

VICTORIA

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Auditor-General  
of Victoria

**SPECIAL REPORT No. 44**

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**TIMELINESS OF  
SERVICE DELIVERY**  
**A customer's right**

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*Ordered by the Legislative Assembly to be printed*

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The President  
The Speaker

Parliament House  
Melbourne Vic. 3002

Sir

Under the provisions of section 16 of the *Audit Act* 1994, I transmit the Auditor-General's Special Report No. 44, "*Timeliness of Service Delivery: A customer's right*".

Yours faithfully

C.A. BARAGWANATH  
*Auditor-General*



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# Foreword

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From a business and consumer perspective, the issue of timeliness in the provision of public services is a principle that needs to be embraced across all industry sectors - as an obligation of the provider and a right of the customer.

In times of economic constraint, there is an ever-increasing challenge for agencies to introduce management procedures and work practices that facilitate the delivery of services in an expeditious manner, while also satisfying the expectations of customers in terms of cost and quality.

My comments in this Report are aimed at building on the policies introduced by the Government and the many initiatives implemented by public sector agencies to service the needs of the public in an efficient manner, according to best business practice and to reduce the regulatory burden.

As the momentum continues towards improving the responsiveness of the public sector, agencies will need to be pro-active in progressively raising targets in line with the service their customers expect to receive.

C.A. BARAGWANATH  
*Auditor-General*



# **Part 1**

## **Executive Summary**



# Part 1.1

## Overall audit conclusion

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**1.1.1** In terms of servicing the needs of clients, government agencies need to provide services, not only at least cost and of acceptable quality, but also in a timely manner. Delays in dealing with government agencies in the past have led to a perception within some elements of the community of being lost in a labyrinth of *red tape*. While delays are frustrating for customers and can result in a poor image for the public sector, the concept of time having an impact in dollar terms on the customer needs to be recognised by all service providers.

**1.1.2** Given this background, it needs to be acknowledged that substantial reforms have been implemented or are underway throughout the public sector. Some of the more important strategic developments involve the:

- creation of a management culture which focuses on establishing accountability for results, empowering consumers, minimising bureaucracy, encouraging market mechanisms and applying a professional and business-like approach to the operation of government agencies;
- introduction of privatisation strategies and outsourcing or contracting of services to the private sector;
- implementation within government agencies of a discipline involving the evaluation or re-engineering of existing business processes;
- issue of a *Code of Conduct* by the Public Service Commissioner which covers issues surrounding optimal effectiveness, efficiency and responsiveness in the provision of services to clients; and
- encouragement of agencies to meet best practice standards in terms of service delivery to their customers.

**1.1.3** In the context of the particular examinations carried out by audit, it was evident that all agencies were conscious of the need to provide services in a timely manner and had introduced a number of initiatives to meet this challenge. The audit revealed that the most common waiting times for customers were:

- 7 calendar days or less for acceptance by the Transport Accident Commission of a no fault claim for compensation in relation to road accident victims;
- 8 to 11 working days for obtaining a commercial loan from the Rural Finance Corporation;
- 2 to 3 weeks for approval of legal aid from Victoria Legal Aid; and



- 5 days for lump sum benefit payments and 3 weeks for payment of pension benefits, after receipt of both member claims and employer certification of exit.

**1.1.4** The timeliness of listing Planning Appeals to be heard by the Administrative Appeals Tribunal was examined by audit. However, given the legal opinion obtained by the Department of Justice in relation to the Children's Court, indicating my lack of legislative power to conduct an audit and subsequently report on the functioning of a court and in the absence of any resolution to the impasse since the opinion was given, I have concluded that I am unable to report on this aspect of the audit.

**1.1.5** In relation to the Government's Licence Simplification Program, audit concluded that the Program substantially met the quantitative target of reducing the number of licences by 25 per cent. Audit further concluded that, to a large extent, it was difficult for the Program in its original form to meet its goals and needed to be refocused if it is to achieve any significant outcomes in terms of reducing regulatory burdens on businesses and the community in the future. The more effective targeting of licence simplification processes on those businesses in which licensing provisions impose unnecessary burdens on their operations and taking account of the views of stakeholders, including members of the community, were matters that audit felt needed to be considered in future programs.

**1.1.6** In the context of application and approval processes as they apply to customers seeking an efficient and effective service from a government agency, audit found that, in the majority of cases, delegations were formally established at levels which facilitate the prompt provision of services and enhance accountability.

**1.1.7** While the audit did not reveal processes that were over-bureaucratic or widespread examples of extreme delays in service provision, the audit did disclose a range of diverse issues impacting on approval processes that, if addressed, would lead to the more timely provision of services to the public.

**1.1.8** Opportunities available to all public sector agencies which can build on the initiatives already in train, and thereby improve the timeliness and quality of service delivery, include:

- developing customer service charters, which include performance measures relating to the timeliness of service delivery, to be made available by government agencies to the public;
- evaluating the feasibility of altering the mix of in-house compared with external service providers;
- introducing people management measures designed to motivate staff where morale may have been eroded by major change;
- co-operating with other government agencies in those cases where the ultimate service is dependent on more than one agency; and
- establishing effective management information systems to improve monitoring processes and enhance accountability, e.g. the development of suitable benchmarks, client surveys and the improved use of information technology.

# Part 1.2

## Summary of major audit findings

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Licence Simplification Program	Page 27
• While the Government's Licence Simplification Program reduced the number of licences by 23 per cent, it has not at this stage had a major impact on removing unnecessary burdens on business. <i>Paras 4.1 and 4.23 to 4.33</i>	
• Only 7 per cent of licence reductions could be directly attributed to the Program. <i>Paras 4.1 and 4.29 to 4.31</i>	
• A more strategic approach to the extension of the Program designed to achieve qualitative improvements in regulatory reform would be of greater value to the business community than simply focusing on reducing the number of licences and regulations. <i>Paras 4.3 and 4.37 to 4.43</i>	
• Responsibility for the removal of licences was inappropriately placed with the Office of Regulation Reform rather than with individual agencies. <i>Paras 4.5 to 4.6</i>	
• While the Program concentrated on reducing the number of licences, measurable outcomes in terms of minimising unnecessary cost burdens on business had not been established for the Program. <i>Para. 4.7</i>	
• Although subsequently addressed in 1995, the lack of explicit criteria for the revocation of licences, timelines for the completion of stages of the Program and a consistent progress reporting format for agencies hindered initial Program implementation. <i>Paras 4.16 to 4.21</i>	
• The effectiveness of the Program at 31 December 1995 was not assessed by the Office of Regulation Reform and a report on the Program's performance had not been finalised. <i>Para. 4.22</i>	
• In audit opinion, the benefits realised from the licence reductions at this stage do not justify the costs involved in implementing the Program. <i>Para. 4.33</i>	
• In terms of savings, only the removal of the licence to manufacture margarine could be attributed, but then only in part, to the Program. Total annual savings were estimated at \$120 000. <i>Para. 4.34</i>	
• Future stages of the Program aimed at the wider issue of reducing unnecessary regulatory burdens on industry need to address the views of stakeholders and be appropriately targeted. <i>Paras 4.37 to 4.41</i>	



**Transport Accident Commission**

- The Commission has shown a strong commitment to maximising decision-making to the lowest levels possible as a major strategy for achieving excellence in customer service. *Para. 5.5*
  
- While total claim payments made by the Commission averaged in excess of \$405 million annually between 1992 and 1995, internal reviews disclosed there may have been scope for a reduction in individual payments of between 4.9 and 6.5 per cent through improved decision-making and work practices. This level was substantially below the insurance industry average of 8 to 12 per cent. *Para. 5.9*
  
- In pursuing its objective of reducing potential overpayments to a level of 2 per cent by the year 2000, any cost inefficiencies identified by internal Commission reviews in the management of claims need to be analysed and stratified according to the underlying causes. *Para. 5.10*
  
- It is important that the Commission considers the feasibility of either referring complex decisions to more senior staff or reallocating individual staff delegation authorities, where internal reviews indicate that a lack of experience or expertise at lower levels is inhibiting the achievement of best practice in the management of claims. *Para. 5.11*

**Rural Finance Corporation**

- Significant delegation and regional distribution of resources have occurred over the past 3 to 4 years. *Para. 5.17*
  
- Decentralisation has contributed to a reduction in the turnaround time to process loan applications from, on average, 15 working days in 1992-93 to 10 days in 1994-95. *Para. 5.21*
  
- The lending limits assigned to regional managers of up to \$100 000 for new loans and up to a total indebtedness of \$200 000 for existing borrowers are, in audit opinion, conservative and inflexible and do not necessarily recognise the varying lending skills of individual staff. *Paras 5.19 and 5.23*
  
- The Corporation is to be commended for setting a customer service delivery target of *less than 10 days* for loan application approvals. To assist in improving turnaround times even further, the Corporation should consider, among a range of options, the gradual implementation of an expanded multi-tiered lending limit structure and allow greater discretion in the use of the Corporation's lending guidelines, based on the skills and experience of its regional managers. *Paras 5.20 to 5.27*

**Victorian Superannuation Board**

- The Board's cultural change program, which outlines 6 core values for the delivery of services to members and employers, includes an emphasis on client satisfaction and the adoption of a commercial orientation in the provision of services. The Board has implemented a business re-engineering process. *Paras 5.28 and 5.39*
- The major delay in processing superannuation claims is caused by the length of time taken by employers to forward employee exit advice forms. *Para. 5.30*
- The Board is committed to working with employer agencies to assist them in providing the required employer documentation on the day of cessation of employment. *Para. 5.34*
- In relation to 1995-96, 60 per cent of employers took 15 or more calendar days to remit the required documentation before 39 per cent of members received their benefits. Taking into account the pension pay cycle of 14 days after the required information has been received, 4 out of every 10 members had to wait over 4 weeks for the payment of their benefits. *Para. 5.31*
- Exception reports that highlight significant delays should be produced to identify those cases where follow-up action should be taken by the Board. *Para. 5.37*
- In view of the ability of some employers (14 per cent) to send in the required documentation in advance of the actual cessation of employment, the Board should consider encouraging a greater proportion of employer agencies to be more proactive in the production of this information. *Paras 5.33 and 5.38*

**Victoria Legal Aid**

- Between October 1994 and September 1995 Victoria Legal Aid (VLA) was not as efficient as its counterparts in other States and Territories, with approximately half processing a substantially higher rate of claims either on the same day or within 5 days of application. *Paras 5.42 and 5.43*
- In recent times various initiatives have been introduced such as new information systems, a revised organisational structure and improved service delivery arrangements. *Para. 5.44*
- The audit disclosed that excessive time was devoted to processing individual transactions, there was a heavy reliance on paper-based systems and there was a need for the simplification of correspondence. *Paras 5.46 to 5.53*
- While the involvement of only one officer at a time in making decisions to grant legal aid enhances the efficiency of operations from a customer service perspective, the effectiveness of decision-making was questionable in some regions due to marked variations in refusal rates. *Paras 5.54 and 5.55*
- Differences in the interpretation of grant guidelines could be obviated by the introduction of a quality control process and the development of a staff training and development program. *Paras 5.56 and 5.57*



<b>Efficiency of financial services - <i>continued</i></b>	<b>Page 43</b>
<b>Victoria Legal Aid - <i>continued</i></b>	
<ul style="list-style-type: none"><li>• VLA's deteriorating financial position (annual operating surplus of \$5.3 million in 1993-94 compared with a cash deficit of \$6.5 million in 1995-96) will adversely impact on the provision of legal aid to clients in need in future years. <i>Paras 5.58 to 5.62</i></li><li>• To address the financial situation, guidelines have been tightened for granting legal aid, substantial downsizing and structural changes have occurred and financial limits are to be placed on cost centres incurring commitments. <i>Paras 5.63 and 5.64</i></li><li>• VLA should examine whether any cost-efficiencies could be achieved by altering the current mix of in-house legal staff compared with private legal practitioners. <i>Para. 5.66</i></li><li>• To minimise the impact of change on staff morale and service delivery, continued attention needs to be given to people management measures which complement VLA's focus on financial management issues. <i>Paras 5.69 to 5.77</i></li></ul>	

<b>Accountability for service provision</b>	<b>Page 63</b>
<ul style="list-style-type: none"><li>• Although all agencies had taken various measures to formalise delegations, the audit disclosed a number of areas where improvements could be made. <i>Paras 6.3 to 6.5</i></li><li>• The issue of timeliness was addressed by all agencies in developing goals. <i>Paras 6.6 to 6.7</i></li><li>• While agencies were found to be proactive in setting targets, there was scope for VLA to build on the initiative taken at a national level for the measurement of its performance against other States and Territories. <i>Paras 6.8 to 6.10</i></li><li>• Although satisfactory progress had been made in relation to the framing of quantitative timeframes, greater attention needs to be given to the formulation of qualitative performance indicators. <i>Paras 6.11 to 6.15</i></li><li>• The Transport Accident Commission was the only agency to publish its performance against key service indicators relating to timeliness. <i>Para. 6.14</i></li><li>• Various improvements were proposed in relation to the systems in place at Victoria Legal Aid. <i>Paras 6.18 to 6.22</i></li><li>• Client surveys were widely used to assess the degree to which customers were satisfied with the services provided by each agency. Some initiatives that could be useful to agencies not covered by this audit were identified. <i>Paras 6.23 and 6.24</i></li></ul>	

**Customer Service Charters**

- Unlike the situation in Victoria's water industry where Customer Charters provide customers with definitive and enforceable legal rights with respect to the cost and quality of goods and services, none of the agencies reviewed by audit had developed such Charters.  
*Paras 7.9 to 7.19*
- In view of the advanced stage of charters developed by departments and agencies in the United Kingdom, some suggested timeliness benchmarks that could be included in Customer Service Charters for a cross-section of key public sector service agencies were identified by audit.  
*Paras 7.1 to 7.8 and 7.20 to 7.21*



# **Part 2**

# **Background**



2.1 Since assuming office in 1992, the Government has introduced a number of significant measures throughout the Victorian public sector which have, in part, been aimed at improving the delivery of services to the community. A commentary on some of the more important measures is outlined below.

## GOVERNMENT REFORM MEASURES

### Management Improvement Initiative

2.2 The Victorian Commission of Audit was appointed by the Government in 1992 to investigate the State's public finances and to recommend policies, reforms and other measures to improve efficiency and effectiveness of service delivery and the financial position of the State.

2.3 The Commission of Audit's report of May 1993 included the following key findings relating to service delivery:

- the flexibility of management to determine the most efficient and effective way to deliver services was severely limited since public sector structures did not clearly identify management responsibility for results;
- service efficiency could not be analysed due to the lack of quantitative output measures; and
- confusion arose concerning management and reporting responsibilities.

2.4 In response to the Commission of Audit's recommendations for fundamental public sector reform, the Government, in October 1993, released the Management Improvement Initiative which was designed to re-engineer the management systems and business processes within government. Policy principles identified under the Initiative included a focus on establishing clear accountability for results by public sector agencies, empowering consumers, minimising government bureaucracy, encouraging market mechanisms through competition, and introducing professional and business-like management principles into the public sector.

2.5 One of the components of the Initiative covered the Service Commitment Project. The aim of this Project was to commit the Government to the provision of quality public services and empower consumers as key determinants for development, management and evaluation of services. The Project was modelled on principles underlying a "Citizen's Charter" and a total quality management approach.

2.6 Another aspect of the Initiative related to the establishment in October 1994 of *service agencies*. These agencies are components of departments managed through *framework agreements* that delegate the responsibility to deliver a set of agreed performance and service improvement targets to the agency's Chief Executive. Framework agreements are also designed to maintain departmental safeguards concerning policy, process and risk management.



**2.7** Service agencies are used when the provision of services needs to remain with government but performance would improve through the use of best business practices. By funding services through autonomous agencies, the Government has compelled departments to improve management information. Framework agreements include the performance targets contained in business plans/service agreements that clearly specify outputs and the costs associated with the delivery of those outputs.

**2.8** According to the Government, projects under the Initiative were completed and their activities allocated within departments in February 1995. To continue and extend the work of the Initiative, the Continuous Management Improvement Program was launched in mid-1996. This Program encourages management improvement projects in departments and facilitates the interchange of experience across departments.

