 the secretaries of Social Services and Human Services signed the BMA Statement of Intent, which replaced the 2014 BMA Head Agreement.

Proposed review of key performance measures

4.10 When responding to Auditor-General Report No. 18 2015–16, Human Services stated that recommendation 3(a)⁴² would be implemented as part of a planned review of the BMA, including the KPMs. A review of the BMA was initiated in December 2016, with the intent of implementing new arrangements in 2017–18, but was not completed.

4.11 In February 2018, Human Services proposed to maintain the existing KPM framework, in part because of the limitations of Human Service’s legacy ICT systems and the move to a new online claim process for DSP applicants in 2018–19. In April 2018, the departments agreed to conduct a BMA review (including the performance framework) in 12–18 months, or when Human Services’ relevant technological enhancements had been made — whichever was earlier.

4.12 In August 2018, both departments commenced discussions regarding the KPM review. There would be merit if, at these discussions, the departments considered the future KPM needs of

41 Other payments delivered under the BMA include (but are not limited to) the Age Pension, Paid Parental Leave, Newstart, Youth Allowance, Carers payments and the Parenting Payment.

42 The recommendation is discussed at paragraph 4.2.

the DSP, with a view to informing the ICT system design which is currently being undertaken by Human Services.

Key performance measures

4.13 Progress against the KPMs is reported in a quarterly performance assurance report, which is cleared through strategic business discussion⁴³ meetings and submitted to the Bilateral Management Committee.⁴⁴ Social Services is also provided with quarterly information exchange reports which contain more detailed DSP data than in the performance assurance report.

4.14 Both Social Services and Human Services have identified deficiencies in the KPMs for the DSP:

DSS, June 2017: The Performance Assurance Report is not sufficiently timely to facilitate critical program management discussions and not sufficiently detailed to assist ongoing program management and delivery matters more broadly.

Human Services, June 2018: Performance data is not available and there are no widely understood productivity targets. This makes it difficult to manage the end-to-end process.

4.15 The BMA lists KPMs across three key areas, timeliness, quality (payment accuracy) and relationship management. One timeliness and one quality KPM are DSP-specific:

- Timeliness — KPM 1: 70 per cent of new DSP claims completed within 49 days, up to 84 days. Claims over 84 days are excluded from the performance reporting.
- Quality — KPM 2: 95 per cent of all DSP payments accurately paid in accordance with policy requirements.

4.16 All of the relationship management KPMs are reported in the performance assurance report at an aggregated level across all payment and services. It is therefore not possible, from the information provided in the performance assurance report, for Human Services and Social Services to assess the individual performance of the DSP against these KPMs.⁴⁵

Table 4.1: DSP performance results reported in performance assurance reports

Key performance measures	2015–16				2016–17				2017–18			
	Quarter or trimester				Quarter or trimester				Quarter or trimester			
	1	2	3	4	1	2	3	4	1	2	3	4
1. Timeliness	■	■	■	■	▲	▲	■	◆	◆	◆	◆	◆
KEY: ■ ≤ 60% ▲ 61–69% ◆ ≥ 70%												

43 The strategic business discussion meetings are jointly chaired by relevant SES Band 1 or Band 2 officers at Social Services and Human Services. The members are responsible for resolving program issues where possible and escalating issues to the Bilateral Management Committee where appropriate.

44 The Bilateral Management Committee is the highest BMA governance committee between Social Services and Human Services. It is jointly chaired by deputy secretaries in each department. The committee sets the strategic direction of the work and monitors program and payment performance.

45 In August 2018, Human Services were able to compile a report that showed: in 2017–18, 94.5 per cent of DSP reviews were completed within 49 days (green), and 86.6 per cent of DSP reviews for vulnerable recipients were completed within 14 days (red).

Key performance measures	2015–16				2016–17				2017–18			
	Quarter or trimester				Quarter or trimester				Quarter or trimester			
	1	2	3	4	1	2	3	4	1	2	3	4
2. Quality (Payment Accuracy) KEY: ■ <93% ▲ 93–94% ◆ ≥ 95%	■	■	■	n/a	■	■	■	n/a	■	■	■	n/a

Source: ANAO analysis of Human Services' performance assurance reports.

ANAO assessment of key performance measures

4.17 The ANAO's assessment of the appropriateness of KPMs for the DSP found that they were partly relevant and reliable, but not complete. The KPMs for timeliness and relationship management have scope for improvement and some key Human Services' accountabilities in the BMA are not represented (see Table 4.2). More detailed comments with respect to the DSP-specific KPMs is provided at paragraphs 4.18–4.31.

Table 4.2: ANAO assessment of key performance measures from the BMA

KPM	ANAO assessment
Timeliness 70% of new DSP claims completed within 49 days. Claims over 84 days are excluded.	<p>Relevant: partly</p> <p><u>Benefit:</u> yes. The KPM allows timeliness of DSP claims processing to be reported.</p> <p><u>Focus:</u> no. The KPM is linked to the overall policy outcome. However, as the KPM excludes all claims that take over 84 days to process, a complete picture of the time taken to process claims is not provided.</p> <p><u>Understandable:</u> yes. The KPM is written clearly and describes what will be measured.</p> <p>Reliable: partly</p> <p><u>Measurable:</u> yes. A quantitative measure that is linked to particular payments/services.</p> <p><u>Non-biased:</u> no. While the KPM clearly states the exclusion, it still results in an inherently biased performance measure.</p>
Quality 95% of all DSP payments accurately paid in accordance with policy requirements and standards.	<p>Relevant: yes</p> <p><u>Benefit:</u> yes. The KPM allows quality of DSP payments to be reported under the BMA.</p> <p><u>Focus:</u> yes. The KPM is linked to the Quality theme.</p> <p><u>Understandable:</u> yes. The KPM is written clearly and describes what will be measured.</p> <p>Reliable: yes</p> <p><u>Measurable:</u> yes. A quantitative measure that is linked to particular payments/services.</p> <p><u>Non-biased:</u> yes, it is 95 per cent of all <i>sampled</i> DSP payments. In 2017–18, about 1800 DSP payments were selected to be tested for payment accuracy. Human Services documents require the sample to be statistically representative of the recipient population across all areas of Australia.</p>

KPM	ANAO assessment
<p>Relationship management</p> <p>Seek to undertake reviews in 49 days for recipients.</p> <p>AND</p> <p>14 days for vulnerable recipients.</p>	<p>Relevant: partly</p> <p><i>Benefit:</i> yes. The KPM is linked to the Relationship Management theme.</p> <p><i>Focus:</i> no. Using the Performance Assurance Report, Social Services cannot monitor the timeliness of DSP internal reviews as the data is aggregated across all payments and services in the Bilateral Management Arrangement.</p> <p><i>Understandable:</i> no. While the KPM relates to the completion of reviews, the text could be misinterpreted as 'seek to undertake' could also be read as commenced.</p> <p>Reliable: partly</p> <p><i>Measurable:</i> yes. The KPMs are quantitative measures.</p> <p><i>Non-biased:</i> no. Social Services is not alerted to payments or services trending lower than others.</p>
<p>Overall assessment of all KPMs</p>	<p>Complete: no</p> <p><i>Balanced:</i> partly. The DSP-specific KPMs allow the Departments to track quality, and some aspects of claim timeliness. However there are no measures of customer experience (i.e.: complaints/satisfaction and telephony data), or measurements of effectiveness for the payments.</p> <p><i>Collective:</i> no. There are KPMs for timeliness, payment accuracy and relationship management. However, some key Human Services' accountabilities in the BMA are not represented as KPMs. Additionally, there is no clear linkage between the BMA and the Outcomes for either department.</p>

Note: This assessment is based on the method developed by Auditor-General Report No.33 2017–18, *Implementation of the Annual Performance Statement Requirements 2016–17*.

