

Senate Community Affairs Legislation Committee

ADDITIONAL BUDGET ESTIMATES - 14 FEBRUARY 2013 ANSWER TO QUESTION ON NOTICE

Human Services Portfolio

Topic: Administration of New Income Management in the Northern Territory

Question reference number: HS 23

Senator: Fifield

Type of question: Written

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Number of pages: 4

Question:

- a) What is the cost to DHS to administer income management in the Northern Territory per person? Please provide a breakdown of these costs.
- b) ANAO Report 19 on the administration of New Income Management in the Northern Territory:
 - 1) Please provide a breakdown of the reasons why 34 per cent of BasicCards merchants were found to be non-compliant in the 2011-12 results?
 - 2) What action is being taken against BasicCards merchants who failed to comply with the terms of the scheme?
 - 3) Who from DHS is responsible for overseeing the compliance program?
 - 4) What measures is DHS taking to increase compliance rates in the compliance program?
 - 5) How many exemptions were granted, by month, to Income Management customers in 2010-11 and 2011-12?
 - i. What do these exemptions entail? What aspects of the scheme are customers being exempted from?
 - ii. How long on average have these customers been exempted for?
 - iii. Who determines whether an exemption will be granted?
 - iv. What steps is the department taking to respond to the concerns raised in the ANAO Report about the issues regarding consistency and transparency of the decision making process with regard to exemptions?

Answer:

- a) Funding provided for Income Management measures in 2010-11 was \$90.731 million and in 2011-12 was \$82.001 million.

The service delivery resourcing for remote communities is affected by costs associated with travelling to and from vast geographical locations rather than customer numbers.

Income Management has a very high proportion of fixed costs that are incurred regardless of the number of citizens. Costs for each element are not tracked separately and cannot be isolated.

Expenditure for Income Management measures covers a range of costs including:

- service delivery costs - e.g. call, processing, and face to face interactions;
- remote service delivery costs - e.g. Remote Servicing Teams;
- travel costs - e.g. hire car, accommodation, charter flights, fuel, Remote Servicing Teams travel costs etc.;
- Program Management costs - e.g. Project Management, reporting, contract and relationship management, development of staff support tools etc.;
- Centrelink Agent Services;
- Third Party Organisations - engagement and management of merchant and card provider for Income Management and BasicsCard contracts;
- indirect staff effort - e.g. talking to community members, organising meetings, providing general support and advice to customers;
- indirect costs - e.g. training, staff related employment costs (superannuation, Long Service Leave etc.); and
- other corporate overheads - e.g. property operating costs, ICT and organisational support costs.

b) 1) The following is a breakdown of the non-compliance reasons in 2011-12 for BasicsCard:

Non-compliance Reason	Number
Failed to keep itemised receipts for each BasicsCard transaction in an ordered/auditable filing system for 2 years	43
Allowed the BasicsCard to be used to purchase excluded goods and services	15
Failed to provide itemised receipt and the corresponding point of sale record for each BasicsCard transaction	11
Processed a BasicsCard transaction when aware BasicsCard was being used fraudulently	9
Unable to maintain systems and processes that restrict the sale of excluded goods and services and gift cards/vouchers to BasicsCard holders	8
A cardholder's BasicsCard and/or PIN has been held by the merchant, or a record of the PIN been kept by the merchant (even if requested by the cardholder)	5
Failed to ensure instruction and information entered into the Payment System are correct and reflect the BasicsCard transaction	4
Failed to notify Centrelink immediately they knew or suspected BasicsCard was used fraudulently	3
Failed to process refunds on the BasicsCard	3
Failed to provide training to all relevant staff on the use of BasicsCard and their obligations under the BasicsCard Merchant Terms and Conditions	3
Failed to keep point-of-sale cash register docket copies for 2 years post issue showing the total cost of purchases against the customer's store account	2
Processed a BasicsCard transaction, including where the EFTPOS system is unavailable, where the terminal displays a message advising 'approved with signature'	2
Failed to meet the eligibility criteria	2