**2.9** The Management Improvement Initiative and the Continuous Management Improvement Program have been the vehicles for communicating the Government's leadership and vision for reform in the public sector. The new management culture spawned by these initiatives is described below:

- The public sector has entered an age of *contractualism*, e.g. through competitive tendering of government services to the private sector;
- The budgeting focus is now on outputs rather than programs. Under these arrangements, the Government purchases outputs rather than funding programs. In doing so, the Government will determine the intended outcomes (i.e. the impacts or external effects on the community as a result of government action) of government activity which will be expressed as policy objectives. The Government will then determine the outputs it is willing to purchase to satisfy its policy objectives;
- Departments will be required to establish an evaluative process to assess the extent to which outcomes have been achieved and outline this process in their business plans;
- The Government is aiming for a greater level of transparency; and
- Consumers will be empowered to choose the service they require. As such, it is essential that departments service customer needs.

**2.10** Moreover, the Government's commitment to achieve both allocative and productive efficiency within a single market for capital, assets, labour and services between the public and private sectors gives rise to opportunities for increased corporatisation, privatisation and outsourcing of public services, which are discussed later in this Part of the Report.

### **Licence Simplification Program**

**2.11** In September 1993, the Government introduced the Licence Simplification Program as part of its wider micro-economic reform agenda. The primary aim of the Program was to reduce the number of licences that impose unnecessary costs and restrictions on Victorian business. The Office of Regulation Reform within the Department of State Development (formerly the Department of Business and Employment) was responsible for co-ordinating the Program.

### **Financial Management Act 1994**

**2.12** On 1 July 1994 the *Financial Management Act 1994* and the *Financial Management (Consequential Amendments) Act 1994* came into effect. The legislation conveys the Government's commitment to output-driven results by providing for a separate statement to accompany the Annual Appropriation Bills detailing, inter alia, the goods and services produced or provided by each department.

**2.13** Some of the actual output units for goods and services produced by government departments in 1995-96 disclosed in the 1996-97 Budget Estimates, *Budget Paper No. 3*, are shown in Table 2A.

**TABLE 2A  
SAMPLE OF OUTPUT DESCRIPTIONS IN THE 1996-97 BUDGET PAPERS**

<b>Department</b> <i>Program/Output Group</i>	<i>Output/Performance measure</i>	<i>1995-96 Actual</i>	<i>1996-97 Estimate</i>
<b>Human Services</b> Acute Inpatient Services(a)	Category 1 patients waiting more than 30 days (at 1 July)	0	0
	Category 2 patients waiting more than 90 days (at 1 July)	3 490	3 410
Ambulance Services	Patient cases - time critical	77 154	78 600
<b>Infrastructure</b> Transport Regulation and Contract Services	Warrnambool train service per cent on-time (within 10 minutes)	84.4	95.0
<b>Justice</b> Courts, Tribunals and Registries	Boards and tribunals - Applications dealt with	53 585	57 425
	Hearings held	69 032	73 027
<b>Natural Resources and Environment</b> Catchment Management and Sustainable Agriculture	Number of clients contacted through extension activities	189 000	190 000
	Private forestry plantations prepared for establishment in Goulburn/Broken region (ha)	340	500
<b>State Development</b> Improving Regulations	Reduction of business licences	115	149
	Liquor licences managed	8 240	8 600
<b>Treasury and Finance</b> Financial Management Services	Timely reports produced within minimum number of working days after the reporting month	10 days	7 days

(a) Data for 1995-96 are estimates.

**Policy announcements in annual economic statements**

*Autumn 1995*

**2.14** According to the *Autumn Economic Statement 1995*, one of the fundamental objectives of the Government is to achieve greater efficiency and effectiveness by the removal of overlap and duplication of service provision and unnecessary costs. To this end, the re-engineering of service delivery to improve the value of services delivered to the community and minimise expenditure on government and administrative activities will increase the proportion of funds available for direct service delivery.

**2.15** The Government claims that significant progress in streamlining planning and business regulations and the deregulation of restrictive marketing arrangements, including less prescriptive occupational licensing schemes, has been made to simplify the regulatory environment and reduce the burden of regulation on business and thereby minimise compliance costs.

**2.16** Under the business re-engineering process implemented by the Government, public sector agencies are encouraged to achieve efficiencies, improve customer service, be more competitive and operate according to best practice while also reducing costs. As part of this process, agencies are required to re-define the way they do business to stay in business. In addition, they are expected to cope with customers' changing needs as well as the effect of increasing competition on price, quality, timeliness and customer relationships.

*Autumn 1996*

**2.17** Improved economic performance by other States and competitors overseas places pressure on Victoria to continue improving efficiency and reducing costs. The Government's response to this challenge, as embodied in its broad economic strategy for the 1995-96 Budget, is to "... improve the competitiveness of Victoria and to create an environment for stronger economic growth". The strategy, which was outlined in the *Autumn Economic Statement 1996*, includes the following elements:

- refocusing service delivery on the outcomes for which government is responsible and increasing the range of choice available to consumers of those services;
- lowering business costs by making government more efficient and private industry more competitive; and
- streamlining business regulation to encourage investment and competition.

**2.18** The Government's overriding objective is to improve the living standards for Victorians through increasing the competitiveness of the economy and strengthening Victoria's budgetary position. Various long-term objectives are to:

- expand the scope for consumer choice, e.g. students can now choose between public and private providers of vocational training courses; building permits can be obtained from certified private firms as well as from local councils; and large electricity customers can choose between a number of suppliers;



- transfer public sector activities to the private sector such as the sale of the remaining electricity generators, privatisation of the State's 25 per cent interest in the Portland smelter and corporatisation of several businesses within the Public Transport Corporation;
- reform the regulatory environment including the simplification of the business licence system; and
- deliver high quality services at least cost to consumers through explicit contracting arrangements for the delivery of specific outputs, greater use of internal prices to allocate resources efficiently (e.g. casemix funding to public hospitals) and the increasing use of competitive tendering and contestability in service provision.

**Corporatisation, privatisation and outsourcing**

**2.19** As previously stated, part of the public sector reform is for services to be provided in a contestable environment, so that competitive pressures drive the use of the most efficient alternative. Outsourcing, or in other words the provision of services by an external supplier, is one of the major methods chosen by the Government to improve the efficiency of service delivery.

**2.20** The corporatisation of several government agencies will, according to the Government, assist the State to fulfil its obligations under national competition policy and lead to better customer service at lower cost. For example, the Government intends to establish MetTrain and MetTram as separate agencies to run the metropolitan train and tram services, respectively. It is proposed that each agency will be responsible for the management of its own infrastructure and vehicle maintenance requirements with work to be contracted out to the private sector. These reforms are aimed at both agencies delivering better services at lower cost.

**2.21** The Government's objective in pursuing privatisation, according to the Autumn 1996 Statement, is to maximise public benefit. The creation of a competitive environment and the infiltration of technologies used by the private sector are intended to enhance business performance, efficiency and quality of service delivery.

**Other initiatives from a government-wide perspective**

**2.22** Some of the other measures that have been introduced which are designed to, among other things, enable services to be provided to the public in a more timely manner are outlined below:

- A reduction in the number of new regulations to reduce the burden for business to comply with *red tape*;
- The recent introduction of legislation to extend shop trading hours to 24 hour trading 7 days a week (except for Good Friday, Christmas Day and before 1 p.m. on Anzac Day);
- The launching of a series of high technology health service initiatives headed by the pilot of a new, online *telemedicine* health care network. The Government expects that *telemedicine* will improve efficiency and provide a far more convenient and accessible health service;



- A boost in the capital works program in relation to health services. The establishment of health services in Victoria's growth areas, which are close to where people live, is designed to achieve high quality and accessible treatment;
- The better resourcing of Victoria's ambulance services with increases in the number of paramedics, ambulance stations and funding of the metropolitan and rural ambulance services;
- The introduction of a facility to enable consumers to pay gas and electricity accounts by way of direct credit; and
- The establishment of *First Place* business information centres which offer free first-stop access to government information and services that support business.

**ANNUAL REPORT OF THE COMMONWEALTH OMBUDSMAN FOR 1995-96**

**2.23** The recent annual report of the Commonwealth Ombudsman provides an informative insight of the performance of government agencies at a Commonwealth level in terms of the quality of service delivery.

**2.24** Various issues raised have relevance at a State level, especially in the context of a rapidly changing environment. In this regard the Commonwealth Ombudsman reported the following:

*"Budget reductions, expenditure review and efficiency measures raise questions about the way agencies provide services to their clients, and what entitlements, services and service standards clients can expect from agencies.*

*"Change can be healthy if it creates more consumer choice, or cuts unnecessary red tape and/or clarifies objectives and standards for service providers. But to achieve positive change, agencies must consider their service standards and how they can maintain quality in the new environment. The checks and balances which ensure accountability and transparency in government decision making become even more critical.*

*"Cutting budgets without putting the checks and balances into play can lead to shoddy service or unfair treatment, particularly if agencies do not accept responsibility for their service or the advice they provide. To maintain service standards, change must be carefully managed."*

**PREVIOUS VICTORIAN AUDITOR-GENERAL'S REPORTS**

**2.25** Over recent years various Auditor-General's Reports to Parliament have included comment linked to the issue of timeliness of service delivery. Some of these comments are outlined below:

- *Special Report No. 16 - Fire Protection, April 1992.* As the use of *response time* was commonly used by local and overseas firefighting authorities as a performance indicator, audit suggested the following performance measures be used to assess the effectiveness of fire suppression activities:
  - time elapsed between notification of a fire and dispatch of a fire crew to extinguish the fire; and
  - time taken by fire crews to arrive at the fire location.



For the *response time* measure, audit applied the performance standard of 15 minutes between notification of a fire and dispatch of a crew. This standard was used by the Canadian Ministry of Natural Resources.

- *Special Report No. 28 - Legal Aid Commission of Victoria, November 1993.* Existing performance indicators were inadequate for monitoring and reviewing the quality and effectiveness of services provided and the Commission had not implemented time and cost recording systems to effectively measure the cost of its services against services provided by private practitioners;
- *Special Report No. 30 - Grants and Subsidies to Non-Government Organisations, March 1994.* Audit commented that it is essential that publicly-funded services provided by government agencies, and indirectly through the non-government sector, be delivered efficiently while, importantly, maintaining a high standard of quality;
- *Special Report No. 37 - Promoting Industry Development: Assistance by Government, October 1995.* One of the strategies employed by the Government to achieve its industry policy is to reform bureaucratic procedures by creating a streamlined and predictable planning and regulatory environment and fast-tracking large investment projects so as to reduce costs and delays to business; and
- *Special Report No. 43 - Protecting Victoria's Children: The role of the Department of Human Services, June 1996.*
  - The timely commencement of investigations of suspected child abuse is an important element in the child protection process. Physical and forensic evidence with respect to sexual and physical abuse tends to dissipate quickly, which makes it essential that detection and documentation of this evidence occurs as close as possible to the event;
  - Where notifications of both a criminal and non-criminal nature were brought to the attention of the Department of Human Services by the Victoria Police, extensive delays frequently occurred in responding to subsequent inquiries from the Victoria Police as to the status of the notification and arranging joint interviews where required;
  - Extended delays in the Department of Human Services and the Victoria Police in conducting investigations and protracted delays in finalising *Protection Applications* to be heard in the Children's Court have been to the detriment of the best interests of children involved; and
  - Child death inquiries are held where the causes or circumstances leading to death may reflect upon professional practice by child protection workers. Time frames to complete inquiries were found to be unduly long, leading to diminished accountability, poor public image of the Department and delays in benefiting from any lessons to be learnt from practice and procedural failures.



**2.26** Against the above background, audit chose to conduct a performance audit in relation to the timeliness of service delivery to the following categories of consumers:

- businesses operating under the Government's regulatory framework in terms of the simplification of licences;
- road accident victims claiming compensation;
- applicants from the rural community for farm loans;
- recipients of superannuation benefits;
- applicants for legal aid; and
- applicants and objectors to planning permits.



# **Part 3**

## **Conduct of the Audit**



**AUDIT OBJECTIVES**

**3.1** The overall audit objective was to assess whether approval processes within government enable services to be delivered to the public in the most efficient and effective manner. While the audit examined major factors impacting on approval processes, the specific audit objective was to assess whether the devolution of responsibility for decision-making involved in approval processes had been:

- set at a level which enabled services to be delivered in the quickest possible manner without compromising quality or placing either the agency or the public at risk;
- appropriately formalised by way of the issue of approval delegations to those officers empowered to make decisions; and
- monitored by senior management in terms of expected outcomes.

**3.2** In terms of licensing and the impact on the business community, the audit objective in relation to the review of the Government's Licence Simplification Program was to examine whether:

- measurable objectives, including outputs and outcomes, had been established for the Program;
- adequate criteria had been developed to assess whether a licence should be retained or revoked; and
- the Program was effective in:
  - achieving the Government's goal of a 25 per cent reduction in licences within a defined time frame;
  - reducing the number of licences that had imposed unnecessary costs and restrictions on Victorian businesses; and
  - consolidating related licences in pursuit of efficiency gains.

**3.3** In relation to an issue that emerged during the audit, an examination was also performed as to whether there was scope for public sector agencies to develop Customer Service Charters.

**SCOPE OF AUDIT**

**Areas of examination**

**3.4** The services chosen by audit for detailed examination are outlined in Chart 3A.

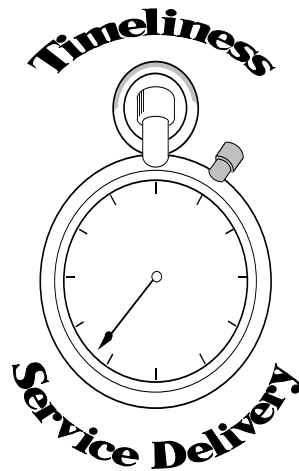


**CHART 3A**  
**RECIPIENTS OF GOVERNMENT SERVICES TARGETED BY AUDIT**

<b>APPELLANTS</b> Hearings listing process planning appeals

<b>BUSINESSES</b> Reduction in licences and regulatory cost burden

<b>LITIGANTS</b> Criminal, family and civil cases Payment of legal aid



<b>ROAD ACCIDENT VICTIMS</b> Compensation

<b>SUPERANNUANTS</b> Payment of benefits

<b>FARMERS</b> Finance assistance

.....

**Agencies subject to audit**

**3.5** The public sector agencies and associated services examined by audit are detailed below:

- *Office of Regulation Reform within the Department of State Development and 5 participating government agencies* - the implementation of the Licence Simplification Program in terms of the abolition of licences that impose an unnecessary regulatory and cost burden on businesses;
- *Transport Accident Commission* - compensation paid to road accident victims in relation to *no fault* claims;
- *Rural Finance Corporation* - commercial loans to farmers;
- *Victorian Superannuation Board* - payment of superannuation entitlements to members and beneficiaries of the Victorian Superannuation Fund and the State Superannuation Fund;
- *Victoria Legal Aid* - legal aid provided to parties involved in criminal, family and civil law suits administered by the Melbourne Office of the Assignments Division; and
- *Boards and Tribunals Branch of the Department of Justice* - hearings listing process for appeals to be heard in the Planning Division of the Administrative Appeals Tribunal.

**3.6** A wide range of agencies was selected for the purpose of examining whether there was scope for a greater use of Customer Service Charters throughout the public sector.

**3.7** As part of the information gathering process for the audit, an advertisement was placed in the press inviting comments from the public concerning their opinions in relation to application and approval processes involved in the provision of government services. This process had no bearing on the audit due to the lack of comments received from the public.

**3.8** The audit was performed in accordance with Australian Auditing Standards applicable to performance audits and accordingly included such tests and other procedures considered necessary in the circumstances.



