



Australian Government  
Department of Education and Training

# Submission by the Department of Education and Training to the Parliamentary Joint Committee of Public Accounts and Audit

Commonwealth Performance Framework—Inquiry based on  
Auditor-General’s report 31 (2015-16) *Administration of  
Higher Education Loan Program Debt and Repayments*



## Background

The Australian National Audit Office’s (ANAO) report on *Administration of Higher Education Loan Program (HELP) Debt and Repayments* was released on 5 May 2016.

The report indicated four broad areas where, in the opinion of the Auditor-General, administrative processes require improvement: data transmission between the department and the Australian Taxation Office (ATO); risk management and compliance; data analysis, especially on repayment outcomes; and transparency in terms of publicly available data.

The report included the department’s response to the ANAO’s recommendations, which supported the overarching direction of the report, and agreed with all of the recommendations that the ANAO raised in their report.

## Parliamentary scrutiny

Having considered the above audit report, on 13 October 2016 the Parliamentary Joint Committee of Public Accounts and Audit resolved to conduct an inquiry based on the report.

On 19 October 2016, the Joint Committee invited Dr Michele Bruniges AM, Secretary of the Department of Education and Training, to make a submission to the inquiry by Monday, 7 November 2016.

This submission is intended to provide the Committee with:

1. An implementation status update on the audit recommendations
2. An outline of future plans and milestones for actions that are still to be completed
3. Information on related matters, such as changes made due to audit findings (but not specifically recommended in the audit) or other relevant activity.

## Current status

The department is grateful for the opportunity to provide a submission to the Joint Committee tabling the actions that have been taken to date to address the recommendations of the ANAO. This submission constitutes the department’s written evidence for the public hearing on Wednesday, 23 November 2016.

Addressing ANAO’s recommendations on improving the administration of the HELP has been a key priority for the department since receiving the audit report on 5 May 2016. The department has initiated new work or progressed existing work on a number of fronts, and staff resources have been allocated to support these activities. Key steps include working closely with the ATO to develop a risk and compliance management framework for HELP, improving data sharing arrangements and working with both the ATO and Australian Government Actuary (AGA) to improve the range of data available. In turn, this will inform better program design and provide a strong foundation for publication of more meaningful data.

What follows, as suggested by the Joint Committee, is an implementation status update, together with information on future actions and changes made by the Department in response to audit findings.

## 1: Implementation status update on audit recommendations

### Recommendation 1

*To simplify and improve the debt recording process, the ANAO recommends that Education and the ATO redesign the controls for the initial recording, transfer and upload of HELP debts.*

#### **Implementation of a response to this recommendation is proceeding on track.**

The department and the ATO are implementing Message Queue (MQ) technology to support more timely and efficient transmission of data between the two agencies. MQ is an information technology platform that will enable secure, real time transfer of data using unencrypted tax file numbers. The department and the ATO meet every two weeks to discuss progress on building the MQ platform, including data file structures and transfer processes.

The MQ platform relies on identification of records using tax file numbers (TFNs).

The Government is currently progressing legislation that will allow the department to disclose TFNs to the ATO for the purpose of development or administration of the HELP program, including policy formation, financial planning, program design, and research. In this context the HELP program includes assistance to students under all five HELP schemes and repayment of debts incurred as a result of that assistance. The Bill that is currently before Parliament is the Higher Education Support Legislation Amendment (2016 Measures No. 1) Bill 2016. The TFN provisions will extend to new (from 2017) VET Student Loans, subject to the passage of the VET Student Loans Bills currently before Parliament.

Full implementation of the Message Queue link between the department and the ATO is scheduled for the 2017-18 financial year. The Message Queue link is expected to be operational by the end of June 2017.

### Recommendation 2

*To improve the management of risks associated with the Higher Education Loan Program and support Education's and the ATO's compliance with the risk management requirements set out in the Memorandum of Understanding, the ANAO recommends that Education and the ATO:*

- a) develop risk management plans for their respective services under the Memorandum of Understanding; and*
- b) introduce a standing agenda item for risk management at Higher Education meetings to facilitate discussion of relevant risks.*

**Implementation of a response to this recommendation is proceeding on track.**

The department has reviewed and updated its overarching risk plan for the HELP program. The HELP Policy team sought the input of internal stakeholders in the Higher Education Information Management System (HEIMS) team and in the VET FEE-HELP Branch. The department now has a formal and comprehensive risk plan in place for HELP.

The department and the ATO have exchanged information on their respective risk plans, which were discussed at a joint risk workshop held in September 2016.

The department and the ATO are continuing fortnightly HELP policy meetings, and risk management and compliance has been added as a standing agenda item.

