



Australian Government
Services Australia

Chief Executive Officer
David Hazlehurst

Mr Josh Burns MP
Chair, Joint Committee of Public Accounts and Audit
Parliament House
Canberra ACT 2600
jcpaa@aph.gov.au

Dear Mr Burns

**Joint Committee of Public Accounts and Audit
Inquiry into Commonwealth Financial Statements 2023–24**

I refer to correspondence dated 10 November 2025, inviting Services Australia (the Agency) to provide a submission to the Joint Committee of Public Accounts and Audit (JCPAA) Inquiry into Commonwealth Financial Statements 2023–24.

At the end of the 2023–24 financial statement audit process, the Agency had two Category A, one Category L1 and six Category B audit findings. The Agency acknowledges the importance of the audit findings raised by the Australian National Audit Office (ANAO) and is continuing to progress remediation and resolution of these issues as a priority.

The Agency is pleased to report that since the publication of the ANAO’s Report in February 2025, the number and severity of the Agency’s audit findings have reduced to one Category A, one Category L1, and four Category B audit findings.

The Agency’s submission to the JCPAA Inquiry is attached, which provides an outline of the audit remediation activity that the Agency has underway.

[Redacted block of text]

Yours sincerely

[Redacted block of text]

David Hazlehurst

25 November 2025

Services Australia's Submission to the Joint Committee of Public Accounts and Audit – Inquiry into the Commonwealth Financial Statements 2023–24

Overview

Following the Committee's invitation, Services Australia (the Agency) makes the following submission to the Joint Committee of Public Accounts and Audit (JCPAA) inquiry into the Auditor-General Report No. 22 of 2024-25: Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2024 (the Report).

This submission provides details on the Agency's audit findings and the remediation action that is underway to address and resolve the issues raised by the Australian National Audit Office (ANAO). A summary of the Agency's audit findings is outlined at [Table 1](#), with further details on findings and remediation activities below.

Table 1: ANAO Audit Findings for Services Australia as at 30 June 2024

Category	Closing position (2022-23)	New Findings (2023-24)	Findings Resolved (2023-24)	Closing position (2023-24)
Significant Legislative Breach (L1)	-	1	-	1
Significant (A)	2	1 ^(a)	1	2
Moderate (B)	5	2 ^(b)	1	6
Minor (C)	15	8	3 ^{(a)(b)}	20
Total	22	12	5	29

(a) The previously raised 'Medicare Compensation Recovery' minor finding was escalated to a significant (Category A) finding.

(b) The previously raised 'Medicare Mainframe User Access Provisioning' and 'Medicare Mainframe Passwords' minor findings were merged and escalated to a moderate (Category B) finding.

The Agency acknowledges the importance of the audit findings raised by the ANAO and is progressing remediation and resolution of these issues as a priority. Resources continue to be applied and regular monitoring is in place to ensure deliverables are progressing in-line with the commitments in remediation plans, and working closely with the ANAO to ensure resolution of the audit findings.

To ensure the required focus is applied to remediate these findings, the Agency's Audit and Risk Committee (ARC) ensures that the risks associated with the audit findings are appropriately managed. Currently, the ARC meet regularly with key senior executive representatives, including the Chief Operating Officer, Chief Information and Digital Officer, and Deputy Chief Executive Officer – Payments and Integrity Group. Detailed management action plans for all ANAO financial statement audit findings have been developed and are being closely monitored by the ARC.

Additionally, the Agency's Chief Technology Officer Division supports the monitoring and remediation of ICT related audit recommendations, and ensures that key system processes and controls are appropriately updated and maintained on an ongoing basis.

The Agency is actively engaging with the ANAO to advise on the progress of the Agency's Category A and Category B audit recommendations. The ANAO is invited to the ARC and meets with key senior executives on a regular basis, including 'deep dive' walkthrough meetings that detail progress against the remediation plan.

The Agency

The Agency's purpose is to support Australians by delivering high-quality, accessible services and payments on behalf of Government.