**3.9** The scope of the audit relating to the Boards and Tribunals Branch of the Department of Justice excluded the judicial processes of the Administrative Appeals Tribunal, given the fundamental independence of the judiciary and its insulation from direction or influence by government. For this reason, audit concentrated predominantly on the management of Tribunal operations by the Boards and Tribunals Branch. As such, audit did not examine whether the resourcing and decision-making processes followed by the Members of the Tribunal had any material effect on the time taken for appeals to be heard. Nevertheless, on the basis of the legal opinion of the Victorian Solicitor-General obtained by the Department of Justice in relation to my earlier audit of the Children's Court of Victoria, which indicated that I have no legislative power to conduct an audit and subsequently report any audit findings in relation to the functioning of a court, and in the absence of any resolution to the impasse since the opinion was given, I am not able to report on the administrative functions of the Tribunal.

**Specialist assistance**

**3.10** With regard to the audit of the Rural Finance Corporation, specialist advice in relation to delegations in the banking industry was provided to audit by the Australian Banking Research Unit of Monash University.



# **Part 4**

## **Licence Simplification Program**



## OVERVIEW

**4.1** Audit concluded that the reduction in the number of licences achieved under the Licence Simplification Program substantially met the target of 25 per cent by 31 December 1995, but the licences revoked as a result of the Program had only a minimal impact on reducing business regulation costs. In addition, according to information provided by agencies to audit, only 7 per cent of licence reductions could be directly attributed to the Program. In the opinion of the Department of State Development, this is understandable given that the first part of the Program has effectively been a housekeeping operation in which most of the revoked licences had already become obsolete or were identified as redundant by the previous government.

**4.2** In audit opinion, the major reason for the Program only having a minimal impact was its initial design and focus, rather than the ongoing management of the Program by the Office of Regulation Reform. In this regard, audit was advised by the Department of State Development that the Program, as structured, was not designed to achieve qualitative improvements in regulation which made it difficult, without specifically confirming with stakeholders, to assess the impact on reducing business regulation costs. The audit found that, despite some initial difficulties, the Program was competently managed during 1995, although certain basic flaws inherent in the Program could not be overcome.

**4.3** Audit is of the view that for the remaining aspects of the Program, priority should be given to programs designed to achieve qualitative improvements in regulations, rather than focusing on quantitative reduction programs such as the Licence Simplification Program. This would necessitate employing a more strategic approach than is required in managing a *blanket* quantitative reduction program and involve a new set of measures such as:

- confirming with stakeholders, and particularly the business sector, the extent to which any program assumptions are valid (e.g. the extent to which licences impose burdens on business) and seeking their views on the major areas requiring attention;
- in consultation with agencies, targeting industries and identifying deregulatory priorities where benefits to the community and the business sector would be maximised;
- establishing clear objectives, scope, outputs and outcomes at the outset of the program including evaluative mechanisms; and
- assigning responsibility for achieving priorities on an agency basis with the Office adopting a co-ordination and monitoring role.

**SETTING OF PROGRAM OBJECTIVES AND OUTCOMES**

**4.4** The high level goal for the Licence Simplification Program set by the then Minister for Small Business in September 1993 was "... to ensure that every effort is made to eliminate unnecessary burdens on both business and the general community". As a means of meeting the Minister's goal, the Program's target was to reduce the total number of licences of 485 by 25 per cent by 31 December 1995.

**4.5** The audit found that program objectives or performance targets, which accurately reflected the capacity of the Office of Regulation Reform to achieve licence reduction and the elimination of unnecessary cost burdens on business, were not set. The former Department of Business and Employment (now Department of State Development) assumed the lead agency role and the Office was responsible for implementing the Program. While success or failure in achieving licence reductions rested with the Office, the ability to examine, retain or revoke licences appropriately remained with individual agencies. The Office could at best only play a secondary role in co-ordinating and facilitating the work of agencies, yet retained prime responsibility for achieving licence reductions of 25 per cent.

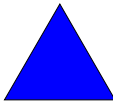
**4.6** In audit's view, the Program should have been structured so as to place responsibility on individual agencies for achieving licence reductions and the removal of unnecessary cost burdens on business. In this context, the nature of the Office's role would then have been one of co-ordination and facilitation which, in audit opinion, would have been a more appropriate role. Program objectives and targets that reflected the respective roles of agencies and the Office in the licence simplification process should then have been established. The lack of responsibility assigned to individual agencies may have contributed to these agencies not meeting the Program's timetable for the completion of designated tasks, despite the Government's endorsement of the timelines.

**4.7** It was also apparent that measurable outcomes in terms of reducing unnecessary cost burdens on business had not been established for the Program. Audit found that the overwhelming concentration of the Program was on the output measures of reducing the number and percentage of licences. These measures, in effect, became the outcomes for the Program. A reduction in the number of licences does not necessarily have any impact on reducing unnecessary cost burdens on business. Indeed, as identified in the later audit analysis, the number of licence reductions is considered by audit to be a highly misleading measure of the effectiveness of reducing regulatory burdens on business.

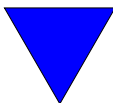
**4.8** By way of elaboration, the examples outlined in Table 4A within the Department of State Development contrast with the way in which the retention of a licence can actually lead to cost savings for business with a situation where revocation of licences would not have any impact in terms of savings for business.

**TABLE 4A  
MISLEADING USE OF LICENCE REVOCATIONS AS AN  
OUTCOME MEASURE FOR THE PROGRAM**

<i>Illustration where retention of licences can actually lead to cost savings for business</i>
<p>Major changes in occupational health and safety have resulted in the replacement of prescriptive legislation with performance-based legislation.</p> <p>Certain certificates of competency were retained under new regulations (the Occupational Health and Safety (Certification of Plant Users and Operators) Regulations 1994). In the view of the Department of State Development, the streamlining of the process for obtaining certificates and the broad banding of classes within occupations has resulted in significant savings to business.</p> <p>For example, while a certificate of competency for a rigger is still required, the number of classes of rigger has been reduced from 6 to 3, which provides employers with greater flexibility and efficiency in the use of the workforce, thereby promoting increased productivity.</p>



CONTRASTED WITH
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<i>Illustration where revocation of licences would not generate savings for business</i>
<p>Five licences under the <i>Mines Act 1958</i> have been identified for repeal, however, these licences have not been issued since the <i>Mines (Trenches) Regulations 1982</i> and the <i>Mines (Shafts and Tunnels) Regulations 1983</i> ceased in 1992.</p> <p><i>The revocation of these licences would, therefore, have no impact on business costs.</i></p>

**4.9** The audit disclosed that the Secretary, Department of Business and Employment wrote to the Secretary, Department of Premier and Cabinet in September 1995 advising that only 75 of the 149 redundant licences had been revoked by the Government's latest imposed deadline of 30 June 1995. The memorandum also stated that:

*"Agencies had been engaged in a review of business licences for over 2 years and, despite Cabinet's decision, generally continued to accord redundant licence reduction a low priority".*



**4.10** The memorandum sought the views of the Secretary, Department of Premier and Cabinet on the appropriateness of Ministers reporting on a quarterly basis to the Budget and Economic Review Committee on the repeal of redundant licences. There was no formal evidence on file of any resolution to this matter.

**4.11** It should be mentioned that delays in agencies meeting timelines occurred despite the efforts of the Office to ensure these timelines were met. The audit revealed that the Office played an active role in 1995 in following-up agency responses and provided regular briefings to the Minister and senior management on progress in achieving targeted reductions.

**4.12** In the broader context, audit acknowledges the major change process in course of implementation within the Department of State Development through the introduction of output budgeting and output costing. These changes should result in the better alignment of resourcing to meet desired outcomes.

**4.13** One of the major challenges facing the new Department will be to develop meaningful measures of performance for the more complex departmental projects such as regulatory reform, rather than placing reliance on output-based indicators that are overly simplistic and often misleading as measures of program effectiveness. In audit's view, there is clearly a case for increased emphasis on formal evaluations of these more complex projects in line with the thrust of the Government's Continuous Management Improvement Program. Such evaluations should provide a more accurate and informed analysis of the impact of these projects in meeting departmental objectives and enable improvements to be made, where considered necessary, for the future direction and implementation of government projects.

**4.14** Both the initial setting of project objectives for outputs and outcomes and the evaluation of results requires greater contact and discussion with the Department's major stakeholder, the business sector. While contact had occurred on an individual project basis, usually at the discretion of the relevant manager, this needs to occur in a more structured and formalised sense across the Department.

**4.15** The Department advised audit that its 1996-1999 corporate plan would emphasise the need for greater attention to be given to seeking the views of the business sector, particularly in terms of issues such as the quality of services provided by the Department.

**ESTABLISHMENT OF CRITERIA AND TIMELINES**

**4.16** In terms of the initial establishment of the Program, there were a number of difficulties that impeded progress in its finalisation. These were:

- a lack of explicit criteria established by the former Minister for Small Business in September 1993 in terms of the retention, review or revocation of licences; and
- the absence of a consistent format for agencies to report to the Office.

**4.17** In audit's view, the above factors contributed to a situation where responses from departments on their decision to either retain, review or revoke licences varied considerably. In some cases examined by audit, little justification was provided for the retention of licences.

**4.18** Another difficulty was that the initial request to departments did not contain timelines for the overall completion of the Program, nor for finalisation of the review process. Departments merely had to list licences under review. The Office perceived the lack of timelines to be a major difficulty in terms of completing the Program. By January 1995, some 16 months after the commencement of the Program, only 80 licences had been nominated for revocation with a similar number requiring more detailed review.

**4.19** In early 1995 the following improvements were made to the framework for implementing the Program:

- the establishment of explicit criteria to be applied against existing licences that required agencies to consider the consolidation of licences, suitable alternatives to licensing and whether licensing existed in other jurisdictions; and
- timelines for the completion of the Program were developed as part of a 3-stage process of which one of the stages was the completion of all reviews in train by 31 May 1995.

**4.20** In addition, when agencies were advised in February 1995 of the Government's decision, they were required to report against the Government's endorsed criteria using a standard proforma.

**4.21** In relation to the timetable for the Program, it is audit's view that timelines could have been established based on individual agency priorities, rather than adopting an approach of all agencies having to meet common timelines. This would have had the additional advantage of not only holding agencies individually rather than collectively responsible for meeting timelines, but would have ensured that timelines matched the particular nature and extent of work required in each agency.

**EFFECTIVENESS OF THE PROGRAM**

**4.22** Although a report covering the status and overall effectiveness of the Program was not prepared at 31 December 1995 in terms of assessing its performance against its goal and target, a draft Cabinet submission was produced by the Office in late 1995. Audit was advised by the Office that, although this document was not forwarded to Cabinet, it was regarded as a substitute for a formalised report on the Program. In audit's view, this document was deficient in that it did not address:

- the extent to which the Program met its goals;
- the full costs of administering the Program;
- total savings arising from the Program;
- the views of agencies on the value from their perspective of the Program;
- lessons to be learnt as a result of managing the Program for over 2 years; and
- a recommendation as to the future of the Program and, if the Program was to continue, the form it might take.

**4.23** As the Office had not assessed the effectiveness of the Program, audit examined whether:

- the target of a 25 per cent reduction in licences had been achieved by 31 December 1995, as required by the Department's 1995-96 Business Plan; and
- the Program had been effective in reducing unnecessary burdens on business.

**4.24** The audit revealed that a reduction of 111 licences (23 per cent) was achieved by 31 December 1995. The non-achievement of the target of a 25 per cent reduction in licences was attributed to the fact that the Professional Boxing and Martial Arts Bill involving the revocation of 10 licences (2 per cent) did not proceed as anticipated in the 1995 Spring Session of Parliament.

**4.25** In addition, as indicated earlier, the reduction in the number of licences as a measure of the extent of the removal of regulatory burdens on business was considered by audit to be misleading. For example, some licences that were abolished had little impact on business. On the other hand, a decision to retain a particular licence could actually reduce regulatory burdens on business through the streamlining of the approval processes.

**4.26** In examining how effective the Program had been in reducing unnecessary burdens on business, audit considered 2 major issues:

- the extent to which any reduction in licences could be directly attributed to the Program; and
- the impact that the changes emanating from the Program had on reducing unnecessary burdens on business.



**4.27** In assessing the effectiveness of the Program in terms of achieving licence reductions and associated savings, audit examined the:

- basis for the revocation of licences and licences identified for revocation that were pending within the Department of State Development;
- reasons for the revocation of licences, based on the results of an audit survey of 5 agencies; and
- examples of identified savings attributed to the Program in the draft Cabinet submission.

**4.28** This examination covered approximately 90 per cent of the licences identified within the Program for revocation.

**Department of State Development -  
influence of the Program on revocation of licences**

**4.29** Audit analysed licences, revoked or identified for revocation, within the Department of State Development. The analysis revealed that of the Program's 34 licences listed as either revoked or to be revoked:

- 23 changes resulted from major micro-economic reforms in the health and safety sectors that were co-ordinated at a national level with State and Territory involvement. The culmination of these initiatives resulted in the repeal of highly prescriptive acts and regulations and their replacement with new performance-based regulations;
- 5 changes were due to regulations which ceased to exist under the *Mines Act 1958* as from 1992 relating to trenches, shafts and tunnels; and
- 3 changes were due to a review of the Weights and Measures Regulations 1984 as required by the *Subordinate Legislation Act 1994*.

**4.30** Of the 3 remaining licences:

- one was repealed at the initiative of the former Minister for Industry Services (Sunday Entertainment Permit); and
- only 2 could be attributed to the Program, namely, the Street Trading Licence and the licence to keep explosives for sale and to sell explosives.

**Audit survey - basis for revocation of licences**

**4.31** The survey of 5 portfolios covering 101 licences disclosed that the Program had been responsible in either a primary or secondary sense for the proposed or actual revocation of only 8 licences. Details relating to the results of the survey, which are based on the comments provided by the responsible departments in existence prior to the machinery of government changes in April 1996, are outlined in Table 4B.



**TABLE 4B**  
**IMPACT OF THE PROGRAM ON PROPOSED OR ACTUAL LICENCE REVOCATIONS**

<i>Portfolio</i>	<i>Number of licences revoked</i>	<i>Number of revocations due to the Program</i>	<i>Departmental comments on catalyst for revocation</i>
Agriculture, Energy and Minerals (former)	24	2	The Program was directly responsible for the revocation of the requirement to register seed cleaning plants and influenced the removal of licences to manufacture margarine.  Significant micro-economic and other regulatory reform during the past 4 years in the agricultural sector accounted for the remainder of the revocations .
Arts, Sports and Tourism (former)	16	3	Revocation of the following 2 licences was directly attributed to the Program: <ul style="list-style-type: none"> <li>■ registration of bookmakers (greyhounds); and</li> <li>■ registration of bookmakers' clerks (greyhound racing).</li> </ul> <p>The proposed revocation of the bookmaker's course agent's registration certificate is subject to passage of legislation in the Spring 1996 Session of the Parliament.</p> <p>A review of partially registered occupations by the Vocational Education Employment and Training Advisory Committee and of regulatory provisions affecting martial arts by the Department were the main contributing factors to the balance of the revocations.</p>
Conservation and Natural Resources (former)	7	Nil	All revocations were due to a combination of local, industry and Federal/State initiatives.
Justice	8	3	The intended revocation of the registration of newspapers and printing presses was directly attributable to the Program. The Program also accelerated the repeal of the court reporting licence.  The abovementioned review of partially registered occupations by the Vocational Education Employment and Training Advisory Committee, as well as changes to the registration of builders, accounted for the balance of the revocations.
Transport	46	Nil	Revocations were principally due to micro-economic reform in the ports area and other initiatives such as the deregulation of the transport of bulk goods by rail.

**Benefits to business and the community from the Program**

**4.32** Audit examined the outcomes or anticipated impact on the reduction in regulatory burdens on business and the community in terms of those licences either revoked or identified for revocation which were attributable to the Program. The impact of these changes is shown in Table 4C.