Source: ANAO analysis.

KPM: timeliness

4.18 In April 2015, Human Services and Social Services agreed that DSP claims that take over 84 days to be processed would be excluded from the KPM. Human Services stated that the exclusion was necessary because if it took more than 84 days to process a DSP claim, it was due to the department waiting for the applicant to provide medical evidence, and therefore out of the department's control. When Social Services requested evidence of this reason for delay, Human Services advised that the information was not available. Nevertheless, the KPM was agreed by both departments on the provisos that: the KPM was considered provisional and would need to be re-negotiated once the DSP Government-contracted doctor measure was bedded down; and Social Services were given data on the number of claims that are excluded (more than 84 days).

4.19 ANAO notes that the Government-contracted doctor measure has been in place since January 2015 and a review of the measure found that the changes added about six weeks to the time taken to grant a DSP claim and three and a half weeks to reject a DSP claim. Nonetheless, as at September 2018, the KPM has not been renegotiated.

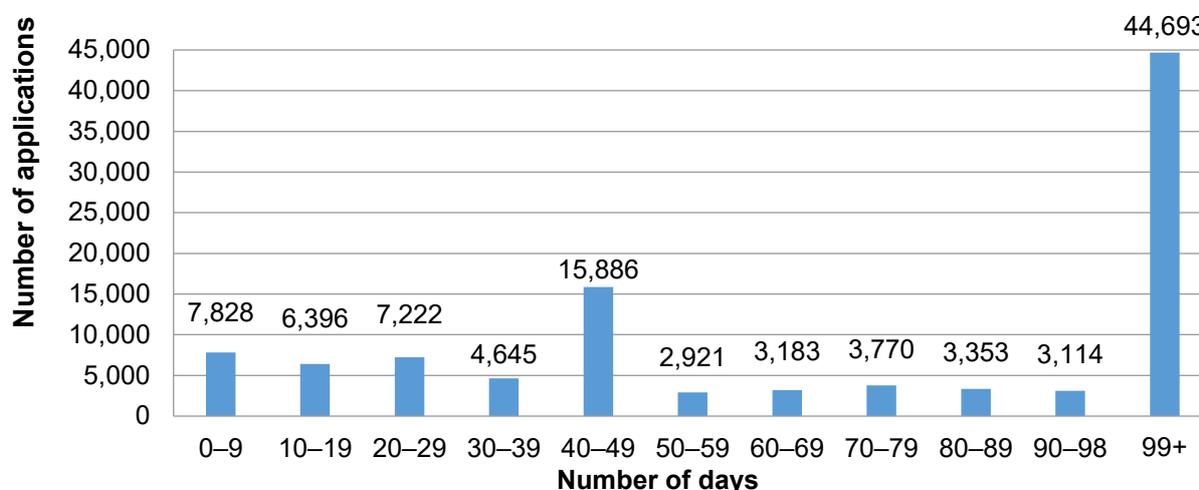
4.20 Human Services advises Social Services of the number of claims that are excluded from the timeliness KPM in the quarterly disability information exchange reports, which also expresses excluded claims as a percentage of the overall DSP claim population for that quarter. There would be merit in Human Services providing more detail on the range of time taken to process the claims that are excluded from the KPM, so that Social Services can better monitor the adequacy of the exclusion.

4.21 The ANAO analysed the total number of claims finalised between Q3 2014–15 and Q3 2017–18 (Figure 4.1) and found that:

- A large proportion of claims each quarter take more than 84 days to be finalised. Between Q3 2016–17 and Q4 2017–18 this accounted for about 40 to 60 per cent of all claims finalised, compared to around 10 to 20 per cent in 2014–15 when the exclusion was agreed.
- The total number of claims finalised within 84 days has decreased since Q2 2016–17, but because of the large proportion of claims taking more than 84 days (and thus excluded from the KPM target), Human Services has met the KPM target for the past five quarters.

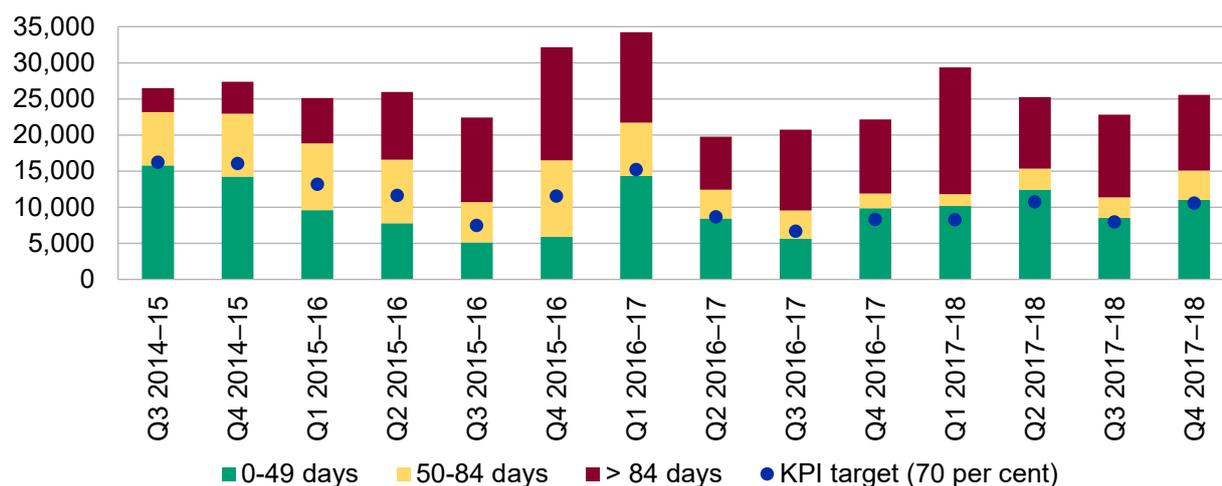
4.22 The performance indicator of 70 per cent of claims processed within 49 days provides an incentive for Human Services to process claims within this time. Figure 4.1 shows a peak in DSP claims completed leading to the first performance milestone (40–49 days). A similar pattern is not indicated leading up to the 84 days exclusion cut off (80–89 days). The exclusion of claims that take more than 84 days to be processed results in a diminished incentive to process them.

Figure 4.1: Days taken to complete DSP applications in 2017–18



Source: ANAO analysis.

4.23 By excluding a large proportion of claims, the KPM does not provide a sufficiently complete picture of DSP timeliness, especially given the impact on applicants who may wait a long time for an eligibility decision. The exclusion from the KPM of claims over 84 days makes it easier for the departments to achieve the KPM - but through the removal of a large proportion of the claim population, rather than through processing claims. As demonstrated in Figure 4.2, there has been a narrowing of the number of amber claims (50–84 days) over time.