Non-compliance Reason	Number
Allowed the BasicsCard to be used to purchase other goods or services, other than petroleum, fuel products or automotive goods and services	2
Contravened the terms of approved laybys per clause 3.3 of the Merchant Terms and Conditions	2
Evidence of the merchant imposing a minimum spend limit greater than \$5	2
Displaying BasicsCard posters, stickers etc. not in accordance with display instructions	1
Failed to notify Centrelink of any information or representations in the application that has become incorrect or misleading	1
BasicsCard has been used for instalment or layby payments that are not an approved layby per clause 3.3 of the Merchant Terms and Conditions	1
Failed to notify of specific events required by the contract	1
Failed to list on their application that they provide any Income Management excluded goods and services	1
Current business details no longer match the information provided in the BasicsCard Merchant application	1
Evidence of cash being issued to customers from the BasicsCard	1
Failed to comply with the aims/objectives of Income Management in the conduct of their business as it relates to the BasicsCard	1
Processed a pre-payment on BasicsCard (unless for the purchase of petrol or diesel or a taxi cab service)	1
Provided a refund/payment to a customer in cash, or for purchase of excluded goods/services, due to cancellation of an approved layby	1
Stocks or provides Income Management excluded goods and services	1

- 2) A merchant found to be non-compliant with the BasicsCard Terms and Conditions is sent a 'Remedy Notice' which advises them that they are non-compliant and why, and requires them to remedy or correct the non-compliance within 14 days. If the merchant fails to remedy the breach, the Department can revoke the merchant's approval for BasicsCard.
- 3) The Department has set up a Compliance Panel, chaired by the National Manager of the Deductions and Confirmation Services Branch, which meets monthly. The Compliance Panel oversees the Compliance Framework for all third party organisation programs administered by the Department, including BasicsCard. The Compliance Panel reviews the monthly compliance results, and will plan and undertake strategies and actions designed to increase compliance rates and improve the effectiveness of the compliance program.
- 4) The Department is analysing compliance reviews that have been undertaken and using this information to educate merchants about the contractual Terms and Conditions and what they have to do to meet their obligations. The number of compliance reviews being undertaken has increased from 325 to 575 during the 2012-13 financial year and, as a result of the ongoing analysis and education, compliance rates have increased to 78 per cent of merchants meeting their obligations year to date.

- 5) The following table shows the number of exemptions granted by month to Income Management customers in 2010-11 and 2011-12:

2010-11					
July	August	September	October	November	December
0	101	102	752	344	296
January	February	March	April	May	June
213	193	278	183	308	267
Total: 3,037					

2011-12					
July	August	September	October	November	December
205	195	145	362	236	240
January	February	March	April	May	June
256	229	253	224	285	237
Total: 2,867					

- i. In order to be granted an exemption from Income Management, a customer must meet a number of criteria which vary depending on whether or not they have dependent children. Customers are required to provide evidence within a specified timeframe to show that they meet the required criteria in order for their exemption application to be assessed.
Once an exemption is granted, the customer is no longer subject to Income Management for the period of the exemption. They will, therefore, receive all entitlements in the usual way with no restrictions being placed on the expenditure of their funds.
- ii. All Income Management exemptions are granted for a period of 12 months. Once the exemption period has expired, the customer may reapply and if successful, the exemption will be granted for another 12 months. There is no limit to the number of times a customer may apply for an exemption; therefore, some customers have been granted multiple 12-month exemptions.
- iii. All exemption decisions are made by the Income Management Exemption and Assessment Team. This is a specialised team located in Darwin.
- iv. To improve the consistency and transparency of the exemption decision making process, a number of system enhancements are being implemented to support Customer Service Officers through the exemption workflow. These enhancements will be supported with training in May 2013 to coincide with the June 2013 ICT release.

Discussion points and links to supporting material will guide the Customer Service Officers through the customer discussion on the exemption service offer. The workflow will prompt the Customer Service Offer to record the outcomes of the exemption discussion.

Currently a sample of all grant and reject exemptions are put through a Quality Assurance process to identify any inconsistencies in regards to exemption decision making.