**TABLE 4C  
IMPACT ON BUSINESS/COMMUNITY OF LICENCE REVOCATIONS**

<i>Portfolio</i>	<i>Licences</i>	<i>Departmental comments relating to outcomes from the Program</i>
Arts, Sport and Tourism (former)	Registration of Bookmakers and Bookmaker's Clerks (Greyhound Racing)  Registration of Bookmaker's Course Agents	Removed the need for an estimated 100 bookmakers and bookmaker's clerks to register with the Greyhound Racing Control Board. There were no registration fees.  Will eliminate the need for the existing bookmaker's course agents to have registration. There were only 5 registrations and no fees were payable. The registration of bookmaker's course agents will be subsumed by the existing registration provisions of bookmaker's clerks.
Agriculture, Energy and Minerals (former)	Registration of seed cleaning plant  Licence to manufacture margarine	The revocation of the certificate of registration of a seed cleaning plant had a minimal impact as: <ul style="list-style-type: none"> <li>▪ no certificates of registration were issued in 1993 and 1994;</li> <li>▪ a one-off fee of only \$10 was payable; and</li> <li>▪ approximately 40 certificates had been issued.</li> </ul> In the context of the scale of individual manufacturer's operations, it seems unlikely that the revocation of the licence to manufacture margarine would have had a major impact. Revocation of the licence fee, which was based on production volumes, is estimated to generate savings to manufacturers of approximately \$120 000 annually.
State Development	Street trading licence  Licence to keep and sell explosives	Street trading licences have not been issued for approximately 9 years for the primary reason of duplicated requirements under the <i>Community Services Act 1970</i> .  Based on licence fees charged and the volume of licences issued, the future revocation of the licence to keep explosives for sale and to sell explosives would have a limited impact on business and the community. This licensing requirement is currently contained in the Dangerous Goods (Explosives) Regulations 1988. A major review of the regulations will commence in 1997. The feasibility of consolidating this licensing system with other licensing systems covering explosives will be considered in the regulatory review process.



**TABLE 4C**  
**IMPACT ON BUSINESS/COMMUNITY OF LICENCE REVOCATIONS - continued**

<i>Portfolio</i>	<i>Licences</i>	<i>Departmental comments relating to outcomes from the Program</i>
Justice	Registration of newspapers and printing presses  Court reporting licence	The laws requiring the registration of newspapers and printing presses have yet to be repealed. With only 15 new registrations and 14 renewals in 1994 for newspapers and 2 new registrations and 6 renewals in 1994 for printing presses, combined with a licence fee of \$20 in each case, the monetary benefit to business of these proposed revocations will be minimal.  Advice from the Victorian Government Reporting Service indicated that only one licence had been issued since the end of 1993.

**4.33** In examining the effectiveness of the Program in removing unnecessary burdens on business, the overall conclusion was that, based on an assessment of the impact of licences revoked, the Program had little effect in this area. While the costs associated with administration of the Program had not been maintained, given the very low level of benefits resulting from the Program, in audit opinion, it is highly likely that the benefits arising from licence reductions at this stage do not justify the costs involved in implementing the Program.

**Identified savings**

**4.34** The draft Cabinet submission stated in part that the Program produced significant savings to business. However, audit found that in respect of examples of savings cited, there were other factors which acted as catalysts for the abolition of the licences. Relevant details are summarised in Table 4D.



**TABLE 4D**  
**EXTENT TO WHICH ASSERTED SAVINGS WERE ATTRIBUTABLE TO THE PROGRAM**

<i>Type of licence</i>	<i>Estimated saving</i>	<i>Attributable to Program (Yes/No)</i>	<i>Audit comment</i>
Licence to manufacture margarine	\$120 000 (annual)	Yes, in part	The Program was regarded as useful in ensuring that the <i>Margarine Repeal Act</i> 1994 received legislative priority.
Registration of valuers	\$850 000 (10 years)	No	Micro-economic reforms at a national level culminated in a review commissioned by the Vocational Education Employment and Training Advisory Committee, which recommended co-regulation for valuers and deregulation for sub-agents.
Real estate sub-agent's licence	\$370 000 (annual)	No	As above.
Weighbridge operator's licence	\$55 000 (10 years)	No	A review of the Weights and Measures Regulations 1984 was prompted by the <i>Subordinate Legislation Act</i> 1994, which required regulations to be revoked after 10 years and any new or replacement regulations to be justified.

**4.35** An analysis by audit identified that the basis for the calculation of the above savings was inconsistent. For example, the estimated \$850 000 savings in annual valuer's registrations related to a 10-year period, as did savings of \$55 000 attributable to the weighbridge operator's licence. Other savings quoted in the draft Cabinet submission were based on an annual estimate.

**4.36** As indicated in Table 4D, audit found that, in terms of claimed licence revocations and savings resulting from the Program, only the removal of the licence to manufacture margarine could be attributed in part to the Program. In this case, the Program contributed to a more expedient removal of the licence. Audit is of the view that the more significant savings claimed from the other 3 sources listed above could not be directly attributed to the Program. The Department provided the following comments to audit in relation to the operation and effectiveness of the Program:

- it is understandable that only a small proportion of licence reductions were attributable to the Program, given that the first part of the Program has effectively been a housekeeping operation in which most of the revoked licences had already become obsolete or were identified as redundant by the previous Government;
- the Program, as structured, was not designed to achieve qualitative improvements in regulation which made it difficult, without specifically confirming with stakeholders, to assess the impact on reducing business regulation costs; and
- the Program has contributed to a greater awareness and understanding of better regulation across the whole of government in tandem with the regulatory impact statement process and the recent introduction of national competition policy reform.

**SUGGESTED IMPROVEMENTS TO THE PROGRAM**

**4.37** As previously mentioned, no clear outcomes had been established for the Program and the output measures that had been established, such as the reduction in the percentage of licences, were not regarded by audit as reliable indicators of any decrease in unnecessary regulatory burdens on business.

**4.38** In audit opinion, a program aimed at the wider issue of reducing unnecessary regulatory burdens on industry, including licence simplification processes, would have been more effective if the views of agencies and other stakeholders, particularly business, were sought in terms of which areas of regulatory reform required the most attention. This could have been achieved through, for example, market surveys and, if necessary, supplemented by the use of business focus groups to explore in greater depth issues arising from the survey.

**4.39** This approach would have had a number of advantages, namely:

- allowing the testing of initial assumptions upon which programs were based (e.g. that licences do in fact impose significant unnecessary cost burdens on businesses) as well as identifying concerns from a stakeholder's perspective;
- enabling the setting of program objectives, scope, outputs and outcomes to proceed on a more informed basis by taking into account the views of stakeholders; and
- encouraging the targeting of industries and the identification of deregulatory priorities, including among other things the issue of licences, which would have directed effort to areas where benefits to business and the community would have been maximised.

**4.40** In addition, adopting an approach of targeting effort to priority areas would have:

- Promoted greater ownership and accountability for achieving performance targets at an individual agency level by developing agency specific priorities. With agencies assuming direct responsibility for achieving reforms, the Office of Regulation Reform would have been free to undertake a more appropriate role of overseeing, co-ordinating, monitoring, advising and reporting on the Program; and
- Allowed timelines to be developed that reflected the particular scope, nature and extent of the reform process within each agency.

**4.41** It is very important that future projects in this area should take into account:

- the views of stakeholders in the confirmation of any assumptions and the identification of priority areas from their perspective, which would provide a more informed basis for the development of future projects;
- the necessity of targeting effort to ensure that the benefits to the business sector and the community are maximised; and
- the importance of assigning responsibility for the achievement of priorities to agencies with the Office playing a co-ordinating, monitoring and reporting role.



**4.42** The appropriateness of reporting the outcomes of any wider extension of the Licence Simplification Program to the Budget and Economic Review Committee should also be examined.

**4.43** In summary, audit's view is that the Licence Simplification Program at this stage has not had a major impact on business and the community in terms of reducing unnecessary cost and regulatory burdens. The concentration of effort of future programs should be on identifying the potential for qualitative improvements to regulations, rather than developing further programs aimed at maximising quantitative reductions in licences or regulations.

**4.44** The Department of State Development is of the view that the audit conclusion, which relates to what has subsequently been determined to be the first part of the Licence Simplification Program, may not reflect the ultimate outcomes of the extension of the Program.



# **Part 5**

## **Efficiency of Financial Services**



## OVERVIEW

**5.1** In terms of the Government's performance in making payments in a timely manner to road accident victims, farmers and rural industries, superannuants and those in need of legal aid, while a number of initiatives had been implemented by all agencies, there was scope for improving the timeliness of service delivery by

- exploring the possibility of gradually increasing over a period of time monetary levels for loan approval delegations assigned to regional managers at the Rural Finance Corporation;
- achieving a greater level of co-operation between government agencies and the Victorian Superannuation Board in relation to the provision of critical information to enable the timely processing of benefits to occur;
- strengthening the financial viability of Victoria Legal Aid to ensure that the level of financial assistance payable to those in need is maintained at the optimum level in the future; and
- giving continued attention to the issue of staff morale at Victoria Legal Aid while introducing extensive change.

**5.2** While the audit disclosed that the Transport Accident Commission was efficient in making payments in a timely manner, the audit also revealed some examples where the quality of decisions may have been impaired at the Commission as well as at Victoria Legal Aid due to streamlining the decision-making process regarding the approval of applications. A fine balance has to be achieved between administering delegations for the purpose of expediency while at the same time minimising the exposure to risk from poor decision-making. In this regard, training and quality assurance programs are 2 avenues designed to promote the efficiency and effectiveness of decision-making.

## **INTRODUCTION**

**5.3** This segment of the audit encompassed the following elements:

- *Transport Accident Commission* - compensation paid to road accident victims in relation to *no fault* claims;
- *Rural Finance Corporation* - commercial loan applications from farmers;
- *Victorian Superannuation Board* - payment of superannuation entitlements to members and beneficiaries of the Victorian Superannuation Fund and the State Superannuation Fund; and
- *Victoria Legal Aid* - legal aid provided to parties involved in criminal, family and civil law suits administered by the Melbourne Office.

**5.4** Due to the diverse range of factors impacting on the approval processes involved in the provision of the above financial services, audit comments are set out below on an agency specific basis.

**TRANSPORT ACCIDENT COMMISSION**

**5.5** The audit found that the Transport Accident Commission had maximised delegations at the lowest possible levels and, through monitoring and assessment mechanisms, minimised risks to the organisation of inappropriate or incorrect use of delegations. This policy demonstrates the Commission's commitment at all levels to its major strategy for achieving excellence in customer service.

**5.6** Audit formed the view that high levels of customer service existed in relation to claims management based on the Commission's performance as measured against claims service indicators. This view was independently confirmed by a customer service study arranged by the Commission, which was conducted by a market research firm between November 1994 and March 1995.

**5.7** Examples of the high standard of customer service achieved by the Commission in relation to processing claims for compensation are listed below:

- 86 per cent of claims had been approved within 7 calendar days, compared with a target of 79 per cent; and
- achievement of a customer satisfaction level of 82 per cent which, according to advice from the market research firm, compares favourably with insurance companies whose operations are considered to be similar to those of the Commission.

**5.8** The Commission has also established a range of safeguards over risks arising from the exercising of delegations. These include:

- a monthly claims management report that highlights divisional and corporate performance including budgetary issues;
- an annual *leakage review* (an assessment as to whether best practice has been followed in the management of claims) conducted on a quarterly basis, aimed at assessing the quality of claims handling and measuring the level of potential cost efficiencies which could be achieved by improving decision-making and work practices in line with best practice; and
- monthly quality assurance reviews undertaken by its Quality Assurance Branch, supplemented by internal quality control reviews conducted by team leaders.

**5.9** The Commission's total claim payments averaged \$405 million a year between 1992-93 and 1994-95. Its 3 completed leakage reviews up to the date of the audit have disclosed potential cost savings of between 4.9 and 6.5 per cent (i.e. the percentage of claim payments where there may have been scope for a reduction in payments, based on an interpretation of events using best practice). According to information received from a firm of consultants engaged by the Commission in July 1993, the level of leakage was below the insurance industry average of 8 to 12 per cent.

**5.10** The consultancy advice indicated the importance of continuing the leakage review process as a means of recovering any overpayments and improving claims handling quality. In audit opinion, it is important that cost-inefficiencies identified from this process be analysed and stratified according to the underlying cause of the inefficiency. Audit acknowledges the Commission's continuing commitment to the leakage review process and to improving its performance in this regard. The Commission's business plan commits the organisation to reducing claims leakage to 2 per cent by the year 2000.

**5.11** The Commission is continually faced with a situation where it has to balance the need to provide a high standard of customer service with that of containing costs. While a commitment to delegate to the lower levels in the organisation is critical in achieving efficiency in service delivery, it is also important that management regularly considers the feasibility of either referring complex decisions to more senior staff or reallocating individual staff delegation authorities when the Commission's reviews highlight that a lack of experience or expertise at lower levels has inhibited the achievement of best practice.

**5.12** Audit is of the view that further enhancements could be achieved by the Commission refocusing the role of its Quality Assurance Branch from one of predominantly examining the accuracy of claims processing to one that supports the Commission's commitment to introducing claims case management by:

- examining the quality and consistency of individual decision-making within agreed standards; and
- assessing the adequacy of the overall management of claims from the perspective of meeting customer service, care and cost outcomes.

**5.13** This change in focus would necessitate an examination of the level of coverage provided by internal quality control reviews.

**5.14** The major area of delay in processing claims was in relation to impairment assessment. These assessments involve an appraisal after 18 months from the time of accident to determine whether permanent impairment has exceeded 10 per cent. This issue was raised in the 1995 customer service study, and an analysis of the Commission's performance against key performance indicators for 1995-96 also indicated attention was warranted. Audit was satisfied that delays in impairment assessments were not due to excessive levels of decision-making. Senior management of the Commission indicated their awareness of the position and recently commenced an examination of the issue with the assistance of consultants in order to introduce world best practice.

□ **RESPONSE** provided by Managing Director, Transport Accident Commission

*The Commission is constantly endeavouring to find better ways to ensure that customer services are maintained, while ensuring appropriate safeguards are in place over the financial risks of the business. To that end, the Commission has undertaken a major claims management review during the first half of 1996 to affirm its long-term financial viability, while maintaining high levels of customer service.*

## RURAL FINANCE CORPORATION

### Background information

**5.15** Specialist advice obtained by audit indicates that financial and environmental pressures have forced rationalisation of family farms in Australia. This trend is expected to continue. According to experts, a positive aspect of this restructure is the creation of a more efficient rural sector to compete in the world economy. As the restructure continues, the smaller number of larger and more diverse farms will demand loans of higher levels.

**5.16** The delivery of service to the rural community can be improved through organisational changes that bring the authority to make decisions, which affect the provision of services, closer to the customer. Such organisational changes can have a positive impact on achieving the Government's public sector reform objectives of minimising bureaucracy and improving service delivery to consumers by improving the quality, cost-effectiveness and efficiency of service delivery, and assisting in the achievement of specific targets for customer service delivery.

### Overall audit comment

**5.17** The objectives of the Rural Finance Corporation include the requirement "... to provide financial and other services for rural industries in an efficient and competitive manner". Audit acknowledges that significant delegation and regional distribution of resources have occurred in the Corporation over the last 3 to 4 years, including:

- the initial implementation of delegated authorities to regional managers and the establishment of specific lending guideline criteria in 1993, with both authorities and criteria regularly reviewed;
- the establishment of 2 new regional offices; and
- an increase in regional staff numbers with a decrease in head office staff numbers.

**5.18** Overall, audit found that these initiatives had contributed to improved service delivery in terms of shorter waiting times for loan approvals. Nevertheless, audit concluded that there is scope for further efficiencies to be made in terms of adopting a more flexible approach to the lending limit delegations assigned to regional managers of the Corporation and refining lending processes.