The Agency is committed to making government services simple so people can get on with their lives. To achieve this vision, the Agency is focusing on transformation and modernisation, building the capacity and structures for sustained change to deliver streamlined customer services seamlessly and efficiently. To make these changes across its business, requires collaborating with policy agencies, the community and third parties to improve the systems that support Australians, while continuing to provide its extensive services and payments to its customers.

Financial Information

In 2023-24, the Agency paid over \$239 billion in payments on behalf of the Government. The Agency also worked with separated parents to facilitate the transfer of \$1.9 billion to support approximately 1.1 million children.

The Agency processes around 469 million claims each year and administers programs on behalf of numerous policy agencies including the Department of Social Services (DSS), Department of Health, Disability and Ageing (DHDA), Department of Veterans' Affairs (DVA), Department of Education and Department of Employment and Workplace Relations, amongst many others.

Additionally, the Agency is a provider of shared services for several agencies, with the Agency providing corporate and ICT services to 59 Australian Government entities, including the National Disability Insurance Agency, DSS and DVA.

The ANAO issued an unmodified auditor's report on the Agency's financial statements on 14 October 2024.

Information Technology and Legislative Environment

The Agency works within a complex legislative environment that underpins the diverse range of service delivery responsibilities under agreements with multiple Commonwealth entities. The Agency is responsible for service delivery and administration of programs, whilst policy departments are responsible for the legislation that underpins those programs.

To facilitate the range of payments made to support Australians, the Agency has a complex IT environment made up of a suite of systems hosted across different IT platforms to support its business objectives.

Within these environments, the Agency has a combination of applications that are each individually significant to the administration of social security and welfare, health, and child support programs, including the assessment and calculation of these benefits and the resulting payments. Transformational improvements to the Agency's systems have enabled rapid responses in emergencies, with payments being made within a few days.

The Agency takes its responsibilities for the security of its ICT systems and associated customer information and payments seriously. The issues identified by the ANAO have focused the efforts of the Agency to ensure that the IT governance and associated policy frameworks are fit for purpose and applied consistently across the complex IT environment managed by the Agency.

Resolved and Downgraded ANAO Audit Findings

The Report outlines the following significant and moderate findings were resolved during 2023–24:

- Governance of legal and other matters (Category A)
- New Residential Aged Care System Change Management (Category B)

Since the publication of the Report in February 2025, the Agency is pleased to report that the number and severity of the Agency's audit findings have reduced during the 2024–25 financial year, as outlined at [Table 2](#). The following significant and moderate findings have been resolved or downgraded since the publication of the Report:

- the significant (Category A) finding in relation to IT Governance was **downgraded** to a moderate (Category B) finding.
- the new moderate (Category B) finding in relation to 'Medicare Benefits Schedule (MBS) Business Rule Restriction Lifts' was **resolved**.
- the moderate (Category B) finding in relation to 'FMIS and HRMIS Privileged User Management' was **resolved**.
- the moderate (Category B) finding in relation to 'Medicare Mainframe Passwords and User Access Management' has been **downgraded** to a minor (Category C) finding.

Table 2: ANAO Audit Findings for Services Australia as at 30 June 2025

Category	Closing position (2023-24)	New Findings (2024-25)	Findings Resolved (2024-25)	Closing position (2024-25)
Significant Legislative Breach (L1)	1	-	-	1
Significant (A)	2	-	1 ^(a)	1
Moderate (B)	6	1 ^(a)	3 ^(b)	4
Minor (C)	20	5 ^(b)	7	18
Total	29	6	11	24

(a) The previously raised 'IT Governance' finding was downgraded to a moderate (Category B) finding.

(b) The previously raised 'Medicare Mainframe Passwords and user access management' moderate (Category B) finding was downgraded to a minor (Category C) finding.