Figure 4.2: Timeliness of DSP new claims finalised, by quarter

Note: The blue dot on each column indicates the KPM marker of 70 per cent of claims processed within 49 days (excluding claims that exceeded 84 days). If the dot is placed in green (the lowest bar), the KPM was met.

Source: ANAO analysis of Human Services data.

4.24 Since Q4 2016-17, Human Services has met the timeliness KPM. In May 2017, Human Services commenced a streamlining pilot⁴⁶ aimed at improving the timeliness of DSP claim processing, which was rolled out permanently from July 2017. Human Services reported that the streamlined approach had improved the processing time for claims finalised at the initial assessment stage (i.e. manifestly eligible or manifestly ineligible), but there had been a noticeable degradation in claim processing times after this point.

4.25 In May 2018, Human Services advised the Community Affairs Legislation Committee that the median time taken to process DSP claims was 34 days.⁴⁷ In September 2018, Human Services advised the ANAO that the reported median figure only included DSP claims that are processed within 0-84 days. As at June 2018, Human Services advised that the average time taken to process DSP claims at each stage was:

- 71 days — claims finalised at streamlining stage (manifestly eligible/ineligible);
- 120 days — claims finalised after a job capacity assessment; and
- 168 days — claims finalised after a job capacity assessment and a disability medical assessment.

4.26 To ensure clarity of public reporting the department should ensure that the exclusion is noted whenever the median is reported, or the full data range should be used.

46 The streamlining pilot is discussed further in paragraph 4.73.

47 Community Affairs Legislation Committee, Budget Estimates, 31 May 2018, available from https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/ca/2018-2019_Budget_estimates [accessed 10 September 2018].

KPM: quality (payment accuracy)

4.27 Under the BMA, random sample surveys are used to provide payment assurance. The principal objective of the random sample surveys⁴⁸ program is to provide an estimate of the accuracy of outlays for surveyed payments, and to estimate the impact of administrative errors. The survey also identifies emerging risks associated with payment inaccuracy.

4.28 The DSP payment accuracy KPM (target \geq 95 per cent) has been less than 93 per cent since the beginning of 2015–16. In February 2018, Human Services reported that it considered two factors were impacting payment accuracy:

- some DSP recipients who have their medical eligibility reviewed and are found ineligible were included in the data as payment errors. Human Services noted that the 2012 revised Impairment Tables apply a more stringent medical criteria than the previous tables and, as such, being found ineligible under the revised tables does not mean that the eligibility decision reached prior to 2012 was incorrect; and
- DSP recipients selected for a medical review who were eligible for the Aged Pension were choosing to transfer to that payment rather than go through the medical review process. This was also classified as a payment error. Human Services noted, however, that DSP recipients were entitled to choose to remain on the DSP when they reach pension age, for as long as they continue to qualify for the DSP.

4.29 In August 2017 and February 2018, Social Services noted that DSP payment accuracy had been dropping since 2014–15. Eligibility criteria last changed in 2012 when the Impairment Tables were updated, and Social Services did not believe that this was a reason for the decline in performance against the quality (payment accuracy) KPM.

4.30 In August 2018, both departments agreed that the Bilateral Management Committee would make a decision on these issues as part of the review of the KPMs.

Completeness of KPMs

4.31 There are a number of key accountabilities for Human Services listed in the BMA. Only some of these accountabilities are represented by KPMs. The accountabilities not linked to KPMs include the provision of accessible services and information and the provision of support through telephone, online and self-help options. The importance of improving the accessibility of information and support for DSP applicants was noted by stakeholders who made submissions to this audit.

External key performance measures in Social Services' and Human Services' annual performance statements

4.32 Section 39 of the *Public Governance, Performance and Accountability Act 2013* requires entities to prepare annual performance statements for inclusion in their annual reports. These performance statements report the extent to which entities have fulfilled their purpose(s) and outcomes as articulated in their corporate plans and portfolio budget statements.

48 Random sample surveys are a 'point in time' analysis of recipients' circumstances, designed to establish whether recipients are being accuracy paid under four key principles: the right person is paid; under the right program; at the right rate; for the right date(s). Most reviews are undertaken face-to-face in the recipient's local Centrelink, but some telephone interviews and file reviews are also conducted.

Department of Social Services

4.33 The Social Services *Corporate Plan 2017–18* purpose statement for social security is to ‘encourage self-reliance and support people who cannot fully support themselves by providing sustainable social security payments and assistance.’ Social Services delivers the DSP as part of:

Outcome 1 — Encourage self-reliance and support people who cannot fully support themselves by providing sustainable social security payments and assistance.

Programme 1.8 — Income Support for People with a Disability is part of Outcome 1.

4.34 Social Services’ purpose and outcome 1 (social security) includes the goal of sustainable payments. The KPM for sustainability in Social Services’ annual performance statement is the average future lifetime cost of welfare payments to individuals. ANAO considers that this is a projected unit cost.

4.35 Social Services’ annual performance statement provides disaggregated statistical data on the DSP, as shown in Table 4.3.

4.36 Two features of Social Services’ annual performance statement of note include:

- There are no set targets or projections as Social Services reports that ‘payments are demand driven’. Inclusion of targets or projections for expected uptake or expenditure could facilitate monitoring of whether the projected impact of new policy measures are realised.
- Performance measures relating to the management agreement(s) with Human Services only require an agreement and management strategies to be ‘in place’. The measures omit information that would assist in assessing the effectiveness of the agreements.

Department of Human Services

4.37 Human Services’ *Corporate Plan 2017–18* notes that the department’s three programs and associated performance criteria are set out in the department’s portfolio budget statements 2017–18. Human Services delivers the DSP as part of:

Outcome 1: Support individuals, families and communities to achieve greater self-sufficiency; through the delivery of policy advice and high quality accessible social, health and child support services and other payments; and support providers and businesses through convenient and efficient service delivery.

Programme 1.1: Services to the Community — Social Security and Welfare

Table 4.3: Income support for people with a disability — key performance measures

Disability Support Pension	2013–14	2014–15	2015–16	2016–17	2017-18	Trend
Duration on payment (average)	691 weeks	715 weeks	753 weeks	NA	NA	↑
Percentage and number of recipients reporting employment income	8.2%	8.2%	8.2%	8.2%	8%	↓
Percentage and number of recipients on part rate due to the means test	17.9%	17.5%	15.4%	14.7%	14.4%	↓
Number of recipients	830 454	814 391	782 891	758 911	756960	↓
Administered outlays	\$16.11b	\$16.54b	\$16.42b	\$16.25b	\$16.44b	Mixed
Payment accuracy	96.05%	95.31%	91.55%	91.14%	95.52%	Mixed
Agreements are in place with all service delivery agencies	An agreement is in place with the Department of Human Services					Stable
Strategies are in place to ensure that requirements are fulfilled under agreements with service delivery agencies	Strategies are in place with Human Services					Stable
Percentage of estimated population of people with disability who receive payment	19.6%	19.2%	18.5%	17.7%	17.6%	↓
Percentage of DSP population as a proportion of the total Australian working-age population	5.1%	4.9%	4.6%	4.3%	4.2%	↓

Note: NA indicates that data was not reported in the relevant Social Services annual reports.

Source: Social Services Annual Reports, taken from various tables within the annual performance statement.

