



Australian Government
Department of Social Services

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Deputy Secretary

Committee Secretary
Joint Committee of Public Accounts and Audit
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Dear Committee Secretary

SUBMISSION TO JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Thank you for the opportunity to make a submission to the Joint Committee of Public Accounts and Audit referred for inquiry on 9 April 2026.

The Department of Social Services welcomes the opportunity to provide additional assistance or information that is required by the Committee to support their deliberations.

Yours sincerely

Matt Flavel
Deputy Secretary
May 2026



Australian Government
Department of Social Services

Department of Social Services Submission to the Joint Committee of Public Accounts and Audit

Inquiry into the administration of the Age Pension

May 2026

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Introduction

The Department of Social Services (the Department) welcomes the opportunity to provide a submission to the Joint Committee of Public Accounts and Audit (JCPAA) inquiry into the administration of the Age Pension.

Scope of the submission

This submission responds to the inquiry's Terms of Reference as they relate to the Department's responsibilities. Responsibility for administering the Age Pension is shared between the Department, Services Australia and the Department of Veterans' Affairs (DVA). The inquiry's Terms of Reference cover matters that span all three agencies' work.

- The Department is the policy owner and is accountable for policy design, legislative settings, advice to Government, and stewardship of the program.
- Services Australia is responsible for the operational administration of the Age Pension, including claims processing, eligibility and payability assessments, payment delivery, and operational controls.
- DVA administers the Age Pension to a small cohort of veterans and their partners under a separate Memorandum of Understanding (MoU).

The effectiveness of oversight arrangements

The Department's oversight of Age Pension administration is supported by a range of governance, assurance and engagement mechanisms, including:

- A Bilateral Management Arrangement (BMA) with Services Australia, comprising of a Head Agreement, protocols, and services schedules that set out roles, performance measures, assurance requirements, and governance mechanisms for all payments and services;
- Senior executive governance forums, including Entity Head meetings, Executive Portfolio Meetings, and strategic and operational discussions that provide visibility of performance, risks, and emerging issues;
- Quarterly performance reporting and annual assurance statements from Services Australia covering payment accuracy, timeliness, system integrity, and delivery risks; and
- Ongoing policy and operational engagement across all levels of both organisations to support accurate application of social security law and timely issue resolution.

The BMA Head Agreement provides the governance framework for engagement and accountability between the Department and Services Australia.

The Department works to ensure all governance, assurance and engagement mechanisms are used to the fullest extent to support its oversight. For example, the Payment Assurance Protocol supports the BMA Head Agreement by setting out the shared approach that the Department and Services Australia take in delivering payments and services to the public.

As set out in the Social Security and Family Payments Services Schedule to support the BMA Head Agreement, the Age Pension payment accuracy benchmark of 97 per cent is the highest of all payment

benchmarks. Payment accuracy results for the Age Pension have been consistently slightly above or slightly below the benchmark. Where payment inaccuracy exists, it is typically due to a recipient's change in circumstances or new information being provided to Services Australia.

The Department notes the reference to "an estimated \$5 billion in incorrect [Age Pension] payments" in Auditor-General Report No. 20 of 2025–26, *Administration of the Age Pension*. This figure is derived from the Department's Payment Accuracy Review Program (PARP), which extrapolates the results of payment accuracy reviews conducted on a sample of recipients to indicate potential overpayment and underpayment risk across the Age Pension program. The estimate is not a measure of actual incorrect payments made, nor does it represent a definitive system-wide payment error.

Importantly:

- A person's pension payment can be correctly assessed at the time based on available information but later capture a variation due to changed circumstances or new information;
 - Actual increases or decreases to a person's payment rate can stem from a range of reasons, including changes in circumstances, administrative error and recipient error.
 - When these are identified, they are corrected by Services Australia in line with policy and legislation.
- The PARP is designed to identify system level payment accuracy risks, rather than administrative error in individual cases. It is not a compliance program.
- Insights gathered through the PARP allow the Department and Services Australia to target improvements to policy settings, data use, and operational controls where risks are greatest.
 - For example, if there is a trend in the PARP sample that there are inaccuracies relating to reporting on superannuation amounts, activities could focus on improvements to the collection of this data.

Processes for assessing applicant and recipient eligibility, and arrangements to communicate and manage engagement with applicants and recipients

As the service delivery agency, Services Australia is responsible for all processes involving direct contact with Age Pension applicants and recipients (including assessments of eligibility and general engagement/communication).

Any matters contained in and associated with Auditor-General Report No. 20 of 2025–26: *Administration of the Age Pension*

The audit report provided four recommendations to the Department, including one for joint-response with Services Australia, and one for joint-response with DVA. The Department agreed, or agreed in principle, to all four recommendations and acknowledged the suggested opportunities for improvements. These recommendations aligned with existing departmental processes and work already underway to strengthen the stewardship, governance and administration arrangements for

the Age Pension. The Department also noted the recommendations directed to Services Australia and has committed to working to apply any applicable lessons.