IT Governance (Category A, downgraded to Category B in 2024–25)

The ANAO examined controls around significant information technology (IT) systems used to support the preparation of the financial statements. This examination identified a significant audit risk in relation to the increasing number of issues in IT governance within Agency. In particular, the ANAO identified weaknesses in IT controls in the implementation of a large-scale IT roll-out for residential aged care and the re-emergence of a large number of individual control issues affecting change and access management and business operations.

The volume of these issues indicated that Agency's IT governance and monitoring processes were not providing appropriate assurance to management that policy requirements have been implemented and were operating effectively.

The ANAO recommended that the Agency's IT governance and monitoring processes be reviewed to ensure they are fit for purpose, and that identified deficiencies are appropriately reported and responded to.

Agency response and progress (as at November 2025)

The Agency provided a closure pack to the ANAO on 27 June 2025. During the interim phase of the 2024–25 financial statements audit, the ANAO downgraded the previously significant (Category A) finding on IT Governance to a moderate (Category B) finding. This decision reflects the Agency's progress in implementing a suite of remediation activities aimed at strengthening its IT governance framework.

The Agency initiated ten streams of work to address this finding, including:

- Policy updates and staff training to reinforce governance expectations.
- Policy compliance testing, where internal staff validate adherence to IT policies.
- Disaster Recovery Plan enhancements.
- Establishment and use of governance committees for escalation and oversight.

Whilst significant progress has been made on improving IT Governance and controls, the ANAO will consider closure once these assurance activities demonstrate that controls are operating effectively, evidenced through a reduction in other IT findings.

MBS Business Rule Restriction Lifts (Category B – Resolved)

The Medicare Mainframe system (the Mainframe) calculates and pays benefits based on the items specified in the MBS. The Mainframe has been configured with business rules and restrictions which result in claims being automatically approved, rejected or held for manual review based on MBS requirements.

During the 2023–24 audit, the ANAO identified that Services Australia had a process which permits the overriding of the business rules within the Mainframe, referred to as 'restriction lifts' in situations where limitations in the Mainframe would cause an otherwise valid item or claim to be rejected. The application of restriction lifts did not require consultation with the relevant policy agency.

The ANAO recommended that Services Australia consult with the relevant policy agencies about the restriction lift process to amending existing practices if required and update existing processes or implement new controls to ensure invalid claims cannot be processed during a restriction lift without following the prescribed process.

Agency response and actions to resolve

The Agency advised the ANAO that all changes to the item fee file system (including Restriction Lifts) are logged in the production environment database tables and are auditable.

The Agency reviewed the MBS and DVA item restriction lift processes, including the risks associated with instances of a service officer using an override code during a restriction lift timeframe inappropriately. Risk mitigation strategies were agreed with policy agencies, ensuring that the practices are consistent with the requirements of each policy agency.

The Agency implemented a web-based form to support both DVA and Medicare Processing staff in submitting restriction lift requests. This form clearly outlines the required documentation and criteria, ensuring that all submissions are complete and appropriately justified. Each request is stored in an auditable format to support quality assurance and compliance monitoring activities.

The ANAO received a closure pack in July 2025 and closed the finding in the 2024–25 Closing Letter.

FMIS and HRMIS Privileged User Management (Category B – Resolved)

Maintaining and supporting IT systems requires some user accounts, both at the network and the application level, to have extensive access rights (privileged access). Privileged user accounts can be used to circumvent security controls to make direct changes, either to system settings or systems data, or to access files and accounts used by others. During 2022–23 the ANAO identified weaknesses in the effectiveness of Services Australia’s monitoring of privileged user activities within the Financial Management Information System (FMIS) and Human Resource Management Information System (HRMIS).

At the conclusion of the 2022–23 audit, an effective logging and monitoring process that reviews and assesses risk at the activity level had not been implemented by Services Australia.

Agency response and actions to resolve

The Agency reviewed its Standard Operating Procedures and user roles, with a view to further limit the use of privileged access. The Agency improved logging and monitoring capabilities by establishing the ability to trace and access audit logs through a database to allow for more in-depth analysis.

The Agency has provided evidence to the ANAO during the 2024–25 audit. The ANAO advised that the finding was resolved in the 2024–25 Closing Letter.