4.38 This outcome includes the achievement of greater self-sufficiency, the delivery of policy advice and the delivery of high quality accessible services and payments. However, ANAO analysis show that only the ‘delivery of policy advice’ and ‘high quality services and payments’ can be mapped to the KPMs in Human Services annual performance statement. Human Services does not publish KPMs for increasing self-sufficiency or providing accessible services and payments for individuals, families and the community.

4.39 Human Services does not publically report any DSP-specific data in its annual reports. Rather, the KPMs in the annual performance statement are aggregated across all services/payments in three categories: social security and welfare; health; and child support.

4.40 In November 2017, Human Services engaged a consultant to review the department’s performance measures in its portfolio budget statement. The consultant assessed whether the measures met, partially met or did not meet the following criteria: relevant to strategic direction, outcome and program; drive performance improvement; and reliable. In March 2018, the consultant provided a draft report on the performance measures, which concluded that:

- 12 out of the 36 performance measures met the criteria;
- 16 out of the 36 performance measures partially met the criteria; and
- eight out of the 36 performance measures did not meet the criteria.

4.41 Changes were proposed that aimed to address the identified issues by amending, consolidating, removing and adding performance measures. The proposed additional measures do not address the issues identified by the ANAO at paragraph 4.38, as performance measures for self-sufficiency and accessibility of services were not proposed.

Implementation of ANAO recommendation 3(a)

4.42 The Auditor-General recommended that Social Services and Human Services:

3(a): develop a more complete set of external and internal performance measures for the effective delivery of DSP.

4.43 In a December 2017 joint response to the Joint Committee of Public Accounts and Audit (JCPAA), Social Services and Human Services stated that all recommendations from Auditor-General Report No.18 2015–16 were fully implemented. However, in the supporting rationale, Social Services stated that the department had ‘progressed work’ rather than fully implemented recommendation 3.

4.44 In May 2018, Social Services advised the ANAO that recommendation 3 was ‘complete’ – as ‘the Bilateral Management Committee had agreed to retain the current KPM framework’. In August 2018, Social Services advised the ANAO that recommendation 3(a) was still open and monitored by the Social Services Audit Assurance Committee.

4.45 In 2017 Human Services closed recommendation 3(a) and in May 2018 advised the ANAO that recommendation 3 was fully implemented.

4.46 Following analysis of internal, inter-departmental and external monitoring and reporting on the DSP, ANAO does not consider recommendation 3(a) to be implemented as:

- The inter-departmental KPMs have not been updated since October 2014, when the BMA was first put in place.
- As at July 2018, each entity's externally reported KPMs are similar to those considered in Auditor-General Report No.18 2015–16.⁴⁹ DSS still has limited KPMs regarding efficiency, effectiveness and economy of the DSP, and Human Services still aggregates performance information and service delivery data for the payments and services.⁵⁰
- There is limited linkage between the KPMs, the key deliverables in the BMA, and the Outcomes for each entity.

4.47 As a result of these findings, in July 2018 Human Services advised the ANAO that it had re-opened Recommendation 3(a) and advised their Audit Committee accordingly.

Recommendation no.2

4.48 That the departments of Human Services and Social Services review and revise the external and inter-departmental key performance measures for the Disability Support Pension to ensure they are relevant, reliable, non-biased and complete and clearly linked to the:

- (a) Key deliverables documented in the bilateral management arrangement; and
- (b) Purpose and outcome documented in each departments' corporate plan and portfolio budget statements.

Department of Human Services response: *Agreed with qualifications.*

4.49 *In relation to Recommendation 2(a), the Department notes that the current inter-departmental performance measure reflects that: claims processing times depend on a range of factors, including the provision of medical evidence and other supporting documentation by an applicant, which is outside of the Department's control; and that the inter-departmental timeliness performance measure has been agreed with the Department of Social Services and documented in the Bilateral Management Agreement. Work is already underway with the Department of Social Services to review the key deliverables under the Bilateral Management Arrangement. In this context, the Key Performance Measures will need to maintain operational flexibility while being robust and transparent, and take into consideration the number of DSP applicants and the complexities of claims processing.*

49 Auditor-General Report No.18 2015–16, *Qualifying for the Disability Support Pension*, p.54.

50 In August 2018, Human Services advised the ANAO that 'Given the scale of the payments and services the Department administers, it is more practical to report performance at the program level, rather than for each individual payment and service.'

4.50 *In relation to Recommendation 2(b), the Department notes that there is no single external performance measure for its delivery of the Disability Support Pension. The Department notes further that its external performance measures are intended to reflect, at a strategic level, performance across the breadth of services delivered by the Department. In this context, reporting outcomes at the individual program level is therefore not consistent with the current broader programme structure. In addition, these performance measures are developed in consultation with key stakeholders, including partner agencies on whose behalf the department delivers payments and services.*

4.51 *The department will review its inter-departmental and external performance measures in conjunction with Social Services, and make any revisions as appropriate.*

Department of Social Services response: *Agreed.*

4.52 *The department regularly reviews its Key Performance Indicators and the ANAO's findings will inform the next review expected in the first half of 2019. Any revisions to the Key Performance Measures will take into account the complexities associated with the DSP program rely on the availability of data from the Department of Human Services ICT systems.*

4.53 *The department will take the opportunity to work with Department of Human Services in the development of the new Department of Human Services ICT system but notes there may be limitations affecting the extent that data can be made available. Review work will also consider the Government's response to the findings of the final report of the Independent Review of the Public Governance, Performance and Accountability (PGPA) Act 2013, once it is tabled.*

Do the departments of Human Services and Social Services evaluate changes to the Disability Support Pension to assess effectiveness and efficiency?

Human Services and Social Services evaluate changes to the DSP, appeal data and quality control results to assess effectiveness. Auditor-General recommendation 4(a), to increase the analysis of DSP data, has been implemented by both departments.

The departments' evaluations have limited consideration of efficiency.⁵¹ The two departments consult extensively internally and with each other, but may benefit from greater engagement with external stakeholders when evaluating the impact of policy and process changes to the DSP.

Social Services undertook an internal review of the Impairment Tables, which implemented Auditor-General recommendation 4(b). Social Services also commissioned an evaluation of the 2015 changes to the DSP claims process which altered medical evidence requirements and introduced an assessment by Government-contracted doctors. The latter evaluation drew upon data from the first nine months of implementation. Given the availability of an additional two years of data, it would be timely for Social Services to further review the impact of these changes, focusing on both effectiveness (including cost-effectiveness) and efficiency.

51 The Australian Standard on Assurance Engagements (ASAE) 3500 defines the following terms:
Effectiveness: the extent to which the intended objectives at a program or entity level are achieved.
Efficiency: the minimisation of inputs employed to deliver the intended outputs, in terms of quality, quantity and timing.

Human Services has initiated reviews and pilots to try and improve the speed and accuracy of DSP claim processing with some success. Further analysis is underway to identify opportunities for improvement across the DSP claims process.

4.54 Auditor-General Report No.18 2015–16 *Qualifying for the Disability Support Pension* recommended that Social Services and Human Services should identify further opportunities for improving the administration of the DSP by:

Recommendation 4(a): analysing the results of reviews of continuing eligibility for DSP, review and appeal data and quality control information; and

Recommendation 4(b): evaluating the effectiveness of the revised Impairment Tables.

4.55 As noted in Chapter 3 of this report, Social Services and Human Services have analysed the results of reviews of continued medical eligibility for the DSP provided for by the 2014–15 and 2016–17 Budget measures. This section considers other review activities undertaken by both departments.