□ **RESPONSE** provided by Chief Executive Officer, Rural Finance Corporation

*The Corporation has shown a flexible approach to lending delegations and will continue to do so, however, management is also very conscious of its responsibilities to build a sound loan portfolio as well as improving service delivery.*

## Lending approval processes

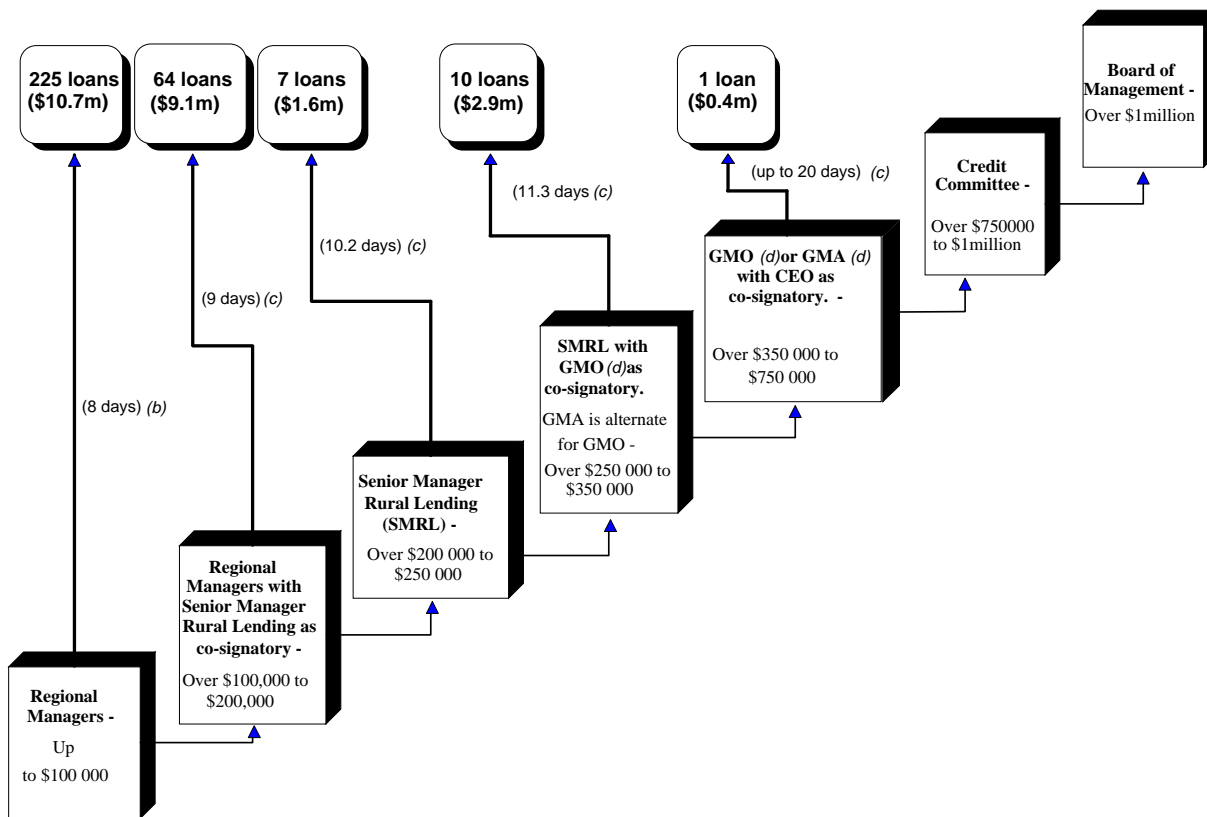
**5.19** The Corporation decentralised the authority and responsibility for commercial loan approvals to 6 regional offices as part of a client service strategy in 1993-94. Regional managers are currently authorised to approve new loans of up to \$100 000 or additional funds for existing borrowers to a total indebtedness to the Corporation of \$200 000. The Board of Management of the Corporation has issued lending guidelines to control the risk associated with decentralising lending activities and delegating lending authority. Current 1995-96 customer service delivery targets for loan processing by the Corporation prescribe a turnaround time of "less than 10 days".

**5.20** The Corporation is to be commended for setting a customer service delivery target of "less than 10 days" for loan application approvals. This practice is in line with one of the major reform initiatives of the Government to improve customer service delivery.

**5.21** Decentralisation has improved the Corporation's overall efficiency of loan processing as evidenced by total turnaround times (i.e. the number of working days between receipt of a loan application and its approval or rejection) which have fallen from an average of 15 days in 1992-93 to an average of 10 days in 1994-95. This substantial reduction in turnaround times has been achieved without any increase in the level of non-performing loans.

**5.22** Chart 5A illustrates the various levels of authority that loans above \$100 000 need to pass through at head office (e.g. a loan application for \$300 000 will pass through 3 consecutive levels of the Corporation's management hierarchy).

**CHART 5A**  
**LENDING AUTHORITIES FOR NEW RURAL LOANS**  
**COMMERCIAL LOANS IN 1994-95 (a)**



- (a) Loans approved in less than 20 days. Loans taking longer than 20 days (54 per cent) to approve are excluded on the basis that delays are caused by the applicant (e.g. pending the results of auctions and financial settlements) and are, therefore, outside the direct control of the Corporation.
- (b) Average number of working days turnaround at regional level.
- (c) Average number of working days turnaround for loans requiring head office approval.
- (d) General Manager Operations (GMO) and General Manager Administration (GMA).

Source: Data provided by Rural Finance Corporation, December 1995.

**5.23** However, audit is of the view that the lending limit delegation to regional managers is conservative and inflexible in that the current lending limits do not necessarily recognise the varying lending skills, experience, training and performance of individual regional managers. This view was strongly endorsed by specialist banking advice obtained by audit.

**5.24** Taking into account loans under \$100 000 that require additional approval from head office (e.g. due to minor breaches of the lending guidelines), audit was advised that the current level of delegated authorities results in only around 50 per cent of commercial loan applications (approximately 112 in 1994-95) to fall within the direct authority of regional managers. As the Corporation has set a low benchmark for the overall level of regional approvals that can be accomplished under current guidelines and delegations, there is still further scope for the Corporation to improve its performance in terms of providing a more efficient customer service.

**5.25** The Corporation should consider, among a range of options, a revision of its lending limit delegations policy with the gradual introduction of an expanded multi-tiered lending limit structure over a period of time. Such a structure could range from the current \$100 000 limit through to a new upper limit that will not adversely impact on the Corporation should loan loss levels increase. The upper limit of delegation (of perhaps \$250 000) should reflect a prudent approach that will ensure the continued viability of the Corporation. If this approach is adopted within centralised policy for all lending practices in the Corporation, a raising of the lending limit should not increase risk provided officers possess the necessary skills to meet emerging Corporation policy and industry trends.

**5.26** The potential for efficiency improvements in customer service delivery may be found in higher regional authority limits and the use of *discretionary* lending guidelines by regional managers. In audit opinion, such changes could result in:

- a further improvement in turnaround times, i.e. primary producers could experience further reductions in the time taken by the Corporation to approve loans;
- less loan applications required to be forwarded to head office for approval; and
- a greater number of loans falling within the Corporation's targeted turnaround time of "less than 10 days" without any increase in non-performing loans, provided the above safeguards are met.

**5.27** The adoption of any new lending limit delegations would require the Corporation to regularly review the lending performance of each of its regional managers in order to determine the appropriate authority to be applied to individual lenders.



□ **RESPONSE** provided by Chief Executive Officer, Rural Finance Corporation

*Audit's suggestion that the Corporation should increase limits to a level that will not cause distress if loan losses increase should be measured against the following points:*

- *The shareholder's [the Victorian Government's] reaction to increased losses;*
- *There may be a trade-off between service being improved and loan losses increasing. On the face of it, customer service and efficiency may improve but if losses increase, the Corporation's credibility as a good lender will suffer; and*
- *The recommendation does not recognise the additional work load involved which needs to be balanced against the diversity of tasks for which regional managers are responsible.*

*The Corporation does not believe that the recommendation to adopt a more flexible approach to lending limit delegations for regional managers will, in itself, provide greater efficiency in service delivery. Over the past 6 months, management has been reviewing its processes, controls and IT systems and has identified opportunities for change in current methodology to achieve a shorter turnaround time between the receipt of an application and the decision. These changes, in our view, will deliver far greater efficiencies than an extension of delegation limits to regional managers. The Corporation is currently developing a paper to address the proposed system changes and, subject to clearance with our internal auditors, we hope to complete implementation by June 1997.*

*In the final analysis, the Corporation's ability to attract business and remain profitable in a commercial environment is a reflection of its efficiency, including service delivery.*

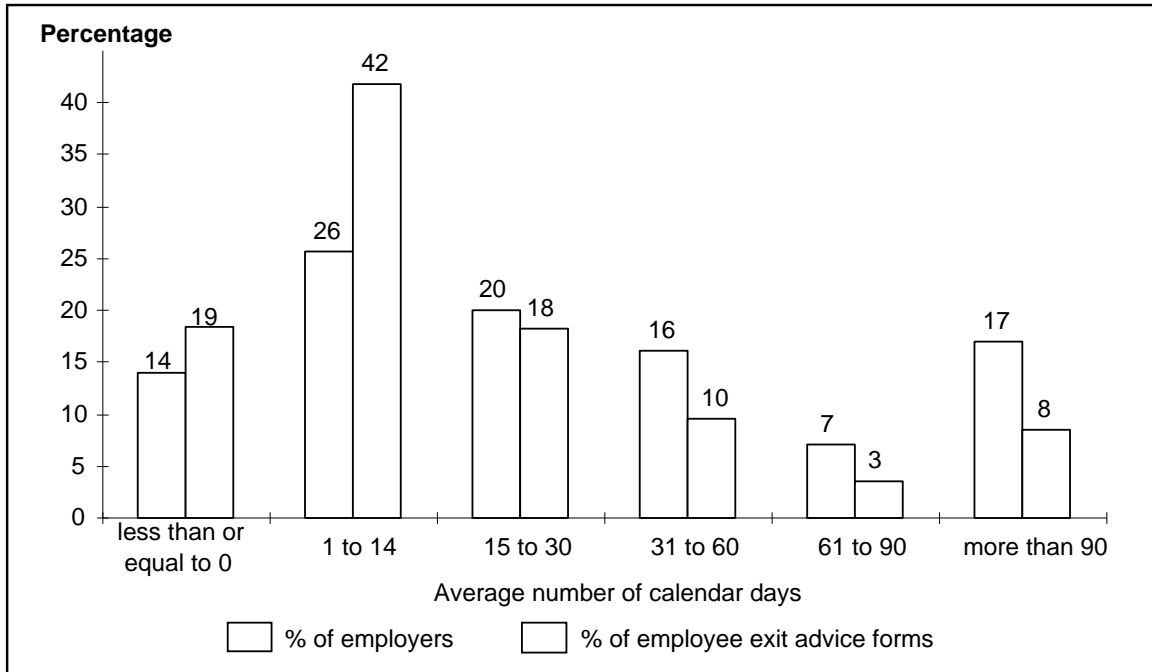
**VICTORIAN SUPERANNUATION BOARD**

**5.28** The Victorian Superannuation Board has worked on a cultural change program during 1995 which outlines 6 core values for the delivery of services to members and employers. These include an emphasis on client satisfaction, leadership, staff, teamwork, integrity and the adoption of a commercial orientation in the provision of services.

**5.29** As the pension payment cycle is 14 calendar days and the cut-off date for inclusion of a pension payment cycle is 5 days prior to pension payment day, some members will not receive their first pension payment until 21 calendar days from the day all required documentation from the member and the employer relating to the application is received.

**5.30** The major delay in processing benefit claims is directly related to the length of time taken by employers to forward employee exit advice forms. Chart 5B illustrates the percentage of employers and the time taken by them to remit their exit advice forms in relation to the 6 888 claims processed by the Board for the period 1 July 1995 to 30 June 1996 (where benefits are payable), and the overall percentage of exit advice forms received by the Board in particular time periods.

**CHART 5B**  
**RESPONSE TIME TAKEN BY EMPLOYER AGENCIES TO**  
**REMIT EMPLOYEE EXIT ADVICE FORMS**  
**1 JULY 1995 TO 30 JUNE 1996**



Source: Statistics on employer agency responses to member exits, Victorian Superannuation Board, based on calendar days.

**5.31** As indicated in the above chart, a large proportion of employers do not forward the required documentation to the Board in a prompt manner and as such, significant delays occur in the payment of benefits to members. For example, 60 per cent of employers take 15 or more calendar days to remit the required documentation before 39 per cent of members can receive their benefits. Taking into account the pension pay cycle of 14 days after the required information has been received by the Board, 39 per cent of members had to wait at least 4 weeks from their cessation date for the payment of their benefits.

**5.32** Delays by employers in sending exit advice forms result in inefficiencies to the Board as they increase the Board's workload and output times. When a delay occurs, amounts owing to the employee are invested until claimed by the employee and confirming information has been received from the employer.

**5.33** It can be seen from Chart 5B that 14 per cent of agencies remitted exit advice forms in relation to 19 per cent of members on or before the date of employee termination.

**5.34** In its 1994-1996 business plan, the Board signalled that it intended to work with employer agencies with the aim of achieving the receipt of employer documentation for benefit payments at the Board on the day of cessation of employment.

**5.35** The Board has also considered the development of a single application form to be completed first by the employer and then finalised and forwarded by the relevant member in order to redress the significant time lags between members submitting their benefit claim and employers remitting exit advice forms to the Board.



**5.36** Furthermore, in response to the delays illustrated in the previous chart, the Directorate of School Education and the Board are presently implementing an electronic cessation advice system which aims to improve the transfer of relevant superannuation information considerably.

**5.37** Notwithstanding the initiatives planned to be introduced, as an interim measure, the Board should produce exception reports highlighting any significant delays in the time taken for each agency to remit exit advice forms. This would enable the Board to:

- identify the particular agencies responsible for delays in forwarding exit advice forms to the Board; and
- take follow-up action on behalf of the member by notifying agencies of such delays.

**5.38** The Board could also consider encouraging a greater proportion of employer agencies to remit the exit advices to the Board or to the employee prior to the cessation of employment, which could result in a shorter timeframe for the payment of benefits to members.

**5.39** The Board has implemented a business re-engineering process, which has involved significantly reducing staff numbers, employing staff with appropriate skills and implementing a flatter organisational structure, in order to minimise the levels of bureaucracy and improve service delivery.

**5.40** At the time of audit, it was too early to assess the effectiveness of these recent developments.

<b>VICTORIA LEGAL AID</b>
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**5.41** The extent to which Victoria Legal Aid (VLA) is in a position to provide legal aid in an efficient manner to its client base is dependent largely on improving various procedural aspects of its operation and maintaining its financial viability over the ensuing years.

**Procedural issues designed to improve efficiency**

**5.42** Based on information compiled by the Queensland Legal Aid Office relating to the period October 1994 to September 1995, VLA was not as efficient as the legal aid offices in other States and Territories (information was not available for New South Wales) in relation to the time taken to process applications in the Assignments Division. The assignments function covers receiving, assessing, approving or rejecting applications for legal assistance. A comparison of performance against other legal aid commissions is shown in Table 5C.

**TABLE 5C  
ANNUAL PERFORMANCE OF VLA COMPARED TO  
OTHER LEGAL AID COMMISSIONS AT SEPTEMBER 1995**

Key performance indicator	Proportion of applications processed (%)						
	Vic.	SA	NT	WA	Tas.	ACT	Qld
Time taken to process an application -							
Same day	2.4	3.2	4.5	4.6	14	19.5	24.1
Within 5 days	36.9	40.7	52.6	57.0	81	80.0	63.8
Within 10 days	65.6	80.7	81.3	76.8	96	89.0	79.6
Within 15 days	77.9	94.2	90.7	83.2	98	92.0	87.0
Over 15 days	22.1	5.8	9.3	16.8	2	8.0	13.0

Source: Details based on statistics collated by the Queensland Legal Aid Office from information supplied by State and Territory legal aid commissions.

**5.43** Even allowing for differences in the scale and nature of the assignment function, there was a disparity in the performance of VLA compared with the other offices. Table 5C shows that, as approximately half of the other legal aid commissions processed a substantially higher rate of claims for legal aid either on the same day or within 5 days of application, there was still substantial scope in Victoria for improvement in the timeliness of processing applications for legal aid. Considering that 2 major reviews of the legal aid industry were completed in 1993 and 1994, respectively, which culminated in reports to the Victorian Parliament, it was disappointing to find this situation.

**5.44** Audit acknowledges that, in recent times, VLA has recognised the need for improvements to be made to its assignments function and has introduced a number of initiatives such as the development of various information systems, a revised organisational structure and improved service delivery arrangements.

