



Auditor-General for Australia



16 September 2019

Senator Rachel Siewert
Chair
Senate Standing Committees on Community Affairs
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Dear Senator Siewert

Centrelink's compliance program

The Australian National Audit Office (ANAO) published the following performance audit report that you may find relevant to the Senate Standing Committees on Community Affairs' inquiry into supporting Centrelink's compliance program.

- Report No. 41 of 2016-2017 [*Management of Selected Fraud Prevention and Compliance Budget Measures*](#)
- Report No. 15 2018-19 [*Human Services' Compliance Strategies*](#)

Information about what the audits assessed, concluded and recommended is attached. The audit report is available online at www.anao.gov.au.

Should the Committee require further information in relation to this matter, my office would be pleased to provide you with a briefing at a time convenient to you or appear as a witness at a hearing.

To arrange a briefing, please contact our External Relations area at external.relations@anao.gov.au.

Yours sincerely

Grant Hehir

Report No. 41 of 2016-2017 Management of Selected Fraud Prevention and Compliance Budget Measures assessed the Department of Human Services' and the Department of Social Services' management of selected fraud prevention and compliance Budget measures. To form a conclusion against the audit objective, the following high-level audit criteria were adopted:

- Have sound processes and practices been established to support the design and implementation of specific Budget-funded compliance measures?
- Is there effective monitoring of the implementation and achievement of the measures?
- Have expected savings and other benefits from the measures been achieved?

The audit concluded:

- The Department of Human Services' management of the seven selected compliance measures resulted in:
 - three measures not being effectively implemented;
 - two measures' implementation being partially effective—with one measure achieving the expected savings but not the expected level of compliance activity and the other measure achieving the expected level of compliance activity but not the expected savings; and
 - two measures being effectively implemented.
- As a consequence, most of the compliance measures examined did not fully achieve their expected outcomes, including savings and addressing the risks to payment integrity, as agreed.
- Shortcomings were also identified in the Department of Human Services' approach to monitoring and reporting for all measures examined. As the entity responsible for the Administered appropriations against which savings were to be delivered, the Department of Social Services' oversight of the achievements of the measures was not effective. Improvements are warranted to both the bilateral and the internal monitoring arrangements presently in place, to support both entities' capacity to track progress against the Government's expected outcomes, including savings targets.
- The Department of Social Services used an agreed methodology to calculate the savings expected from the compliance measures and the Department of Human Services developed useful implementation plans to support the delivery of the measures. There are opportunities to improve both the methodology and plans.
- The monitoring and oversight arrangements for the compliance measures, set out under the Bilateral Management Arrangement between the Department of Social Services and the Department of Human Services, have not been effective as they were not followed. The Department of Social Services as the relevant policy entity did not take responsibility for monitoring outcomes, including impacts and actual savings, achieved from the measures.
- The Department of Human Services' internal and external monitoring and reporting for compliance measures could be improved. While the Department of Human Services has well established monitoring and reporting arrangements, these mechanisms did not consistently provide clear and accurate advice on whether the compliance measures were achieving the desired outcomes, including savings and planned levels of activity.

The ANAO recommended:

- That in developing Budget-related compliance measures:
 - the Department of Social Services establishes a process to regularly review the inputs used to calculate expected savings for Budget-related compliance measures; and
 - the Department of Social Services and the Department of Human Services document the basis for assumptions and inputs used, including related data sources.
- That the Department of Human Services:
 - a. in consultation with the Department of Social Services, develops and implements a method to estimate and monitor the amount of debt recovered from compliance measures;
 - b. consistently reports internally on its progress and achievements for compliance measures against key performance targets and outcomes; and
 - c. develops and implements a method to estimate the costs of compliance measures, to provide improved assurance over its external reporting, and to better inform evaluations of its compliance activities.
- That the Department of Human Services' assessment of the outcomes and achievements of compliance Budget measures includes a complete assessment against expected additional activity levels (where agreed) as well as the expected additional savings.

Report No. 15 2018-19 Human Services' Compliance Strategies assessed whether Human Services has an effective high-level compliance strategy for administered payments made under the Centrelink and Medicare programs. To form a conclusion against this objective, the ANAO adopted two high-level criteria:

- Does a high-level strategy guide a coordinated program of compliance activities?
- Does a high-level strategy support the conduct of compliance activities?

The ANAO concluded:

- Human Services had an effective high-level compliance strategy for administered payments made under the Centrelink program, from 2015–16 to 2017–18, and for the Medicare program in 2016–17 and 2017–18.
- A high-level strategy provided clear guidance for the department to implement a coordinated program of compliance activities for the Centrelink program from 2015 to 2018. The design of the strategy was well-informed by evidence, risk based, and adequately referenced the entity level risk management and fraud control frameworks. The strategy contained sufficient details about planned resourcing and governance arrangements to support the annual programs of compliance activities that were conducted. The department's monitoring and reporting on the strategy's progress each year was adequate at the operational level in the business areas.
- The design and refinement of a high-level strategy for the Medicare program provided clear guidance for Human Services to undertake a coordinated program of fraud control activities in 2016–17 and 2017–18. Medicare customer compliance activities undertaken by Human Services in 2015–16 were not included in the strategy. After 2015–16, the conduct of the strategy was supported in the next two years by adequate risk management and fraud control frameworks. The strategy in those two years also adequately identified the

resourcing required to undertake fraud control activities and regularly monitored and reported on the outcomes from those activities.

The ANAO recommended:

- That Human Services increase its public reporting, starting from 2018–19, of the compliance activities completed each year for the Centrelink program of administered payments.
- That, in 2018–19, Human Services:
 - a. finalise its negotiations with the Department of Health about the responsibility for third party provider compliance under the Medicare program;
 - b. confirm the risk profile and adequacy of existing controls for each health and aged care program for which it has responsibility, as part of the planned joint review with the Department of Health; and
 - c. complete sufficient compliance activities to support Human Services' compliance strategy for Medicare payments for which it has responsibility.