Medicare Mainframe Passwords and User Access Management (Category B, downgraded to Category C in 2024–25)

During previous audits, the ANAO raised separate audit findings for issues relating to passwords and user access management for the Medicare Mainframe system (the Mainframe) and reported these to Services Australia.

These issues reduced Services Australia’s ability to rely on the Mainframe’s underlying data, including data that is used to support the financial statements. During the 2023–24 interim audit, the ANAO identified that while Services Australia had implemented an automated process for creating standard users in the Mainframe, a clear and documented process was not in place for non-standard users and the maintenance of existing users. As a result of these weaknesses, these finding were combined and increased to a moderate finding.

At the conclusion of the 2023–24 audit, Services Australia advised the ANAO through an interim closure pack that remedial actions were in progress, but a closure pack that fully addressed the ANAO’s recommendations was not provided.

Agency response and progress (as at November 2025)

An automated process for creating standard users has been implemented and the Agency has documented risk assessments and processes around Medicare mainframe user access management, including passwords. This process included identifying all cohorts of users who authenticate to the mainframe and ensuring appropriate controls were applied to comply with the Information Security Manual.

The Agency provided a closure pack to the ANAO in June 2025. During testing, the ANAO identified 9 user accounts that were not identified through the above process. A supplementary closure pack will be submitted in 2025–26 including an investigation to determine the circumstances regarding the 9 accounts not identified through the implemented process. The supplementary closure pack will include the findings of that investigation along with supporting evidence of any recommendations that have been implemented.

New and Upgraded ANAO Audit Findings

Significant legislative matters in Services Australia's program delivery (Category L1)

Services Australia delivers social welfare and health programs and payments. Understanding of, and compliance with, legislation, is a key component underlying Services Australia's delivery of these programs. During 2023–24, the ANAO became aware of breaches of legislation with respect to the: child support program; aged care program and private health insurance rebate. These breaches included:

- Services Australia uses pre-issue income, instead of taxable income (which is not available until a notice of assessment is served), in calculating child support assessments and amounts recoverable from or payable to individuals, however pre-issue income is unable to be treated as taxable income under the *Child Support (Assessment) Act 1989*. Further work is being undertaken by Services Australia, in consultation with affected policy agencies, to address these issues.
- Services Australia is responsible for making payment of residential aged care and home care subsidies. The quarterly review process adopted by Services Australia to validate a care recipient's maximum subsidy entitlement in arrears was inconsistent with the relevant provisions of the *Aged Care Act 1997*. Specifically, the application of a subsidy rate across a quarter based on a point-in-time review, instead of the correct rate applicable throughout the quarter, has resulted in overpayments. During 2023–24, Services Australia changed this review process from quarterly to monthly in order to reduce the level of overpayments. The estimated total overpayments of aged care subsidies was \$284.9 million at 21 August 2024.
- Services Australia is responsible for making payments under the *Private Health Insurance Act 2007*. Payments made without a decision as to the correctness or reasonableness of the claimed amount (i.e. system-based payments), may be inconsistent with the legislation. These payments may be recoverable as debts to the Commonwealth, with the exception of any payments that were not the fault of the insurer.

These issues highlighted significant legal concerns with Services Australia's delivery of key programs on behalf of the Commonwealth and policy agencies. There is a risk that section 83 breaches of the Constitution may have occurred due to Services Australia's processes, which must be disclosed in the financial statements of Services Australia or the relevant policy agency.

Agency response and progress (as at November 2025)

Legislative compliance risk, including the risk of section 83 breach, is constantly considered across the Agency's programs. In collaboration with policy partner departments, the Agency is reviewing and updating risk and issue oversight processes to support its key bilateral relationships. These processes are intended to provide assurance that legal risk is assessed, managed, reported, and where required, communicated with senior executives for appropriate action.