**5.45** To build on these initiatives, the audit revealed certain procedural matters that warrant consideration for further improving the efficiency of service delivery. These matters are outlined below.

□ **RESPONSE** provided by Managing Director, Victoria Legal Aid

*The audit commenced at the time of appointment of general managers in the newly-constituted Victoria Legal Aid. The apparent deficiencies in the assignments function were immediately assessed and addressed although some of the corrective strategies will not be fully implemented until late 1996-97.*

**Excessive time devoted to processing individual transactions**

**5.46** Within the Family Law area of VLA's Assignments Division, the degree of attention given to processing a large volume of individual transactions was, in audit opinion, unwarranted. Between July 1995 and June 1996, the vast majority of approximately 24 000 requests to increase the maximum amounts VLA was prepared to pay for a range of legal costs were granted. Given that the majority of requests were approved without variation, the time devoted to this process is questionable.



**5.47** In view of past practice, consideration should be given to granting larger Stage of Matter Limits (i.e. the maximum amounts VLA is prepared to pay for solicitors' costs, counsels' fees and disbursements for each stage of a case) applicable to Family Law cases, with a view to granting legal aid in the quickest possible manner to the client and minimising unnecessary costs from the perspective of both the private practitioner and VLA. In audit's view, this should not obviate the requirement for solicitors, in rendering accounts, to demonstrate that various steps within the larger Stage of Matter Limits have been completed.

**5.48** Audit was subsequently advised that VLA will in future give approvals which cover more than one stage. Unless prior approval is given for work, the set fees for each stage within the approved work cannot be increased. To ensure that all stages for which fees are sought have been completed, VLA will use a post-payment internal review strategy in accordance with risk management principles.

*Heavy reliance on paper-based systems*

**5.49** The Melbourne Office of VLA receives around 155 000 individual pieces of correspondence and issues approximately 207 000 correspondence items annually, of which about 80 per cent relates to the Assignments Division. As such, processes involved in handling the workload in the assignments function, which were predominantly paper-orientated, were found to be cumbersome and inefficient.

**5.50** In examining the various steps in processing applications and correspondence, file movements constitute the major delay in the processing of paperwork, rather than actual transaction time. Approximately 1 200 file movements occurred daily between Registry and Assignments. The large number of movements creates inefficiencies as files have to be forwarded to the next officer before the necessary action can occur.

**5.51** Electronic data entry and the replacement of paper-based files with electronic files, leading eventually to a relatively *paperless process*, are long-term issues that need to be reflected in VLA's information technology planning to reduce the amount of handling time involved in processing claims for legal aid and enable dual access to information at one time.

□ **RESPONSE** provided by Managing Director, Victoria Legal Aid

*Victoria Legal Aid was already working on a facsimile gateway to enable electronic dispatch and receipt of business documentation to cut down on mail handling. VLA will shortly cease to directly pay the fees of barristers retained by private practitioners delivering legal aid services. This change (along with a reduction in the number of family law approvals) will reduce paper handling in the interim.*

*Need for simplification and standardisation of correspondence*

**5.52** In general, the audit disclosed that information conveyed to private practitioners on the approval of granting legal aid was overly complex. Similarly, documentation received from the legal profession was not in a standardised form.

**5.53** In audit opinion, considerable efficiencies could be achieved if VLA pursued the simplification and standardisation of hard copy data sent to and received from the legal profession. The simplification of documentation into a revised format would facilitate the forwarding, receiving and storing of this information in an electronic form. In this regard, the Family Law area of the Assignments Division has commenced re-drafting standard clauses to make information conveyed to private practitioners more easily understood and less complex.

□ **RESPONSE** provided by Managing Director, Victoria Legal Aid

*Work has continued to simplify and standardise documentation and correspondence. Policy changes being made by the VLA Board (such as the standardisation of the fee for a grant of assistance in a summary crime matter) will facilitate simpler communication.*

*Inconsistency in decision-making*

**5.54** From a customer service perspective, the current arrangement whereby only one officer at a time is involved in making decisions to grant or refuse legal aid enhances the efficiency of operations. However the effectiveness of decision-making under such a system is largely dependent on an accurate and fair interpretation of VLA's grant guidelines by individual officers.

**5.55** In making decisions on the merit of applications, there were major variations in approval and refusal rates across regions which could not be satisfactorily explained by any local factors, even after taking into account economic factors such as differing disposable incomes. Variations between regions with the highest and lowest refusal rate are illustrated in Table 5D.

**TABLE 5D  
REFUSALS AND APPROVALS FOR LEGAL AID  
JULY 1995 TO JUNE 1996**

Region	Civil cases			Criminal cases			Family Law cases		
	Approvals	Refusals	Refusal rate	Approvals	Refusals	Refusal rate	Approvals	Refusals	Refusal rate
	(no.)	(no.)	(%)	(no.)	(no.)	(%)	(no.)	(no.)	(%)
Broadmeadows	76	42	36	836	56	6	442	129	23
Frankston	32	77	71	774	157	17	329	273	45



**5.56** While the application of a means test in granting legal aid has been subject to internal audit scrutiny within VLA, decisions made on merit have not been independently reviewed. In addition, although on-job training takes place, a formal standardised training program for legal and administrative staff has not been developed by VLA. As such, the highly specialised nature of the assignments function and the high rate of staff turnover (e.g. in the Melbourne Office, 36 staff have been recruited between July 1993 and mid-June 1996 which represents a staff turnover of approximately 55 per cent for that period) contribute to a situation where differences in interpretation of guidelines can occur.

**5.57** Audit is of the view that a quality control process should be introduced to increase the likelihood of decision-making occurring in accordance with VLA policy, guidelines and procedures. This process should embrace aspects of case management, but particularly the issue of whether decisions regarding the approval of applications have been based on merit in accordance with the criteria established by VLA. The development of a staff training and development program that improves the decision-making process and supports the current change program in the Assignments Division is of paramount importance.

□ **RESPONSE** provided by Managing Director, Victoria Legal Aid

*The development and implementation of a quality assurance program was included in VLA's 1996-97 business plan.*

**Financial viability**

**5.58** The financial position of VLA will adversely impact on the provision of legal aid to those in need in the immediate future. Substantial increases in the level of legal aid granted over recent years and a significant reduction in revenue from client contributions combined to have a major impact on the VLA's deteriorating financial result since 1993-94.

**5.59** In 1994-95 and 1995-96 there were 39 094 and 38 356 grant approvals respectively compared to 33 565 approvals in 1993-94. Notwithstanding the increase in grant approvals in recent years, revenue from client contributions declined from approximately \$17 million in 1991-92 to an estimated \$9.3 million in 1995-96.

**5.60** The deterioration in VLA's financial position is shown in the table 5E.

**TABLE 5E**  
**SUMMARY OF VLA'S FINANCIAL POSITION**  
((\$million))

<i>Item</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96 (a)</i>
Accumulated funds	37.7	36.9	10.6
Annual operating surplus/deficit	5.3	(0.7)	(6.5)

(a) Financial position presented on a cash basis due to accrual information not finalised at the time of preparing this Report.

Source: Annual financial statements for 1993-94 and 1994-95 and the financial report for the 12 months to 30 June 1996 presented to the VLA Board.

**5.61** While VLA prepares accrual-based accounts at year-end, each monthly Board meeting is only provided with financial information on a cash basis. Audit was advised that VLA will be moving towards the preparation of accrual-based accounts on a monthly basis during 1996-97.

**5.62** Between 1988-89 and 1994-95, grant payments to private practitioners have been, on average, approximately 25 per cent higher in the second year of each claim. The full impact of increased grant numbers in 1994-95 has been felt in 1995-96 with the cash operating deficit of \$6.5 million far exceeding the budgeted deficit of \$3.5 million for the year. Based on a 5 day/week and 52 week/year scenario, and a \$6.5 million cash operating deficit, cash payments were exceeding cash receipts at the rate of approximately \$25 000 a day during 1995-96 or approximately \$11 500 a day above the budgeted deficit. Given comparable levels of grant approvals in 1995-96, VLA will be placed under considerable financial pressure in 1996-97, with the consequent impact on reducing the extent of legal aid available to be granted to low income earners.

**5.63** In making decisions on various budget options based on different grant number scenarios, the VLA Board has been hampered by a lack of financial forecasting capacity. While the tightening of guidelines for granting legal aid may have a future impact on ameliorating the financial situation, audit found that VLA did not have in place strategies (e.g. capping new grant commitments) to immediately stem the budget haemorrhaging during 1995-96.

**5.64** In order to address the financial crisis, VLA is to adopt financial limits for cost centres in relation to incurring commitments for grants of legal aid in 1996-97. Granting officers will be required to estimate the proportion of each grant that will fall due for payment in the current financial year and the next 2 financial years. VLA is also considering a range of strategies to achieve budget savings for 1996-97 and each division within VLA is re-organising and, in some cases, downsizing its operations.

**5.65** The precise impact on the public's access to legal aid in 1996-97 is difficult to determine as:

- the amount of legal aid available for new grants in 1996-97 will depend on the extent of the financial impact of approvals granted in 1995-96 and the level of grant funding provided by State and Commonwealth Governments (the Victorian Attorney-General has advised the Commonwealth Attorney-General that VLA would be directed to advise all recipients in non-Commonwealth legal aid cases that the Commonwealth's intention to terminate funding could jeopardise the availability and level of funding from 1 July 1997);
- current guidelines are in the process of amendment with an emphasis on reducing the funding of expensive cases, encouraging the private profession to take on cases and to recoup their legal costs from the awarding of damages by the courts and introducing family law conferencing; and
- the extent of the impact of budget savings, presently under consideration by VLA senior management, is not finalised at this stage.



**5.66** In audit opinion, after the implementation of the new assignments information system by March 1997, which will enable direct and indirect costs to be collected and analysed on an individual case basis, VLA should further examine whether any cost-efficiencies could be achieved by altering the current mix of in-house legal staff (27 per cent) compared with private legal practitioners (73 per cent). This matter was raised in my November 1993 Special Report on the former Commission where I commented that "*... in the absence of such systems, the relative cost-effectiveness of internal legal aid services cannot be effectively measured against services provided by private solicitors*".

**5.67** In addition, the audit revealed that greater attention should be directed to the management of expensive cases, and the focus given to monitoring individual transactions of lower risk needs to be reduced in order to strengthen the financial management of the organisation.

**5.68** Audit was subsequently advised by the senior management of VLA that guidelines were to be amended in order to restrict the level of approvals for expensive cases and exclude grants of assistance for certain civil cases. VLA has also taken the precaution of limiting all new grants of aid with a condition that any continuation of the grant after 30 June 1997 will depend on VLA's funding at that time.

**Staff morale**

**5.69** In recent times, the Victorian public sector has undergone a period of massive structural and operational change. Major changes at an agency level often alter staffing structures, business processes and established routines. Morale may suffer during these periods due to the uncertainty that frequently accompanies change and a lack of confidence some staff have to grasp new procedures. While management processes and information technology systems play crucial roles in any agency, both rely on people as a major resource to deliver services to the client base. With this in mind, the incidence of attitudinal problems can adversely impact on processes and systems which could place the efficiency and effectiveness of service delivery at risk if they are not carefully addressed.

**5.70** Given this background, the effect of change on staff morale and service delivery is a factor that many public sector agencies would no doubt be faced with managing in today's environment. Without intending to single out VLA, due to the magnitude of change that has occurred within the legal aid industry over recent years, audit considered there would be value in examining the way in which VLA has coped with change and addressed the issue of staff morale, especially given the potential benefits to other agencies facing similar change in the future.

**5.71** In this context, the former Legal Aid Commission of Victoria has been the subject of extensive scrutiny and change in recent years. The Auditor-General's Special Report No. 28, tabled in the Parliament in November 1993, was completed on the former Commission and in 1994, Mr Donald Cooper, a former partner and then a consultant with a Melbourne-based law firm, undertook a review entitled *The Review of the Delivery of Legal Aid Services in Victoria*. Mr Cooper's report was tabled in Parliament in December 1994 and recommended sweeping changes to the former Commission. Some of these changes were reflected in the *Legal Aid Commission (Amendment) Act 1995*, which established a new statutory corporation, Victoria Legal Aid.

**5.72** VLA has also experienced major change at senior levels. A new Managing Director was appointed in December 1995 and a new Board of Management was formed. The Board first met formally in January 1996. During the period of the audit, all senior management positions were filled, including a new General Manager - Assignments, who commenced in late May 1996.

**5.73** In addition, a range of new procedures for claims administration has been introduced over recent times, e.g. the way in which decisions regarding the approval and extension of legal assistance are to be recorded and the re-organisation of both legal and administrative officers into teams.

**5.74** In relation to the important issue of communicating with staff during a period of change, the following communication processes were applied by VLA:

- over a period from March 1996 to August 1996, the Managing Director issued memoranda to all staff advising details of:
  - proposed structural changes and the reasons for those changes;
  - appointments of new General Managers and actions that would follow their appointment; and
  - the Commonwealth budget cuts and VLA's proposed response to those cuts;
- the senior management of VLA advised staff of the Assignments Division at a formal gathering of various matters relating to the staff downsizing program;
- VLA engaged a leading consultancy firm to assist former directors in considering their future employment options;
- Deputy Directors affected by the staffing changes were offered:
  - counselling and assistance if they wished to pursue a career outside VLA; or
  - redeployment within VLA in accordance with award provisions if a suitable position was available; and
- circulation by the Managing Director of key correspondence and the issue of e-mail messages to appropriate staff.

**5.75** In addition, information was provided by the Managing Director to Victorian practitioners advising them of the application of a ceiling on grants of aid in family law matters and the rationale for that decision.



**5.76** Due to the rapid changes affecting the legal aid industry, the effective management of staff in a changing environment is an issue that VLA needs to continue to address in order to, among other things, minimise any adverse effects on the timeliness and quality of service delivery.

**5.77** From a global perspective across the public sector, the following strategies are outlined as a guide to agencies endeavouring to improve staff morale while introducing significant change:

- a change management program should prioritise initiatives so that change is implemented according to a staged process and staff are not overwhelmed by such change;
- each Chief Executive Officer needs to take a leading role in personally communicating the changes and the rationale behind the new directions to dispel any ambiguity or uncertainty that can be created among employees during a period of major change;
- staff at all levels need to be involved during a change process and an opportunity needs to be provided for them to vent any fears or frustrations and have important questions answered;
- communication channels may include group sessions, management retreats and anonymous employee opinion surveys;
- survey results should be compared with internally established benchmarks or those from similar agencies and follow-up surveys should be considered where a need arises;
- staff perceptions need to be highly valued by the agency and acted upon when considered necessary;
- an independent psychologist should be available to counsel staff in terms of future redundancies;
- a performance assessment plan should be implemented in order to monitor work performance and to receive and provide feedback to staff; and
- the appropriateness of a greater focus on learning and development programs needs to be evaluated by management.

□ **RESPONSE** provided by Managing Director, Victoria Legal Aid

*Given the nature and extent of change required to keep VLA financially viable and effective, no strategies will prevent some level of concern or uncertainty among staff, applicants for aid and private practitioners providing legally aided services.*



# **Part 6**

## **Accountability for Service Provision**





**OVERVIEW**

**6.1** Several improvements could be made to the formalisation of delegations across the agencies examined by audit and there was scope to upgrade management information systems at Victoria Legal Aid to enhance accountability for the timely provision of services. Agencies were found to be pro-active in the development of goals, targets and performance indicators relating to the issue of timeliness. Client surveys had also been used by agencies as a means of gauging consumer reaction to service delivery.

**HIGH LEVEL AUDIT CRITERIA**

**6.2** In order to enhance the process of ensuring that government agencies, managers and staff are held accountable for the efficient delivery of services to the public, it is desirable that the following management procedures be in place:

- delegations need to be formally documented, regularly reviewed, approved by senior management and communicated to staff;
- realistic and challenging goals, targets and performance indicators need to be established in accordance with best business practice;
- appropriate management information systems need to be developed, through the effective use of information technology, in order to streamline monitoring and reporting procedures; and
- client surveys need to be conducted to obtain feedback from the recipients of public services.