Arrangements to deliver each of these recommendations are underway. An interagency working group of senior executive representatives from the Department, Services Australia and DVA will provide oversight across agencies to ensure a coordinated approach to implementation.

The Department is providing regular progress updates on implementation to its internal Audit and Risk Committee.

Audit recommendation 1: In line with their joint responsibility to review payment assurance controls and ensure they are effective and appropriate:

- a. Department of Social Services require Services Australia to disclose in the annual assurance statements the limitations and risks associated with Services Australia's payment integrity assurance, and to advise IT system issues in a timely manner.
- b. Services Australia fully disclose in its annual assurance statement the basis for, and limitations and risks associated with, its payment integrity assurance, and inform DSS as soon as practicable when it (Services Australia) identifies IT system errors impacting payment correctness.
- c. Services Australia promptly rectify issues identified in the IT systems which support the assessment of age pension and implement controls to ensure IT systems are operating as intended.

The Department's response: *The Department will work with Services Australia to strengthen the existing processes under the Bilateral Management Arrangement to improve the payment integrity assurance provided by Services Australia.*

Implementation of this recommendation is being achieved by amending the Annual Assurance Statement and the ICT Protocol which forms part of the Department–Services Australia Bilateral Management Arrangement.

These amendments will require Services Australia to disclose the basis for, and the limitations and risks associated with, its payment integrity assurance, and to advise the Department in a timely manner of IT system issues impacting payment correctness and rectify them promptly.

Audit Recommendation 2: Department of Social Services addresses payment accuracy and timeliness performance results by developing and implementing an approach to ensure that Services Australia's assessment and compliance processes address risks to payment accuracy and timeliness.

The Department's response: *The Department will continue to build on work already undertaken to strengthen the approaches documented in the Bilateral Management Arrangement protocols and schedules to ensure performance and risk is understood.*

In delivering on this recommendation, the Department is strengthening and refining arrangements for its oversight and understanding of Services Australia's compliance activities, to ensure these activities are effectively addressing the risks and key drivers of Age Pension payment inaccuracy and timeliness.

Audit Recommendation 3: Department of Social Services and Department of Veterans' Affairs complete the refresh of the 2013 Memorandum of Understanding to ensure that the Department of Veterans' Affairs is set up to administer the program consistent with legislation, and establishes:

- a. arrangements for the Department of Social Services to oversee the Department of Veterans' Affairs' administration of the age pension;
- b. performance assurance arrangements that include reporting on performance and ensuring the effectiveness of strategies to address risks;
- c. methodology to monitor, measure and report on performance;
- d. regular reviews of processes and systems to administer the age pension to ensure they are operating as intended; and
- e. risk management processes and reporting.

The Department's response: *The Department has commenced work with the Department of Veterans' Affairs to review the Memorandum of Understanding between the two departments. This work will consider a range of mechanisms to improve current administrative arrangements for the Age Pension, including those identified in Recommendation 3.*

The Department **agreed in principle** to the recommendation to provide flexibility to explore options to address issues with DVA's administration of the Age Pension for veterans' and their partners.

The Department commenced working with DVA in April 2025 on these issues. This involved the establishment of a working group to look at refreshing the MoU, to revise arrangements to bolster performance and payment assurance, monitoring and reporting, risk management, and regular review of processes and systems.

To date, this has included interagency workshops and consultation, with further work planned to assess feasibility, resourcing, ICT capability and operational impacts.

Audit Recommendation 4: Department of Social Services revises the age pension program logic to support evaluation and reporting to government on program delivery with an emphasis on its impact on recipients.

The Department's Response: *The Department has a rolling schedule for reviewing logic maps in support of annual performance reporting. The Age Pension program is included in this schedule, and its logic map will be revised to ensure it remains current and fit for purpose. Logic mapping informs internal and external reporting through the annual performance statements.*

This recommendation is linked to the audit finding that the Department "advises government, including on age pension coverage, payment accuracy, proposed age pension policy and their potential impact such as equity across cohorts but does not currently include information on program impact on recipients".

The Department acknowledges this finding and is revising the Age Pension Program Logic, consistent with the ANAO's recommendation. The Department will continue ensuring all advice to Government includes information on the program's impact on recipients, recognising the fundamental importance of this in advising the Government on the Age Pension.

The Department monitors the impact of the program on recipients through ongoing, evidence-based advice to Government, rather than a single standalone evaluation. This approach reflects the Age Pension's status as a mature program and includes:

- Authoritative independent reviews such as the 2009 Pension Review by Dr Jeff Harmer AO and 2020 Retirement Income Review by Michael Callaghan AM PSM, Carolyn Kay, and Dr Deborah Ralston;
- Independent expert advice from the Economic Inclusion Advisory Committee, provided to Government ahead of each federal Budget on economic inclusion and tackling disadvantage;
- Performance reporting on the extent to which older Australians are supported through income support, consistent with the program's objective of targeting assistance to those with low or moderate means while encouraging self-reliance;
- Regular Budget and Cabinet processes; and
- Ministerial briefs and program deep dives.