The Agency has created a dedicated Legal Compliance and Remediation Division and Board structures, to support escalation and visibility of issues at appropriately senior levels. In addition, the Agency developed a Legal Compliance and Remediation Playbook to provide a structured framework for identifying, managing, and resolving legal compliance issues to ensure lawful and consistent service delivery and improve accountability and compliance oversight. The playbook was endorsed by the Legal Compliance and Remediation Board and published internally in August 2025. The Agency's Accountable Authority Instructions have been updated to strengthen requirements for officials to actively manage risk by obtaining technical advice (eg. legal and financial) to assist with managing risks and informing responses.

The specific issues relating to Child Support and Private Health Insurance are being addressed with policy agency counterparts, who have responsibility for the program legislation. The issue related to the *Aged Care Act 1997* has been resolved with the introduction of the new *Aged Care Act 2024*, effective from 1 November 2025.

Medicare Compensation Recovery Scheme Governance (Category A)

Services Australia is responsible for the administration of the Medicare Compensation Recovery (MCR) Program. In accordance with the *Health and Other Services (Compensation) Act 1995* (HOSC Act), when an individual receives a compensation payment greater than \$5,000, there is a requirement to repay to the Commonwealth any health benefits and subsidies received which related to the injury.

During the 2022–23 audit, the ANAO identified a minor audit finding in relation to cases which were closed without an assessment on whether an amount was owed to the Commonwealth being completed.

During the 2023–24 audit, the ANAO undertook further audit procedures on the program. The ANAO identified that over 50% of cases were not assessed by Services Australia within the statutory timeframes.

Services Australia's non-compliance with the Act resulted in:

- non-collection of revenue from 'advance payments' that would have otherwise been owed to the Commonwealth. Medicare benefits for treatments for which compensation was received may have been retained; and
- the identification of an error in Services Australia's prior period financial statements, relating to the recognition and treatment of revenue and receivables associated with the MCR program.

As a result of the non-compliance and risks identified by the ANAO, the previous finding was increased to a significant audit finding. The ANAO recommended that Services Australia finalise MCR assessments within legislated timeframes, report to its Audit and Risk Committee on progress addressing the issues and develop a policy that would require staff to consult with Services Australia's legal team and affected policy agencies before making decisions with significant potential impacts on program administration.

Agency response and progress (as at November 2025)

The Agency agreed to develop and implement policies for process, policy, and system changes, which will include mandatory consultation with both the Agency's Legal Services Division and DHDA. The Agency has worked with DHDA to review the current state of the MCR program for legislative compliance as well as acceptance of risk while improvements to claims processing timeliness are underway.

The Agency noted, however, that it would not be possible to achieve 100% finalisation of claim assessments within legislated timeframes in the 2024-25 financial year. For the first quarter of 2025–26, monthly performance showed sustained improvements with greater than 98% of cases on hand being finalised within legislated timeframes.

The Agency is exploring system changes to ensure full compliance with existing legislative requirements, along with working with DHDA on potential future legislative reform. The Agency is currently working with the DHDA on proposed legislative reform to clarify the legislative intent and opportunities which may assist in finalisation rates.

Consistent with the Agency's practice for all unresolved audit findings, the Agency continues to report on progress of remediation activities to the ARC.

Unresolved ANAO Audit Findings

Medicare, Child Support and Health IT Mainframe Privileged User Management (Category B)

Maintaining and supporting IT systems requires some user accounts, both at the network and the application level, to have extensive access rights (privileged access). Privileged user accounts can be used to circumvent security controls to make direct changes, either to system settings or systems data, or to access files and accounts used by others. During the 2022–23 audit, the ANAO identified weaknesses in the effectiveness of Services Australia’s monitoring of privileged user activities within the Medicare, Child Support and Health IT mainframes.

At the conclusion of the 2023–24 audit, Services Australia had submitted a closure pack to advise the ANAO that the implementation of this recommendation had been completed. However, the ANAO determined that the implemented remedial actions had not fully addressed the ANAO’s recommendation.