Audit findings in relation to the above criteria follow.

**FORMALISATION OF APPROVAL PROCESSES**

**6.3** Overall, agencies had taken various measures to formalise delegations through the framing of legislative provisions, the preparation of formal instruments of delegation and the development of procedure manuals and guidelines.

**6.4** However, the audit disclosed the formalisation of delegations could be improved in a number of areas outlined below:

- in relation to the processes in place within the Transport Accident Commission to administer *no fault* compensation claims from road accident victims, system access and delegation authorities had not been approved by senior management for some of the older computerised systems, while delegations for one of the newer applications were last approved in October 1993;
- delegations to employees below Executive levels had not been documented in detail for the State Superannuation Fund (administered by the Victorian Superannuation Board), although flow charts had been prepared which briefly indicated each step in the payment process and specified the employee responsible for undertaking each step of the transactions; and



- although delegations were under review at Victoria Legal Aid to remove certain anomalies between similar positions in different sections and to ensure that delegations were set at the lowest appropriate level and at values that reflected the increasing cost of litigation, the audit revealed that some members of the legal staff were unclear as to their individual powers under delegations.

**6.5** Audit is of the view that in order to strengthen accountability for management should any decisions in relation to service delivery be questioned, government agencies need to be assured that all officers involved in decision-making have been formally delegated with the authority to make such decisions.

□ **RESPONSE** provided by Managing Director, Transport Accident Commission

*The Commission's claims management review identified the opportunity to improve the formalised delegation process. Improved delegation processes have been put in place in recent months to enhance control on the financial outgoings of the business.*

**DEVELOPMENT OF GOALS**

**6.6** If the Government is to provide services to the public that meet world best practice and are competitive with the private sector, it is essential that goals are set which address a number of aims, including the timely delivery of services. In this regard, an overall policy of the Government for the public sector is to minimise bureaucracy and improve the delivery of services to the community.

**6.7** It was pleasing to find that the issue of timeliness in the development of goals was addressed in all of the areas examined by audit. For the purpose of providing a guide to other agencies in goal setting, a listing of goals that relate to the timeliness of service delivery is outlined in Table 6A.

**TABLE 6A  
GOALS RELATING TO TIMELINESS**

<i>Agency</i>	<i>Goal</i>
Department of State Development - Office of Regulation Reform	Ensure that every effort is made to eliminate unnecessary burdens on both business and the general community by reducing the number of licences.
Transport Accident Commission	Be willing and able to pay Victorian transport accident claims expeditiously.
Rural Finance Corporation	Provide financial and other services for rural industries in a profitable, efficient and competitive manner and, if appropriate, in co-operation with other financial institutions.
Victorian Superannuation Board	Ensure that efficient and cost-effective superannuation services are provided to the members and beneficiaries of funds under the control of the Board.
Victoria Legal Aid	Provide legal aid in the most effective, economic and efficient manner.

**ESTABLISHMENT OF TARGETS AND PERFORMANCE INDICATORS**

**Target setting**

**6.8** The audit revealed that each agency examined had been pro-active in setting targets that relate to the timeliness of service delivery. The respective targets developed by management in relation to the service areas covered by audit are presented in Table 6B.

**TABLE 6B  
TARGETS RELATING TO TIMELINESS OF SERVICE DELIVERY**

<i>Agency</i>	<i>Target</i>
Office of Regulation Reform	<ul style="list-style-type: none"> <li>■ 25 per cent reduction in licences by 31 December 1995.</li> </ul>
Transport Accident Commission	<ul style="list-style-type: none"> <li>■ To maintain a customer satisfaction level of 82 per cent.</li> <li>■ 79 per cent of claims accepted within 7 calendar days.</li> <li>■ 68 per cent of claims receiving first loss of earnings payment within 7 calendar days after receipt of supporting documentation.</li> <li>■ Claims leakage rate of 2 per cent by 1999-2000 (i.e. the percentage of claim payments where there may have been scope for a reduction in payments, based on an interpretation of events using best practice).</li> </ul>
Rural Finance Corporation	<ul style="list-style-type: none"> <li>■ Loans to be approved or rejected in less than 10 working days of application.</li> </ul>
Victorian Superannuation Board	<ul style="list-style-type: none"> <li>■ 5 calendar days for payment of lump sum benefits and 21 days for payment of pension benefits following receipt of all the required information.</li> </ul>
Victoria Legal Aid	<ul style="list-style-type: none"> <li>■ Time taken to process applications (20 per cent same day, 72 per cent in 5 days, 85 per cent in 10 days and 95 per cent in 15 days).</li> </ul>

**6.9** While the performance at VLA's Assignments Division has been benchmarked using a range of key performance indicators, the benchmarking process was of limited value as a mechanism for improving organisational performance as:

- VLA's performance in terms of the key performance indicators was not reported or monitored on an ongoing basis by management;
- management was not held accountable, nor was it seen to take any responsibility, for the achievement of performance targets; and
- the results of VLA's performance were not communicated to staff.

**6.10** In addition, the rationale for the selection of benchmarks by VLA needs to be broadened as each benchmark was based on the best performing State or Territory Legal Aid Commission, the majority of which related to substantially smaller agencies. For example, 5 of the 8 benchmarks adopted related to Tasmania and another was drawn from the Northern Territory. In audit's view, while the nature of the work is the same, the difference in the scale of operation between VLA and smaller Legal Aid Commissions, in many respects, limits the benefits derived from the unqualified use of these benchmarks.

**Performance indicators**

**6.11** The development of performance indicators by agencies is an issue that has been the subject of critical comment in Auditor-General's Reports over many years. While the extent of performance indicators varied between the agencies examined, audit was of the view that satisfactory progress had been made to date in terms of quantitative timeframes.

**6.12** Various examples identified by audit of quantitative indicators that may be useful as a guide to other agencies are as follows:

**Office of Regulation Reform**

- Reduction in licences..... %

**Transport Accident Commission**

- Loss of earnings first payments  
(time to do 75 per cent from date claim is created)..... days
- Provider payments (time to do 75 per cent from input) ..... days
- Claim lodgement (hospitalised)..... % (28 days)
- Claim acceptance..... % (7 days)
- Death benefit ..... % (7 days)
- Loss of earnings capacity (first payments)..... % (20 mths)
- Impairment benefits (first payments) ..... % (24 mths)

(The above indicators are presented both at a corporate and divisional level.)

**Rural Finance Corporation**

- Loans approved ..... days

**Victorian Superannuation Board**

- Turnaround time for lump sum benefit payments ..... days
- Payment of pension benefits..... days

**Victoria Legal Aid**

- Time taken to process applications..... days
- Time taken to respond to correspondence ..... days

**6.13** Although the development of qualitative indicators was not widespread, examples of such measures developed by the Transport Accident Commission are outlined below as a guide to other agencies.

**Transport Accident Commission**

- Reassessment payment errors..... %
- Duplicate payment errors ..... %
- Customer satisfaction ..... %
- Complaints..... (number)
- Compliments..... (number)



**6.14** In relation to enhancing accountability, the Transport Accident Commission was the only agency to publish its performance against its key service indicators relating to timeliness in its Annual Reports. It was encouraging to also find that senior management and staff of the Commission were assessed on their performance in achieving agreed performance standards.

**6.15** Audit is of the view that agencies need to give greater attention to the disclosure of performance against pre-determined indicators and targets in terms of timeliness of service delivery. Performance indicators, which address issues of quality, also need to be formulated by agencies and be disclosed publicly in Annual Reports (e.g. the Transport Accident Commission monitors customer satisfaction against its target level of 82 per cent by way of client surveys).

□ **RESPONSE** provided by Managing Director, Transport Accident Commission

*The Commission prides itself in reporting the way it is performing against pre-determined key performance indicators, not only on a financial basis, but also on a customer service basis. This process will be continued and enhanced as the need arises.*

□ **RESPONSE** provided by Chief Executive, Victorian Superannuation Board

*The Board has established a comprehensive set of performance standards for the delivery of superannuation services to members and the investment of the assets of the superannuation funds for which it is trustee.*

*These performance standards are included in the Board's annual business plan under the 6 key success areas of the Board's operations.*

*Staff collective and enterprise agreements provide for a Performance Review and Development System for each staff member which identifies expected annual performance outcomes. Progress by each staff member is reviewed each 6 months. Similarly, all senior managers have entered fixed-term employment agreements with performance agreements linked to the Board's annual business plans.*

<b>MANAGEMENT INFORMATION SYSTEMS</b>
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**6.16** In addition to the development of goals, targets and performance indicators, the use of appropriate management information systems and associated management reports are crucial to the effective administration of an agency's operations. Systems should also be continually enhanced to improve efficiency and meet any changing circumstances under which an agency operates.

**6.17** The audit revealed that in some areas where an application was required to pass through a number of stages prior to final approval (e.g. at the Transport Accident Commission, the Rural Finance Corporation and the Victorian Superannuation Board), information technology was effectively utilised to monitor the payments. Each payment procedure needed to be completed and confirmed by the computer, ensuring that accountability was an integral part of the payment process.

**6.18** Various improvements identified by audit in relation to the information system in place at VLA are outlined below.

**Victoria Legal Aid**



**6.19** VLA is planning the introduction of a new assignments information system which will provide management information in terms of case, client and financial commitments and expenditure, and a new financial management system.

**6.20** From an assignments perspective, in addition to moving towards a system that provides electronic data entry and electronic files, the quality of information available to management needs to include improved case, client and financial data. The present system only provides broad case numbers and commitment details, but does not disclose actual expenditure on a cost centre basis relating to legal aid payments. This level of financial information needs to be available to management to effectively monitor the financial position of the organisation. As the new assignments information system is not due to be operational until early 1997, VLA will need to develop interim strategies such as building an interface between the present assignments system and the new financial management system to provide the capacity to monitor the costs of legal aid at a cost centre level during 1996-97.

**6.21** With regard to VLA's financial forecasting capacity, 2 models are used to assist in providing financial projections. Due to the departure of the officer responsible for the development of these models and the lack of technical and user documentation concerning their operational configurations, VLA does not have the personnel with the required skills and knowledge to operate these models. As such, the financial analysis and forecasting capacity of the VLA has been significantly impaired at a critical time, given the financial position of the agency.

**6.22** As an interim strategy, it is crucial that VLA enters into a formalised agreement with the former officer to ensure advice is available to VLA during 1996-97 as required, and that adequate system and user documentation is developed. As a longer-term strategy, VLA should consider developing more user-friendly planning models which are based on the 2 new operating systems due for introduction over the next 12 months. These models should be supported by adequate training as well as appropriate system and user documentation.

□ **RESPONSE** provided by Managing Director, Victoria Legal Aid

*Enhancements to VLA's present computer system (which will enable VLA to monitor the cost of grants of aid on a cost centre basis) are being developed at the moment and are expected to be in operation by 1 November 1996.*

*The CLIX case management system is currently being modified to record the necessary financial data which will then be downloaded into spreadsheets to monitor liability against cost centre budgets. VLA does not intend to rely on the existing budget model, but will make fixed allocations of funding for specific areas of law which cannot be exceeded.*

**CLIENT SURVEYS**

**6.23** The Government's Management Improvement Initiative outlined a priority for improving service delivery by the public sector to the private sector and the general community. The audit disclosed that client surveys were widely used to assess the degree to which customers were satisfied with the services provided by each agency. This initiative is commended by audit.

**6.24** Some of the initiatives taken by agencies in the conduct of client surveys that could be of assistance to other organisations are outlined below:

- the engagement of a professional market research firm to conduct these analyses;
- the surveying of external service providers as well as the recipients of services;
- the determination of an overall customer satisfaction rating to enable the agency's performance to be benchmarked against comparable organisations;
- the structuring of the survey along organisational lines to provide feedback on specific aspects of the agency's performance; and
- publishing independent survey results in business plans and annual reports.

**6.25** In relation to VLA, the views of private practitioners were sought in 1995 to assess VLA's performance against 9 service standards. While it is commendable that the views of private practitioners were sought regarding the timeliness of making payments or conveying decisions relating to applications for legal assistance, VLA's major client base of low income earners was not included in the customer survey.

**6.26** Audit was advised that, although such a survey had been conducted prior to 1995, the transient lifestyle of many clients hindered the gathering of information. As such, VLA should consider the use of focus groups at an early stage as a means of seeking the views of clients in relation to service delivery, including issues relating to timeliness.

**6.27** In addition, the benefits to be derived from client surveys would be enhanced by the plotting and analysis of trends in client responses that emerge over time.



# **Part 7**

## **Customer Service Charters**





**OVERVIEW**

**7.1** The emphasis on government agencies meeting the needs of customers in terms of service delivery and the development of Customer Service Charters is a concept gaining support in a number of jurisdictions. Timeliness of service delivery is an important characteristic of the service function of any agency and as such could be addressed in a Customer Service Charter.

**7.2** The situation in the United Kingdom, which is at an advanced stage, provides an interesting comparison with that of Victoria which has recently introduced Customer Service Charters in some industries. This Part of the Report contains information which describes the current situation in the United Kingdom and Victoria with a view to building on the initiatives that have been implemented on the local scene.

**7.3** In relation to the specific areas covered in the audit, there was considerable scope for the development of Customer Service Charters that include performance measures and associated timeliness benchmarks. Due to the importance of this concept, performance measures that could be incorporated into Customer Service Charters for the agencies reviewed by audit, as well as a broader cross section of agencies, were also identified by audit.

**BACKGROUND**

**The UK Citizen's Charter**

**7.4** The United Kingdom Citizen's Charter is a 10 year program which commenced in 1991 to raise the standard of public services and make them more responsive to the needs and wishes of their users. There are now over 40 main UK Citizen's Charters produced by individual departments and agencies setting out standards of service and what customers can do if those standards are not met. A listing of these Charters is outlined in Table 7A. In addition, there are also many thousands of local Charters covering local service providers such as police forces and fire services.

**TABLE 7A  
CITIZEN'S CHARTERS AVAILABLE IN THE UNITED KINGDOM**

<p><b>United Kingdom: England, Scotland, Wales and Northern Ireland</b></p> <ul style="list-style-type: none"> <li>■ Contributor's Charter</li> <li>■ Employer's Charter</li> <li>■ Taxpayer's Charter (Customs &amp; Excise)</li> <li>■ HM Customs &amp; Excise Charter Standards</li> <li>■ Taxpayer's Charter (Inland Revenue)</li> <li>■ Traveller's Charter</li> </ul> <p><b>Great Britain: England, Scotland and Wales</b></p> <ul style="list-style-type: none"> <li>■ Benefits Agency Customer Charter</li> <li>■ Child Support Agency Charter</li> <li>■ Jobseeker's Charter</li> <li>■ Passenger's Charter</li> <li>■ Redundancy Payments Service Charter</li> </ul> <p><b>England and Wales</b></p> <ul style="list-style-type: none"> <li>■ Council Tenant's Charter</li> <li>■ Courts Charter</li> <li>■ Further Education Charter</li> <li>■ Higher Education Charter</li> <li>■ London Bus Passenger's Charter 1995</li> <li>■ London Underground Customer's Charter</li> <li>■ Patient's Charter</li> <li>■ Parent's Charter</li> <li>■ Road User's Charter</li> <li>■ Training &amp; Employment Agency Charter</li> </ul>	<p><b>Scotland</b></p> <ul style="list-style-type: none"> <li>■ Further and Higher Education Charter</li> <li>■ Tenant's Charter</li> <li>■ Justice Charter</li> <li>■ Patient's Charter</li> <li>■ Parent's Charter</li> </ul> <p><b>Wales</b></p> <ul style="list-style-type: none"> <li>■ Charter for Further Education</li> <li>■ Charter for Higher Education</li> <li>■ Council Tenant's Charter</li> <li>■ Patient's Charter</li> <li>■ Parent's Charter</li> </ul> <p><b>Northern Ireland</b></p> <ul style="list-style-type: none"> <li>■ Bus Passenger's Charter</li> <li>■ Charter for Patients and Clients</li> <li>■ Child Support Agency Charter</li> <li>■ Courts Charter for Northern Ireland</li> <li>■ Northern Ireland Citizen's Charter</li> <li>■ Parent's Charter</li> <li>■ Railway Passenger's Charter</li> <li>■ Social Security Agency Charter</li> <li>■ Tenant's Charter</li> <li>■ Training and Employment Agency Charter</li> </ul>
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**7.5** The key principles of the Citizen's Charter are:

- the publication of service standards customers can reasonably expect, and the reporting of performance against those standards;
- evidence that views of service users have been taken into account in setting standards;
- clear information about the range of services provided;
- courteous and efficient customer service;
- clear and simple methods of complaining if the customer is not satisfied; and
- independent validation of performance against standards, and a clear commitment to improving value for money.



