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Auditor-General for Australia



5 October 2022

Ms Libby Coker MP
Committee Chair
Joint Standing Committee on the National Disability Insurance Scheme
By email: ndis.joint@aph.gov.au

Dear Ms Coker

INQUIRY INTO THE CAPABILITY AND CULTURE OF THE NDIA

The Australian National Audit Office (ANAO) presented the following performance audit report to the Parliament that you may find relevant to the above inquiry.

- Auditor-General Report No.14 of 2020–21 [Decision-making Controls for NDIS Participant Plans](#)
- Auditor-General Report No.50 of 2018–19 [National Disability Insurance Scheme Fraud Control Program](#)

Information about what the audit assessed, concluded, and recommended is attached on pages 2-6 of this letter. The audit reports are available online at anao.gov.au.

Should the Committee require further information in relation to this matter, the ANAO would be pleased to provide 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 team at external.relations@anao.gov.au.

Yours sincerely

Grant Hehir

Auditor-General

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Auditor-General Report No.14 of 2020–21 *Decision-making Controls for NDIS Participant Plans* assessed whether the NDIA has appropriate controls to ensure supports in participant plans are ‘reasonable and necessary’.

To form a conclusion against this objective, the following high-level criteria were applied:

- Has the NDIA established and implemented appropriate policies and processes to ensure supports in participant plans are ‘reasonable and necessary’?
- Is there appropriate oversight to ensure supports in participant plans are ‘reasonable and necessary’?

The audit concluded that:

- The NDIA does not yet have appropriate controls to ensure supports in participant plans are ‘reasonable and necessary’. While an appropriate control framework had been established, the effective implementation of the controls will provide the NDIA with greater assurance that the supports approved in participant plans are reasonable and necessary. Effective implementation of controls will further assist the NDIA to manage risks relating to Scheme sustainability, while ensuring participants are receiving adequate supports.
- While the NDIA had established largely appropriate policies and processes for participant planning, the implementation of the policies and processes did not provide the NDIA with appropriate assurance that supports in participant plans are reasonable and necessary.
- The NDIA does not yet have appropriate oversight mechanisms in place to ensure the supports in participant plans are reasonable and necessary. The NDIA has established some frameworks for oversight and control of decision-making for participant plans; however, to date, this is not systematically leading to enterprise-wide actions for improvement and compliance in decision-making.

The report included the following recommendations:

Recommendation No.1

The National Disability Insurance Agency review and update the ICT system controls relating to recording participant planning considerations and approvals, to align the system processes with internal policy requirements and to better support planning processes for reasonable and necessary decision-making.

National Disability Insurance Agency response: Agreed.

Recommendation No.2

The National Disability Insurance Agency establishes mechanisms to track and analyse (at the enterprise level) issues arising from review mechanisms to inform continuous improvement in reasonable and necessary decision-making, including:

- a. using outcomes data from internal reviews and AAT reviews, including early resolution outcomes, to inform continuous improvement in reasonable and necessary decision-making; and
- b. implementing metrics for measuring the success of continuous improvement initiatives to enable the Agency to determine whether the initiatives are having the intended impact.

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National Disability Insurance Agency response: Agreed.

Recommendation No.3

The National Disability Insurance Agency align service delivery KPI and quality metric targets for reasonable and necessary decision-making; and review the target on a regular basis with a view to increasing the target to drive greater quality standards in reasonable and necessary decision-making.

National Disability Insurance Agency response: Agreed and Completed.

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Auditor-General Report No.50 of 2018–19 *National Disability Insurance Scheme Fraud Control Program* assessed the effectiveness of the NDIA's fraud control program and its compliance with the Commonwealth *Fraud Rule*.

To form a conclusion against the audit objective, the ANAO adopted the following high-level audit criteria:

- Has the NDIA implemented effective strategies to prevent fraud?
- Does the NDIA effectively detect and respond to fraud?
- Has the NDIA implemented effective arrangements to oversight, monitor and report on its fraud control arrangements?

The audit concluded that:

- The NDIA is largely compliant with the requirements of the Commonwealth Fraud Rule and is undertaking work which has the potential to make its fraud control program effective.
- The NDIA Risk Appetite Statement states that fraud is unacceptable. The NDIA has developed strategies to prevent fraud, although after controls were implemented, two residual risk ratings remained high. The NDIA's Fraud Control Plan is aligned with better practice and it has processes in place to assess fraud risks and raise fraud awareness. Further work is needed to reassess fraud risk, consolidate fraud controls, and prioritise and deliver future enhancements.
- The NDIA has largely appropriate fraud detection and response mechanisms, except data analytics and data matching capabilities are being progressively implemented and it is developing a case management system that more effectively supports investigations.
- The NDIA has implemented largely effective oversight, monitoring and reporting of its fraud control arrangements, with improvements made over 2018 and planned for 2019. The NDIA engages effectively with other government entities on fraud control, although fraud related governance should be improved via enhanced project management and reporting.

The report included the following recommendations:

Recommendation No.1

That, to gain a better understanding of the overall fraud control strategies and to prioritise and track future control enhancements, the NDIA:

- a. remove any non-controls from the Risk Register;
- b. assess if key individual controls are implemented and effective; and
- c. regularly update the Risk Register with planned controls, the delivery date and the project or activity under which the control will be developed and implemented.

National Disability Insurance Agency response: Agreed.

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Recommendation No.2

That the NDIA improve its active fraud detection methods by implementing the planned data analytics and data matching activity as a matter of priority, and on a continuing basis.

National Disability Insurance Agency response: Agreed.

Recommendation No.3

The NDIA improve compliance with investigations policies by:

- a. ensuring the new case management system has the functionality identified in pre-procurement planning documents;
- b. establishing performance measures for its investigative functions that align with organisational goals for fraud investigation; and
- c. undertaking quality assurance reviews of recent investigations to gain assurance that the NDIA Investigations Manual is being consistently applied.

National Disability Insurance Agency response: Agreed.

Recommendation No.4

That the NDIA undertake a review of its project management of fraud control. This review should:

- a. map all projects and activities with fraud control dimensions, including their status, linkages, relative priority and resourcing;
- b. determine whether additional projects or activities are required to close any gaps between the fraud risks and the implemented and planned fraud controls within projects; and
- c. support updating the Fraud and Corruption Risk Register (Recommendation 1).

National Disability Insurance Agency response: Agreed.

Recommendation No.5

That, to ensure visibility of the fraud control environment, NDIA provide regular reports to the Executive Leadership Team and the Board containing a summary of the status of the Fraud and Corruption Risk Register including:

- a. the untreated risk rating and the residual overall impact after controls are applied for each of the 17 fraud risk types;
- b. the controls effectiveness rating for each of the 17 fraud risk types; and
- c. the actions required on controls, with implementation dates.

National Disability Insurance Agency response: Agreed.

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Recommendation No.6

That, in making improvements to its fraud control processes and systems, the NDIA ensures that it is able to record and report more detailed fraud control data, including for the Australian Institute of Criminology Annual Reporting Census.

National Disability Insurance Agency response: Agreed.

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