Agency response and progress (as at November 2025)

The Agency developed an Implementation Action Plan (IAP) and has completed all agreed remediation activities, which included identification of privileged activities that need to be reviewed, update of Standard Operating Procedures and a regular monitoring control of logs. A closure pack was submitted on 26 June 2024 demonstrating the work undertaken.

During testing of the submitted closure pack, the ANAO determined that there were weaknesses in a lack of evidence over the completeness and accuracy of the reports used in the monitoring process. In response, the Agency has engaged the professionals from the vendor (IBM) in April 2025 to provide the required assurance to confirm the completeness and accuracy of the reports extracted from the system. IBM have completed the remediation activities as per the revised IAP.

A supplementary closure pack was submitted to the ANAO on 16 October 2025.

In addition to the closure pack and to further enhance the security position of the Agency, additional recommendations were provided by the IBM independent assurer which are currently being analysed and actioned by end the of 2025–26.

Centrelink IT Mainframe Privileged User Management (Category B)

Maintaining and supporting IT systems requires some user accounts, both at the network and the application level, to have extensive access rights (privileged access). Privileged user accounts can be used to circumvent security controls to make direct changes, either to system settings or systems data, or to access files and accounts used by others. During the 2022–23 audit, the ANAO identified weaknesses in the effectiveness of Services Australia’s monitoring of privileged user activities within the Centrelink IT mainframe.

At the conclusion of the 2023–24 audit, Services Australia had submitted a closure pack to advise the ANAO that the implementation of this recommendation had been completed. However, the ANAO determined that the implemented remedial actions had not fully addressed the ANAO’s recommendation.

Agency response and progress (as at November 2025)

The Agency has completed all agreed remediation activities, however similar to the *Medicare, Child Support and Health IT Mainframe Privileged User Management* audit finding, the ANAO determined that there were weaknesses in a lack of evidence over the completeness and accuracy of the reports used in the monitoring process.

The Agency is in the process of engaging external technical specialists to explore utilising the vendor’s expertise in resolving the ANAO concerns regarding the report extracts.

New Residential Aged Care System Access Management (Category B)

In August 2022, Services Australia implemented a new residential aged care system. Maintaining and supporting IT systems requires some user accounts to have extensive access rights (privileged access). Privileged user accounts can be used to circumvent security controls to make direct changes, either to system settings or systems data, or to access files and accounts used by others.

During the 2022–23 audit, the ANAO identified that there were weaknesses in the design and operating effectiveness of controls supporting privileged and other user access. More broadly, the ANAO has observed a break-down in Services Australia’s re-established security governance control framework, particularly the lack of formal system accreditation or other supporting system security risk assessments that would identify and allow system and project owners to formally analyse, understand and mitigate and/or accept key security governance risks prior to the implementation of the new system. The ANAO recommended that Services Australia strengthen privileged user access and logging and monitoring processes.

At the conclusion of the 2023–24 audit, while Services Australia advised that remedial actions were in progress, evidence for these actions had not been provided to the ANAO.

Agency response and progress (as at November 2025)

The Agency has implemented a monitoring control during 2023–24 to test user access provisioned during the month by confirming that the access assigned was approved by an appropriate delegate within the ICT Security Portal (ISP). During testing of the submitted closure pack, the ANAO determined that there were weaknesses in a lack of evidence over the completeness and accuracy of the reports used in the monitoring process.

The Agency implemented a new automated monitoring process utilising Elastic Kibana in March 2024, which enabled logging of changes to rules and data. Between August and December 2024, the automated logging solution was implemented and finalised enabling a consistent monitoring approach.

Following a number of walkthroughs with the ANAO, a further updated Risk Assessment was provided on 27 August 2025 with additional controls regarding application monitoring and the regular review of logs. However, the ANAO has confirmed that they will keep this finding open, as the weekly and monthly reviews were not performed consistently.

A supplementary closure pack is expected to be submitted by end of March 2026, demonstrating the Agency’s application of assurance processes to confirm that monthly control processes are being executed consistent with policy requirements.