Department of Social Services

4.56 There is evidence that Social Services undertakes evaluations to assess the implementation and impact of DSP policy changes. Two recent reviews undertaken by Social Services include a 2016 internal review of the revised 2012 Impairment Tables, and a 2016 commissioned review of changes to the DSP access process that require provision of original medical evidence and a disability medical assessment prior to a new claim being granted (with the exception of manifestly eligible claims).

Reviewing the revised 2012 Impairment Tables

4.57 To be eligible for DSP, a person must have, among other things, a permanent physical, intellectual or psychiatric impairment assessed at 20 points or more using the *Tables for the Assessment of Work-related Impairment for Disability Support Pension* (the Impairment Tables).⁵² In June 2011, an Advisory Committee⁵³ reviewed the Impairment Tables and recommended that the Impairment Tables be revised and updated, as they were no longer consistent with contemporary medical and rehabilitation practice. The revised Impairment Tables were implemented on 1 January 2012 and focus on functional ability, with an aim to ensure that people applying for DSP are assessed according to what they can do, rather than what they cannot do.

4.58 Auditor-General Report No.18 2015–16 found that:

Since the introduction of the revised impairment tables in 2012, the proportion of rejected claims has grown markedly. [...] At the time of the audit, DSS had not reviewed or evaluated the revised tables or their impact. Such a review would facilitate policy adjustment or alignment and would provide assurance on whether current results are in keeping with legislation.

52 As at July 2018, there are 15 Impairment Tables (differentiated by areas of the body i.e. lower limb function or intellectual function) which are used to quantify the extent to which a person's disability affects their ability to work. This assessment is conducted during the Job Capacity Assessment stage of the DSP claims process (see Figure 1.3).

53 The Advisory Committee consisted of medical, allied health and rehabilitation experts, representatives of people with disability, mental health advocates and other Government agencies.

4.59 In response to Auditor-General recommendation 4(b)⁵⁴, Social Services, in consultation with Human Services, completed an internal *Post-Implementation Review of the Revised Impairment Tables* in 2016⁵⁵, thus implementing Auditor-General recommendation 4(b).

4.60 The post-implementation review made four recommendations and concluded that since the introduction of the revised Impairment Tables:

- the consistency and quality of DSP claim assessments had improved — in particular referencing the high affirmation rates for DSP appeals which had increased since the revised tables were implemented;
- only a limited number of minor issues had arisen, which could be addressed through changes to process, training and guidance materials; and
- there had been a decrease in the number of grants each year for most medical conditions.

4.61 In July 2018, Social Services advised its Audit Committee that all four recommendations made by the 2016 Impairment Table review had been addressed.

4.62 When reviewing the original Impairment Tables in 2011, the Advisory Committee consulted widely with internal and external stakeholders including a range of medical and allied health professionals and organisations as well as disability peak organisations. In conducting the Post-Implementation Review, Social Services did not seek input from external parties, such as disability peak bodies, due to the concern that it could ‘raise expectations about the possibility of making changes to the revised Impairment Tables’.

4.63 Submissions from stakeholders to the JCPAA’s *Commonwealth Risk Management* inquiry in 2017 raised concerns about the impact of the revised Impairment Tables, and that information on the Impairment Tables should be made more accessible. Similarly, peak disability bodies who provided submissions for the current audit noted that:

- The Impairment Tables requirements are not well understood by DSP applicants until they seek help from a disability advocate. While the Impairment Tables are publically available, they are wordy and difficult to interpret and apply.
- Information on the DSP eligibility requirements should be made available in accessible formats.⁵⁶
- Human Services and the Social Services should undertake to work with key stakeholders on a consultative basis to ensure that any new or modified processes are co-designed and field tested to ensure their applicability and practicality when implemented.⁵⁷

54 See paragraph 4.54

55 In May 2018, Social Services provided the *Post Implementation Report of the Revised Impairment Tables* to the JCPAA who made it publically available. The report can be viewed on the Parliament of Australia website: https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CRM/Government_Response [accessed 24 July 2018].

56 For example, the Human Services DSP website has only high-level information on what impairment tables are and how they are used to assess eligibility for the DSP: <https://www.humanservices.gov.au/individuals/services/centrelink/disability-support-pension/eligibility/how-we-assess-your-disability-or-condition> [accessed 24 September 2018].

57 The Disability Branch of Human Services meets with stakeholders on a biannual basis. Social Services also meets regularly with disability and related stakeholders.

4.64 With the Impairment Tables expiring in April 2022, Social Services advised the ANAO that preliminary work on a new review is scheduled for 2020. There is evidence Social Services is considering the approach for the 2020 review of the Impairment Tables, which includes identifying a range of stakeholders.

Evaluation of the 2015 changes to the DSP access process

4.65 As discussed in Chapter 2, two key changes were made to the DSP access process from 1 January 2015 — namely, the requirement to provide raw medical records or evidence and the addition of a disability medical assessment by a Government-contracted doctor. In June 2015, Social Services engaged an external consultant to undertake an evaluation to ‘obtain an understanding of how effectively the revised assessment process is achieving the policy objective and what the related impact of the measure has been’.

4.66 To conclude on this objective, the evaluation compared the DSP claims data for the six months of transition (January–June 2015) and the first nine months of the changed access process (July 2015–March 2016) to the same periods one year earlier. The evaluation included consultation with external stakeholders, including general practitioners, psychologists and disability advocates. The evaluation noted that due to the limited time period, some caution should be taken when interpreting the results in the report.

4.67 The evaluation was finalised in April 2017⁵⁸ and concluded that:

- the revised process had been implemented in a manner consistent with the policy intent and that the objectives of the revised process had been met;
- the introduction of disability medical assessments resulted in 2.5 per cent of claims being rejected that would have previously been approved, reducing the overall grant rate from 23.4 per cent to 20.9 per cent; and
- Authorised review officer decisions affirming the original decision had continued to increase over the three years examined, indicating that the revised assessment process was robust and resulting in appropriate determinations.

4.68 The evaluation also found that the changes added about: six weeks to the time taken to grant a DSP claim; and three and a half weeks to reject a DSP claim.

4.69 The Social Services Implementation Plan for the 2015 changes identified a range of benefits and ‘dis-benefits’.⁵⁹ A potential ‘dis-benefit’ identified by Social Services was that the measure might increase the cost of the program budget, as the cost of employing Government-contracted doctors would outweigh any potential savings from rejected claims. A cost/benefit analysis was

58 In May 2018, Social Services provided the *Evaluation of the Revised DSP Assessment Process* report to the JCPAA who made it publically available. The report can be viewed on the Parliament of Australia website: https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CRM/Government_Response [accessed 24 July 2018].

59 In addition to the increased time taken to process DSP claims, potential ‘dis-benefits’ included: increased complexity for DSP applicants who were required to access and provide copies of their medical records; and additional costs for some DSP applicants in obtaining copies of medical records and attending a disability medical assessment.

listed as an evaluation activity in the contract for the evaluation, but was not included in either the final project plan or the evaluation report.⁶⁰

4.70 In assessing the effectiveness of the process changes, the evaluation examined trends in appeals data and concluded that the 'revised assessment process is robust and resulting in appropriate determinations', as authorised review officer decisions affirming the original decision had continued to increase from 78 per cent to 92 per cent between 2013–14 and 2015–16 (to March). In September 2018, Human Services advised the ANAO that authorised review officer decisions, which remained unchanged from the original decision in respect of customers who had undergone a disability medical assessment, had decreased to 72.6 per cent in 2016–17 and 70.6 per cent in 2017–18. In light of this and the limited scope and data availability underpinning the April 2017 evaluation of these measures, there would be merit in a further review of the 2015 changes to the DSP claims process in 2019.