**Recommendation 3**

*To provide assurance that compliance risks associated with HELP are effectively identified and mitigated, the ANAO recommends that the ATO and Education work together to develop a risk-based compliance and enforcement strategy for HELP.*

**Implementation of a response to this recommendation is proceeding on track.**

The department and ATO currently have a range of risk-based compliance strategies in place for HELP. To date there has not been a single overarching document that describes the various elements. The department is now working with the ATO to review and enhance these processes to ensure future compliance risks associated with HELP are effectively identified, documented and addressed in one place. The department has engaged independent consultants to assist with the development of a risk and compliance management framework for HELP. The department is working towards the implementation of a joint, risk-based, compliance management and enforcement strategy by the end of 2016.

**Recommendation 4**

*To support the design of HELP and better inform key stakeholders in the higher education sector, the ANAO recommends that Education and the ATO expand the information provided publicly to include a broader range of information such as the growth in HELP debt and collection of repayments, overall and for the separate HELP programs.*

**Implementation of a response to this recommendation is proceeding on track.**

The department acknowledges the need to progressively review and increase public information available on HELP. The department is working with the AGA and ATO on a data improvement project involving the creation of a database of de-identified HELP information within the department. The principal objective of this database is to improve the Government's understanding of the likely drivers and characteristics of people who repay some or all of their debts, as opposed to those who do not repay, which will inform future HELP program design and policy direction. This new database builds on an existing unit-record database currently managed by AGA, to provide an expanded range of data from the department and the ATO.

The Higher Education Support Legislation Amendment (2016 Measures No. 1) Bill 2016, currently before Parliament, will allow the department to disclose information (including TFNs) to the ATO for the purpose of administering the HELP scheme and to allow for exchange of information (excluding TFNs) between the department, the ATO and the AGA for the purpose of the HELP data improvement project. The department and the ATO are progressing IT development to support the establishment, transfer and storage of the database. Given the project is contingent on these legislative and IT factors, the department is working to establish an interim database in mid-2017, and a final database is expected to be available by early 2018.

The database will vastly improve the range and meaningfulness of information about HELP debt and debtors. In consultation with the ATO and AGA, the department is exploring ways in which selected information generated by the data improvement project could be published on an annual basis.

The Higher Education Support Legislation Amendment (2016 Measures No. 1) Bill 2016, currently before Parliament, contains amendments which support use and disclosure of information to support this project.

## Recommendation 5

*To enable informed decision making regarding HELP, the ANAO recommends that Education more fully analyse characteristics of debt and repayments, and consider this information to inform program design.*

### Implementation of a response to this recommendation is proceeding on track.

The department analyses the characteristics of debt and repayments in order to provide advice to government on program design as well as future policy directions for HELP. However the department acknowledges that this analysis should be extended and increased. Once the database of de-identified HELP information is available (as outlined above under Recommendation 4) this will significantly improve the department’s capacity to analyse characteristics of debt and repayments. Its results will be used to improve and refine HELP policy and program design.

## 2: Future plans and actions

### Joint risk approach

The department is working closely with the ATO on risk and compliance processes to ensure that risks are effectively identified, documented and addressed in one place. It is expected that by the end of 2016 there will be a joint, risk-based, compliance management and enforcement strategy in place.

### Improved data transfer

Full implementation of the Message Queue link between the department and the ATO is scheduled for the 2017-18 financial year. The Message Queue link is expected to be operational by the end of June 2017.

### **Improved data reporting**

The department is exploring ways in which the HELP data improvement project could contribute to the production of a more comprehensive dataset, and the appropriateness of publishing some of this data.

## **3: Other changes made due to audit findings/other relevant activity undertaken**

### **Joint risk workshop held**

On 6 September 2016 the department and the ATO held a HELP risk assessment workshop in Canberra. The workshop facilitated a detailed assessment of the spectrum of risks across HELP debt and repayments. Some of the risks are shared by the ATO and the department while others are specific to an agency. It covered topics such as provider verification, debt calculation, implementation of policy/legislative change, debt write-offs and waivers, administration of tax file numbers, compliance (both by resident and overseas debtors), client communications and stakeholder management.

The workshop's momentum will be sustained by the regular fortnightly standing item on risk at department/ATO meetings.

### **High level governance meetings instituted**

Because of the cross-portfolio nature of HELP, the department and ATO senior executives have agreed to hold external governance meetings, comprising relevant line managers, to oversee the implementation of audit recommendations. The first of these meetings (intended to be held on a quarterly basis) took place on 22 September 2016. Officials at executive and senior executive level (Deputy Commissioner, ATO and Branch Manager, department) attended from both agencies. The discussion was positive and wide-ranging and officials agreed to continue to sponsor joint efforts on risk and compliance, data transfer, data analysis and reporting.

The department will also ensure that the learnings from both the ANAO report and implementation of the response are disseminated across the department through existing internal audit and risk reporting mechanisms.

### **Internal risk documentation strengthened**

Following the receipt of the ANAO report the department reviewed and updated its overarching risk plan for the HELP program, with the input of critical internal stakeholders.

The department's risk management framework and policy has, among its objectives, the intention to foster and encourage a positive risk culture in which all staff effectively identify, treat and actively manage risks. Professional development of staff is available to assist them in developing, maintaining and adhering to risk plans and will be included in personal development plans where appropriate.