**7.6** There is a strong emphasis in the United Kingdom on measuring and reporting actual performance against published standards. Annual publication of comparative performance indicators appear for local authorities, police and fire services (measured by the Audit Commission for Local Authorities and the National Health Service in England and Wales), all secondary schools and further education colleges, local hospitals and ambulance services (measured by various independent bodies).

**7.7** In terms of timeliness of service delivery, hospitals in the United Kingdom, for example, are required to publish details of how long it takes to deal with complaints and the maximum waiting times for admission for each type of treatment. In addition, specific standards are required to be outlined for a range of activities such as the following:

- waiting time for an ambulance;
- outpatient appointment and waiting times;
- cancellation and postponement of operations; and
- guaranteed admission for treatment within 18 months of being placed on a waiting list.

**7.8** According to the Audit Commission, members of the public can assess how well agencies are providing services by measuring the agency's performance against the Citizen's Charter indicators. Although sanctions are not specified for agencies failing to achieve their performance indicators, citizens, through publicly agreed indicators, are provided with the opportunity to state the services they require from agencies and whether they consider a good service is provided. In addition, agencies encourage the community to participate in the decision-making process through consultative groups or by way of talking to consumer groups which represent people with an interest in a particular service.

**Customer Charters for Victoria's water industry**

**7.9** In Victoria, a feature of the regulatory framework applying to the water industry is its concept of an implied customer contract between retail water companies and their customers on the terms and conditions set out in the water and sewerage licence. Conditions in the licences require licensees to, among other things, develop and implement procedures to consult with customers about the content of the contract.

**7.10** Customer Charters, which reflect the provisions of the customer contracts, provide the industry's customers with definitive and enforceable legal rights with respect to the cost and quality of the goods and services.



*Customer Charters: Retail water companies.*

**7.11** With regard to providing services in a prompt manner, Customer Charters in the water industry include a variety of commitments and customer rights. Examples of some of these are outlined below:

- a commitment to 24 hour service;
- in the event of unplanned interruption to water supply, restoration of supply to occur as quickly as possible within a guaranteed period of 5 hours; and
- written inquiries to be answered within 7 working days.

**7.12** From an accountability viewpoint, various performance standards have been established for retail water companies relating to customer service according to the requirements of their licences. Examples of the type of information regarding actual performance reported publicly by the water companies, in relation to Yarra Valley Water Ltd, are shown in Table 7B.

**TABLE 7B  
CUSTOMER SERVICE PERFORMANCE INDICATORS  
RELATING TO TIMELINESS OF SERVICE DELIVERY, 1995-96**

<i>Performance indicator, Customer service</i>	<i>Target</i>	<i>Actual</i>
Correspondence answered (%)	90	99
	(within 10 days)	
Response to phone inquiries on rates hotline (%)	90	95
	(within 30 seconds)	
Response to phone inquiries on faults hotline (%)	90	93
	(within 30 seconds)	
Water supply unplanned interruptions restored within 5 hours (%)	90	94

*Source: Yarra Valley Water Ltd, 1995-96 Annual Report.*



**7.13** Some of the sanctions outlined in the Customer Charter for Yarra Valley Water Ltd that apply if an unacceptable delay occurs are as follows:

- the unique application of an automatic \$10 rebate if there is a failure to respond to written inquiries or complaints within the 7 day commitment outlined in the Customer Charter, or if water supply is not restored within the duration specified; and
- the payment of compensation if the Customer Charter is breached or otherwise fails to reflect the performance of the water company's functions, causing a financial loss to be incurred by the customer.

**7.14** With a view to assigning a high priority to improving customer service across all areas of operation, Yarra Valley Water Ltd is commended on its innovation to respond to written inquiries within 7 working days, even though the performance measure specified in its licence is 10 working days.

**STATUS OF CUSTOMER SERVICE CHARTERS IN AGENCIES REVIEWED BY AUDIT**

**7.15** All of the services included in the audit were suitable for inclusion in an agency's Customer Service Charter. However, audit found that none of the agencies reviewed had progressed in relation to the development of Customer Service Charters. In audit's view, basic performance measures regarding timeliness that could be developed in such Charters are outlined in Table 7C. Unlike the water industry with its defined customer base, agency Charters could take the form of an information supplement available to any interested member of the public.

**TABLE 7C  
SUGGESTED PERFORMANCE MEASURES REGARDING TIMELINESS  
FOR DEVELOPMENT IN AGENCIES' CHARTERS**

<i>Government agency</i>	<i>Performance measure</i>
Transport Accident Commission	<ul style="list-style-type: none"> <li>■ Waiting time for claims payments</li> <li>■ Waiting time for response to complaints</li> </ul>
Rural Finance Corporation	<ul style="list-style-type: none"> <li>■ Waiting time for decisions on loan applications</li> <li>■ Waiting time for response to correspondence</li> </ul>
Victorian Superannuation Board	<ul style="list-style-type: none"> <li>■ Waiting time for payment of benefits</li> <li>■ Waiting time for telephone inquiries</li> </ul>
Victoria Legal Aid	<ul style="list-style-type: none"> <li>■ Waiting time for decisions on applications for legal aid</li> </ul>

**7.16** In the event of inconvenience caused to customers if a pledge is not met by a government agency, Customer Service Charters may also include sanctions available upon request by customers, e.g. in the form of penalty payments.



**7.17** Each of the agencies examined was committed towards the improvement of Customer Service Delivery and most had clearly stated performance benchmarks, key performance indicators and effective processes in place to measure changes in the efficiency of service delivery (refer Table 6B).

**7.18** As indicated earlier in Part 6 of this Report, of the agencies reviewed only the Transport Accident Commission reported against its customer service benchmarks in its Annual Report. In audit opinion, while the annual reporting of an agency's service efficiency against performance standards enhances its public accountability, a greater incentive is provided for agencies to improve service delivery through the availability of Customer Service Charters which empower consumers of public services with rights to specific service standards and place obligations on the service provider to deliver services within specific performance parameters that are agreed upon by consumers.

**7.19** In view of the above findings and the Government's objective to improve the efficiency of service delivery by public sector agencies, a greater focus on the availability of Customer Service Charters should be considered on a Statewide basis. In this regard, it was pleasing to find that some developments have occurred throughout the public sector. Examples of some of these initiatives, other than those previously mentioned in relation to the water industry, are as follows:

- service standards for public rental housing;
- a Patient's Charter for public hospitals;
- a customer service plan for the Victorian Casino and Gaming Authority; and
- a taxpayers' charter issued by the State Revenue Office.

<b>TIMELINESS BENCHMARKS FOR CUSTOMER SERVICE CHARTERS</b>
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**7.20** Suggested timeliness benchmarks for further consideration that could be developed in Customer Service Charters for a cross-section of key public sector service agencies selected by audit are outlined in Table 7D.

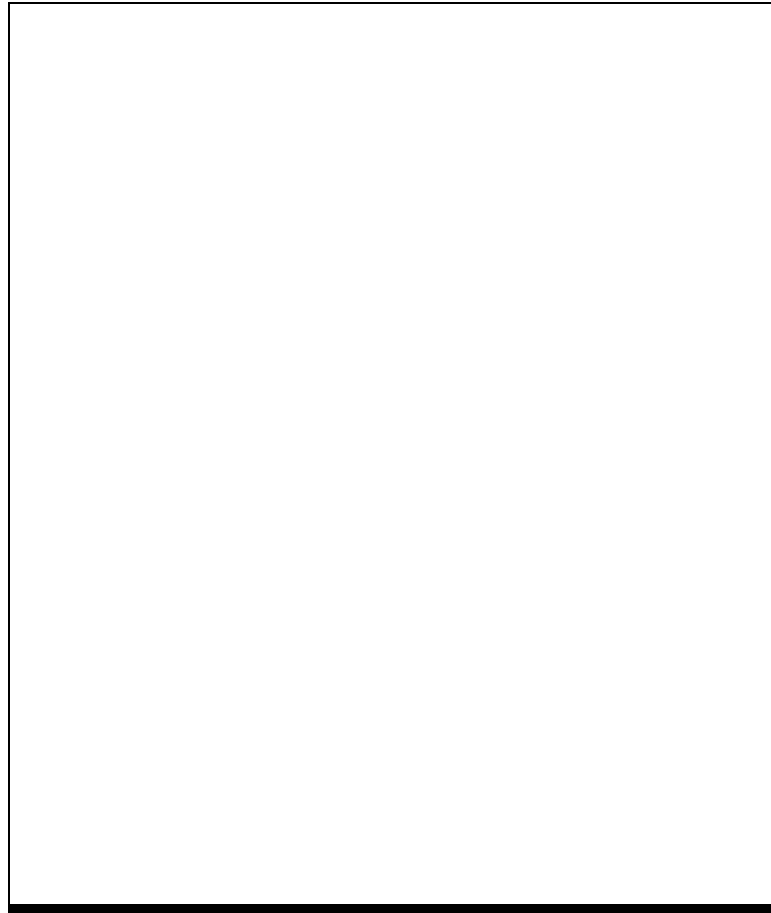
**TABLE 7D  
TIMELINESS BENCHMARKS FOR CUSTOMER SERVICE CHARTERS**

<i>Department</i>	<i>Timeliness benchmarks</i>
<b>Education</b>	<ul style="list-style-type: none"> <li>■ Waiting times for course approvals</li> <li>■ Time for disbursement of education allowances</li> </ul>
<b>Human Services -</b> Aged Care  Ambulance Services  Hospitals  Office of Housing	<ul style="list-style-type: none"> <li>■ Waiting time for provision of equipment for elderly or disabled people</li> <li>■ Waiting time for admission to public nursing homes</li> <li>■ Response time for ambulances</li> <li>■ Waiting list times for various surgical treatments in urgency categories (categories 1, 2 and 3)</li> <li>■ Waiting time for public housing</li> </ul>
<b>Infrastructure -</b> Planning and Local Government  Roads and Ports  Transport	<ul style="list-style-type: none"> <li>■ Time taken for planning approvals</li> <li>■ Waiting time for issue of planning permits</li> <li>■ Waiting time for issue of licences and vehicle registrations</li> <li>■ Waiting time for port berths and unloading operations</li> <li>■ The percentage of services meeting the scheduled timetable for trains, trams and buses</li> </ul>
<b>Justice -</b> Office of Fair Trading and Business Affairs  Police and Emergency Services	<ul style="list-style-type: none"> <li>■ Time to register businesses</li> <li>■ Time to grant licences for businesses</li> <li>■ Time to process shooters' licences</li> <li>■ Response times for emergency calls</li> </ul>
<b>Natural Resources and Environment -</b>  Environment Protection Authority  Land Conservation Council	<ul style="list-style-type: none"> <li>■ Waiting time for the issue of game and fishing licences</li> <li>■ Response time to emergencies, e.g. bushfires on Crown land and stranded whales</li> <li>■ Waiting time for works approvals</li> <li>■ Response time for investigations of complaints</li> <li>■ Response time to chemical incidents</li> <li>■ Timelines for submission of Council reports</li> <li>■ Time standards for land use investigations</li> </ul>
<b>State Development -</b> Industry, Science and Technology  Small Business	<ul style="list-style-type: none"> <li>■ Waiting time for industry grants approvals</li> <li>■ Waiting time for liquor licence approvals</li> </ul>



**7.21** Audit recognises that the inclusion of timeliness benchmarks in Customer Service Charters may be best suited to high volume services that occur on a frequent basis. However, audit is of the view that the public also has a right to be aware of, and service providers need to be accountable for, the likely time frames in relation to:

- responding to emergency situations that generally occur on an infrequent basis; and
- providing services of a non-standardised nature where various categories may need to be established before meaningful benchmarks can be developed.



*Response by ambulance officers to an emergency situation.*



□ **RESPONSE** provided by Secretary, Department of Human Services

*Generally, I am supportive of the concepts raised in this Part of your Report. Significant work has been undertaken already in the Department of Human Services where, for example, the Office of Housing has published service standards for public rental housing and a Patient's Charter for public hospitals has been distributed by the Acute Health Division.*

*A number of issues should, however, be considered in the development of Customer Service Charters.*

*A clear differentiation should be made between those indicators which are directly under the control of departments and agencies, and reflect levels of efficiency and effectiveness for which departments and agencies should be accountable, and those which are driven primarily by government policy and associated resource provision.*

*The majority of the Department's services are purchased. In this context, Customer Service Charters would require the involvement of providers as well as clients and clearly deal with responsibility and accountability apportionment between purchaser and provider. I would also point out that Service Agreements negotiated by the Department already contain a number of service standards and benchmarks. These Service Agreements are used to communicate program directions and to establish accountability arrangements with service providers.*

*While acknowledging that timeliness of service provision is a key component in any client's expectation or entitlement, the quality and appropriateness of service can be critical, particularly in health and welfare provision. In addition, volume/demand factors may also place timeliness indicators in a different light when viewed together rather than in isolation.*

*The suggested benchmark relating to the waiting time for admission to public nursing homes may not be appropriate because this is a service of last resort, with the majority of aged persons being more appropriately accommodated in non-government sector services.*

*In relation to benchmarks relating to waiting times for public housing, care should be taken in setting benchmarks where departmental control is limited.*

□ **RESPONSE** provided by Secretary, Department of Infrastructure

*In relation to the suggested timeliness indicators for ports and local government, the relevant issue is the extent to which the identified service provider is responsible for the entire operations. For ports, the suggested "waiting time for port berths and unloading operations" will be a function of activities undertaken in the main by private sector providers. For local government, the indicator "time taken for planning approvals" will often not be in the full control of local government given the involvement of referral authorities. In short, timeliness benchmarks, as with performance indicators, generally need to be within the organisation's ability to control or directly influence.*



□ **RESPONSE** provided by Secretary, Department of Natural Resources and Environment

*Customer service is a value which we have put to the fore in the Department. Commitment of public sector organisations to services through publication of Customer Service Charters is, therefore, a move which we would support.*

*We took the opportunity to look first hand at the way the UK Citizen's Charter was applied in agriculture several years ago. One of our problems which the UK Ministry of Agriculture and Food was also struggling with at the time was to identify meaningful indicators. This same difficulty is evident in the timeliness benchmarks which you have proposed in Table 7D for Natural Resources and Environment. The difficulty is that while turnaround time/volume benchmarks for services delivered in bulk, e.g. licences, are meaningful and should be set, such benchmarks are quite meaningless for customised, one-off services. This problem is further magnified when unpredictable environmental influences come into play for events such as bushfires and whale strandings for which you propose measures. Similarly, it is unlikely that the issues for Land Conservation Council reports are so standard that they could be tied to a common time frame.*

*While the need for timely responses is important to our customers in these special cases, any measure which might reasonably embrace 95 per cent of such a skewedly varied frequency of occurrences might be seen as unacceptable. Conversely, an average response time would guarantee a high frequency of failure.*

*There are other performance indicators that are more relevant to measuring responsiveness to environmental emergencies, such as the proportion of bushfires controlled having spread less than five hectares, and the time taken between spotting a bushfire and recording it on the system. For whale strandings the more appropriate indicator is that all steps in the action plan have been taken, rather than the time taken to get to the whale.*

*In summary, timeliness benchmarks can only be sustained for high volume, bulk delivery services and I support your proposal. For customised and one-off services, other measures need to be considered and there are difficulties with finding appropriate measures.*



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<b>42</b> Protecting Victoria's Children: The role of the Children's Court	not tabled
<b>43</b> Protecting Victoria's Children: The role of the Department of Human Services	June 1996



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