Recommendation no.3

4.71 That Social Services conduct a further review in 2019 of the efficacy of 2015 changes to the DSP claims process to require raw medical records or evidence and a disability medical assessment by a Government-contracted doctor. The review should include:

- (a) an assessment of both effectiveness (including cost-effectiveness) and efficiency; and
- (b) consultation with both internal and external stakeholders.

Department of Social Services response: *Agreed.*

Department of Human Services

4.72 Human Services has initiated numerous pilots and projects to identify issues and make improvements to each step of the DSP claims process. These include (but are not limited to): adjusting when the assessment of non-medical eligibility occurs; establishing a DSP taskforce and appeals working group; establishing a Government-contracted doctor project group; DSP claims processing and workload analysis; piloting a variety of new approaches; and reviewing and updating the DSP operational blueprint.

Streamlining pilot and evaluation

4.73 Between May and June 2017, Human Services piloted a streamlined approach for the DSP claims process, by introducing a Medical Assessment Team (MAT) consisting of health and allied health professionals. In July 2017, the streamlining process was rolled out for all Human Services claims. The purpose of the streamlined approach was to speed the processing of DSP claims by moving the assessment of a person's medical and non-medical evidence to the beginning of the process. The new approach aimed to have eligible DSP recipients receive their payment faster and reduce processing time for those not eligible by:

60 The policy objectives of the measure were to provide additional rigour to the DSP assessment process and improve the integrity of the welfare system, by ensuring that from 1 July 2015 all DSP applicants who are granted DSP (excluding manifest) have attended a disability medical assessment conducted by a Government-contracted doctor, based on medical evidence provided by the applicant.

- providing clearer information to claimants and treating doctors about the evidence required for DSP;
- having Human Services' health and allied health professionals conducting earlier and more thorough expert assessments of medical evidence; and
- improving the targeting of job capacity assessments to only those who really need them by clarifying medical evidence earlier.

4.74 The progress of the streamlining activity was reported through submissions to Human Services executives and Social Services. In October 2017, the DSP Programme Board requested that an evaluation be conducted of the new approach. Evaluation reports were completed in February 2018 and May 2018 and highlighted:

- a 43 per cent reduction in the proportion of DSP claims undergoing a job capacity assessment;
- a two per cent improvement in the DSP timeliness KPM for new claims finalised at initial assessment (manifestly eligible or manifestly ineligible); and
- an improved wait time for a job capacity assessment.

4.75 The evaluation also identified an area of continuing concern: DSP claims were taking longer to finalise if job capacity assessments and disability medical assessments (by a Government-contracted doctor) were required.

4.76 Human Services created 14 'measures of success' for the streamlining changes to monitor the success of the rollout. These measures included a focus on assessment activities, claim timeliness, assessment timeliness and appeals. In May 2018, nine of the 14 'measures of success' had been met, but the report concluded that more detailed analysis was required to identify the factors contributing to the delays in processing new claims.

4.77 Human Services has concluded that this improved assessment process has been successful in better targeting assessments and reducing red tape for those who are manifestly eligible, but the potential benefits have not been fully realised in other aspects of the end-to-end DSP claim process.

Other review activities (June 2018)

4.78 In June 2018, the Disability Branch submitted a paper to the DSP Programme Board that summarised a series of internal reviews recently completed on the DSP, and provided analysis regarding the issues affecting the performance of the DSP claims process. The report highlighted a number of questions that were yet to be answered, including:

- Why is there not a sustainable improvement in the number of claims on hand and timeliness, given claim lodgement has fallen and there have been a number of recent changes implemented to streamline and automate the claim process?
- Why, since September 2015, were three taskforces needed to address un-finalised claim volumes, and why is performance still below expectation despite this considerable stakeholder effort?
- Does the exclusion of claims aged over 84 days from the key performance measure provide a disincentive to action certain claims?

- Is customer delay in providing information really the main contributing factor to the claim timeliness results?

4.79 The June 2018 paper stated that:

The key recommendation for consideration by the Board is the establishment of an expert Multidisciplinary Team (MDT) to undertake an in depth examination and analysis of DSP claim performance. This will inform further recommendations and proposals to transform and improve process, and support the ongoing development of enhanced performance and monitoring capability.

4.80 The Multidisciplinary Team first met in July 2018. ANAO considers that recommendation 4(a) and 4(b) have been implemented.

Have the departments of Human Services and Social Services implemented a consistent approach to the collection and publication of Disability Support Pension data?

Human Services and Social Services have implemented a consistent approach to the collection and publication of DSP data, through the *Protocol for the Release of Social Security and Related Information*. As such, the ANAO considers that recommendation 3(b) has been implemented.

Social Services provides a large amount of demographic data regarding DSP recipients on www.data.gov.au but there is limited information in the public domain about the time taken to process applications and the outcomes of appeals.

4.81 Auditor-General Report No.18 2015–16 *Qualifying for the Disability Support Pension* found that there was scope for more complete and meaningful performance measures and reporting for the DSP. In particular, the Auditor-General noted that:

DSS and Human Services publish different figures on the numbers of DSP recipients each year. This lack of consistency is due to both departments using different data sources and methodologies for the extraction of the data.

Recommendation 3(b): DSS and Human Service agree on a consistent approach to the collection and publication of income support recipient data.

4.82 In December 2017 Social Services and Human Services advised the JCPAA's inquiry that recommendation 3(b) was fully implemented. In May 2018, Social Services advised the ANAO that:

[Recommendation 3(b)] was addressed through the revision of the *Protocol for the Release of Social Security and Related Information* (the Protocol). The Protocol was signed by the department and DHS and finalised on 1 June 2017.

4.83 The *Protocol for Publication of Social Security and Related Information 2017* (the Protocol) governs the external release of aggregate social security and related information.⁶¹ The Protocol has arrangements to facilitate public access to the information, and to ensure that all data released externally is timely, relevant, accurate, consistent and understandable.

⁶¹ The protocol governs various payments and services provided by Human Services for the Social Services. These include (but are not limited to) the: Disability Support Pension; Abstudy; Austudy; Age Pension; Baby Bonus; Carer Allowance; Child Support; Rent Assistance; and Mobility Allowance.

4.84 As part of the updated protocol, the departments agreed: business rules for extracting data for manifest grants to produce consistent reporting; an approach to align claim activity reporting for consistent reporting and alignment of terminology; and use of DSP Population data for external reporting of DSP recipient volumes. The protocol has been updated three times since Auditor-General Report No.18 2015–16 was published in January 2016.

4.85 The ANAO tested the similarity of some key statistics reported by both Social Services and Human Services. As Human Services no longer publishes any DSP data in its annual report, the ANAO used two internal reports: the DSP executive dashboard (Oct–Dec 2017) which is created by Human Services and not provided to Social Services; and the DSP fact sheet (data extracted 22 December 2017) which is created by Social Services staff using data extracted from Human Services' IT system. ANAO did not identify any material differences in the data contained in the two reports from Social Services and Human Services.⁶²

4.86 Under the protocol, Human Services reports on operational and service delivery efforts, while Social Services reports on a wide range of demographic data relevant to the DSP every quarter on the publically available Social Services payment demographic data webpage on www.data.gov.au.⁶³ This database provides a wide array of information on the demographics of DSP recipients.

4.87 The Social Services payment demographic data does not provide results of the DSP claim and assessment process — for example: the time taken to process applications, the rejection/grant rate and appeals data. The lack of this information in the public domain was noted in the Auditor-General Report No.18 2015–16 on the DSP and the 2017 JCPAA inquiry. The JCPAA concluded that:

If adequate performance information is not being monitored, analysed and reported — including publicly — departments increase the risk of inefficiency in administration and decreased public trust in the system.

4.88 During fieldwork for this audit, the public availability of data on the DSP access process continued to be an issue, as evidenced by the frequent requests for information during Senate Estimates — there are seven current questions on notice regarding DSP data — and stakeholder submissions to the ANAO.

4.89 Human Services' 2017–18 Annual Report⁶⁴ released in October 2018 includes a table with data on the number of claims (rounded to the nearest thousand) granted and rejected for each payment type for 2016–17 and 2017–18. The table includes data for the DSP. From this data, the percentage of DSP claims granted can be calculated and this was 27.8 per cent in 2016–17 and 29.8 per cent in 2017–18.

4.90 The *Management of Information Protocol for the Bilateral Management Arrangement* provides that Social Services and Human Services will seek to promote greater availability of publicly published information, consistent with the principles on open public sector information, and to meet the needs of Government and community. Principle Two of the Australian Information

62 Small variances in the data were expected, as the extraction dates varied by about one week.

63 The data is available on the Social Services website: <https://data.gov.au/dataset/dss-payment-demographic-data>

64 Department of Human Services, *Annual Report 2017–18*, p. 37, available from <https://www.humanservices.gov.au/sites/default/files/2018/10/8802-1810-annual-report-web-2017-2018.pdf> [accessed 18 November 2018].

Commissioner's *Information policy—Principles on open public sector information* provides that agencies should:

- Consult the community in deciding what information to publish and about agency publication practices;
- Welcome community feedback about the quality completeness, usefulness and accuracy of published information; and
- Respond promptly to comments received from the community and to requests for information.

4.91 Additionally, the *Australian Government Public Data Policy Statement (December 2015)* states that 'public data includes all data collected by government entities for any purposes, including government administration, research or service delivery'. The Statement includes the policy that 'Australian Government entities will make non-sensitive data open by default to contribute to greater innovation and productivity improvements across all sectors of the Australian economy'.⁶⁵

4.92 The *Final Report of the Independent Review of the Public Governance, Performance and Accountability (PGPA) Act 2013* has been released. The report includes recommendations that further support enhanced reporting of data and transparency.

4.93 Human Services and Social Services should further increase the availability of DSP data regarding claim processing, and ensure that external stakeholders are consulted regarding the transparency of DSP data.

65 *Australian Government Public Data Policy Statement (December 2015)*, available from https://www.pmc.gov.au/sites/default/files/publications/aust_govt_public_data_policy_statement_1.pdf [accessed 12 September 2018].

Recommendation no.4

4.94 Human Services and Social Services work together to increase transparency of DSP data, by consulting with external stakeholders about how publically available data could be enhanced. For example, by including the time taken to process DSP applications and appeal rates and outcomes.

Department of Human Services response: *Agreed.*

4.95 *The Department's approach to transparency is focussed on its performance as a service delivery agency. The Department is committed to providing transparency through a range of mechanisms, including reporting DSP claim outcomes, including granted and rejected claims, in its Annual Report and data published on its website. Data on the time taken to process DSP applications needs to be considered in the context of the highly individual and often complex circumstances of each applicant, while appeal outcomes are influenced by the provision of new medical evidence after the Department initially assessed the claim.*

Department of Social Services response: *Agreed.*

4.96 *The department will work with the Department of Human Services, consistent with the department's Protocol for the Release of Social Security and Related Information, and stakeholders to implement this recommendation.*



Grant Hehir
Auditor-General

Canberra ACT
29 November 2018

Appendices

Appendix 1 Entity responses



Australian Government
Department of Human Services

Our Ref: EC18-001816

Secretary
Renée Leon PSM

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

Disability Support Pension Follow-on Audit

Thank you for providing the Department of Human Services (the Department) with the opportunity to comment on the Australian National Audit Office's (ANAO) proposed report on the Disability Support Pension follow-on audit.

The Department welcomes the ANAO's conclusion that the Department of Social Services and the Department use data and information from multiple sources to drive performance improvements to the DSP program. The department is committed to providing transparent information to its stakeholders on its performance in delivering services to the Australian community.

The Department agrees with Recommendations 1 and 4, and agrees with qualifications to Recommendation 2.

Attachment A to this letter details the overall response to the proposed report and to the ANAO's recommendations and **Attachment B** provides suggested changes to certain text in the proposed report, as they relate to the Department.

Yours sincerely

A handwritten signature in black ink that reads "Renée Leon".

Renée Leon

29 October 2018



Australian Government
Department of Social Services

Kathryn Campbell CSC
Secretary

Ref: EC18-001073

Mr Grant Hehir
 Auditor-General
 Australian National Audit Office
 GPO Box 707
 CANBERRA ACT 2601

Dear Mr Hehir 

Thank you for the opportunity to respond to the Australian National Audit Office (ANAO) proposed report *Disability Support Pension – Follow-On Audit* (the follow-on audit) pursuant to section 19 of the *Auditor General Act 1997*.

I welcome the findings of the proposed report that the Department of Social Services (the department) and the Department of Human Services (DHS) use data and information from multiple sources, including audit and parliamentary committee recommendations, to drive performance improvements to the Disability Support Pension (DSP) program.

The department and DHS have commenced work to review and revise the current performance measures. This work will also consider the findings of the follow-on audit with a view to performance measures being appropriate to the DSP program and wider department requirements. A short entity response and responses to each of the ANAO's recommendations are attached.

The department's contact for this matter is Mr Shane Bennett, Group Manager, Payments Policy. Mr Bennett can be contacted on telephone (02) 6146 0336 or by email at shane.bennett@dss.gov.au.

Yours sincerely



Kathryn Campbell

31 October 2018

Appendix 2 ANAO comment on the noted recommendations from the JCPAA's Commonwealth Risk Management inquiry

1. The Department of Human Services (Human Services) and the Department of Social Services (Social Services) noted seven of the eight relevant recommendations from the Joint Committee of Public Accounts and Audit's (JCPAA) *Commonwealth Risk Management* inquiry. Noted recommendations are not tracked by either department. In the two government responses to the JCPAA (December 2017 and May 2018)⁶⁶ and in the response to the ANAO (May 2018), both Departments listed actions they had undertaken on relation to these noted recommendations from the JCPAA's inquiry.

2. The ANAO has considered the actions that Human Services and Social Services (DSS) took in response to the noted recommendations from the JCPAA inquiry.

Table A.1: ANAO's summary of the implementation status of noted recommendations

Noted recommendations	
1	<p>DSS and Human Services conduct an end-to-end review of the administration of the Disability Support Pension (DSP) program, involving consultation and engagement with stakeholders.</p> <p>ANAO comment</p> <p><i>This recommendation has been partly implemented. In the responses to the JCPAA and the ANAO, Human Services outlined a variety of evaluations and reviews that had been undertaken with a view to improve the administration of the DSP program. ANAO notes that these different evaluations, reviews and taskforces have covered most aspects the DSP administration, but that a single end-to-end review that might help identify areas of interplay between revised processes has not been undertaken.</i></p>
3	<p>DSS and Human Services undertake and publicly report the outcomes from an evaluation of the reviews of recipients under 35 years of age and the 2016–17 measure for 90,000 additional reviews.</p> <p>ANAO comment</p> <p><i>This recommendation has not been implemented. Both departments advised the JCPAA and ANAO that the 2016–17 budget measure data has been discussed at Senate Estimates, and is therefore available to the public. ANAO notes that limited details have been discussed at Senate Estimates and that the review of the measure by DSS is not publically available.</i></p>
5	<p>DSS and Human Services undertake a transparent review, which should include independent expert input and stakeholder engagement of the changes to the evidentiary process introduced to:</p> <ul style="list-style-type: none"> • consider the impact on timeliness and efficacy of decision making in assessing new claims and recipients under review; • consider the consequences and trends for reviews and appeals; and • consider ways to improve communication. <p>ANAO comment</p> <p><i>This recommendation has been implemented. DSS engaged a contractor to assess the impact of the two changes made to the DSP process from 1 January 2015. This report was made public by DSS in their second response to the JCPAA in May 2018. In this current audit report, the Auditor-General has recommended that as more data is now available, DSS should conduct a further review of the 2015 changes (Recommendation 3).</i></p>

66 The two government responses to the JCPAA that are referenced in this table can be viewed on the Parliament of Australia website: https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CRM/Government_Response [accessed 26 September 2018].

Noted recommendations	
6	<p>Human Services consider the merits of increasing the time given for clients under review to provide documents, noting the current period of 21 days has proven insufficient in many cases. Further to this, that Human Services consider the additional time constraints that people in regional areas may face in producing documentary evidence in a short timeframe.</p> <p>ANAO comment</p> <p><i>This recommendation has not been implemented. At the commencement of the 2016-17 Budget measure Human Services considered the adequacy of the 21 day period and concluded that it remained appropriate. The Department noted that in practice, all DSP recipients reviewed in the 2016-17 Budget Measure had 28 days to provide medical evidence. However, Human Services has not considered the merits of increasing the time since this recommendation was made.</i></p>
7	<p>DSS and Human Services undertake a post-implementation review of the Program of Support requirements for claimants.</p> <p>ANAO comment</p> <p><i>This recommendation has not been implemented, but both Departments have tried to educate stakeholders and DSP applicants about Program of Support (POS) requirements. Human Services stated that POS information on the website was redesigned for clarity and accessibility. In responding to a recommendation from Commonwealth's Ombudsman Report 05/2016, the Departments of Social Services, Employment and Prime Minister and Cabinet worked with employment service providers to provide more information about POS requirements.</i></p>
8	<p>DSS review the List 1 of conditions that provides eligibility for manifest grants of the DSP. The Committee recommends particular attention is given to the merits of including chromosomal disorders, such as Down syndrome, on List 1.</p> <p>ANAO comment</p> <p><i>This recommendation has been implemented. In the initial response to the JCPAA (December 2017), DSS stated that the manifest eligibility guidelines are continually reviewed. List 1 contains conditions that are 'manifest' and clearly meet all the DSP qualification criteria on diagnosis alone. List 2 include conditions that can have variable impacts, but upon further investigation may meet the requirements for a manifest grant of DSP – including Down Syndrome. For example, further investigation could show that the applicant has a terminal illness, nursing home-level care or has an IQ under 70. Some people with Down Syndrome will meet one or more of these criteria and be granted DSP manifestly.</i></p> <p><i>Of note, DSP recipients with Down Syndrome are excluded from the DSP eligibility review activity undertaken as part of the In the 2016-17 Budget Measure.</i></p>
9	<p>DSS, in cooperation with Human Services, report back to the Committee on its progress in implementing audit recommendations numbers 3 and 4 of Report No.18 (2015-16) and the findings and implementation plans from current relevant reviews being undertaken by the departments and those recommended by the Committee in this report.</p> <p>ANAO comment</p> <p><i>This recommendation has been partly implemented. In the initial response to the JCPAA (December 2017), DSS and Human Services noted that Auditor-General recommendations are reported and monitored internally through Audit Committees, which are attended by ANAO representatives. Neither department provided the JCPAA with an update on recommendations from Auditor-General Report no.18 2015-16 in their May 2018 additional response.</i></p> <p><i>In the DSS and Human Services additional response to the JCPAA (May 2018), both departments provided details on DSP-related reviews being undertaken or recently completed.</i></p>

Source: JCPAA, Commonwealth Risk Management inquiry, May 2017 and ANAO analysis.

Appendix 3 ANAO comment on the implementation status of agreed recommendations from ANAO and the JCPAA

1. The ANAO has considered whether the Department of Human Services (Human Services) and the Department of Social Services (Social Services/DSS) have implemented the agreed recommendations from the Auditor-General report no.18 2015–16 *Qualifying for the Disability Support Pension* and the JCPAA’s *Commonwealth Risk Management* inquiry.

Table A.2: ANAO summary of the implementation status of agreed recommendations

Recommendations from Auditor-General Report No.18 2015–16		
1	To provide full documentation of eligibility decisions, the ANAO recommends that Human Services : (a) review the guidance it provides to assessors on the level of detail to be included in Job Capacity Assessment reports, particularly for assessments of impairment ratings, a person’s inability to work and program of support obligations; and (b) require delegates to clearly specify any changes they make to the Job Capacity Assessment reports.	This recommendation has been implemented.
2	To improve the efficiency and effectiveness of the current review process, the ANAO recommends that Human Services, in cooperation with DSS , include options in its risk profiling to better identify recipients whose medical conditions have a greater prospect of improvement.	This recommendation has been implemented.
3	The ANAO recommends that DSS and Human Services : (a) develop a more complete set of external and internal performance measures for the effective delivery of DSP; and (b) agree on a consistent approach to the collection and publication of income support recipient data.	Recommendation 3a) is not implemented. Recommendation 3b) has been implemented.
4	To help identify further opportunities for improvement in the administration of DSP, the ANAO recommends that DSS, in cooperation with Human Services : (a) analyse the results of reviews of continuing eligibility for DSP, review and appeal data and quality control information; and (b) evaluate the effectiveness of the revised impairment tables.	This recommendation has been implemented.
Agreed recommendations from the JCPAA’s <i>Commonwealth Risk Management</i> inquiry		ANAO comment
2	That the Auditor-General consider the merits or a follow up audit of the Departments of Social Services and Human Services administration of the DSP.	The tabling of this report implements the recommendation.
4	That DSS and Human Services investigate the capture and sharing of data between Federal departmental systems and with State and Territory governments to improve the identification and exclusion from review of manifestly eligible and other severely disabled recipients.	This recommendation has been closed. DSS updated the JCPAA in September 2018.

Source: ANAO analysis.