

Joint Committee of Public Accounts and Audit

Public Hearing – 16 June 2023

ANSWER TO QUESTION ON NOTICE

National Disability Insurance Agency

Topic: Children accessing National Disability Insurance Scheme

Question reference number: IQ23-000009

Question asked by: Aaron Violi

Type of Question: Spoken. Hansard Page: 4

Date set by the Committee for the return of answer: 19 July 2023

Question:

MR VIOLI: To follow up on the children—I'm getting across this for the first time—once those children are in the program, how long are they then in the NDIS system? I think there's an annual review process.

[...]

MR GIFFORD: I think we'd probably need to take on notice the specific average time that children spend in the scheme. Certainly, in our overall participant population the greatest number of participants is amongst children. We are seeing some success in that early intervention, but, as the CEO said, we're probably not seeing the rate of exit that had been anticipated when the scheme was established and in the subsequent forecasts that were made about the scheme.

Answer:

The National Disability Insurance Agency does not have structured data on the average time children spend in the National Disability Insurance Scheme (Scheme). However, over the 12 months to 31 May 2023, the average age at which children aged 0 to 6 entered the Scheme was approximately 3.5 years old. For children most likely to exit the Scheme, this is most likely to occur at age 6 or 7. The rate of people leaving the Scheme was 4.2% for 6 year olds, and 6.9% for 7 year olds over the 12 months to 31 May 2023.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: NDIS Funding model

Question reference number: IQ23-000010

Question asked by: Linda Reynolds

Type of Question: Spoken. Hansard Page: 5

Date set by the Committee for the return of answer: 19 July 2023

Question:

SENATOR REYNOLDS: Can you just explain for the committee a bit further about how the funding model works. I think that's one of the things that most people don't understand. It's not just the baseline four per cent of states and territories, but it's also the interplay with the Medicare levy and how that works. Can you just explain the funding model. Perhaps I could ask you to, on notice, provide the committee with the current figures of how much each state pays every year, how the Medicare levy is factored into that and then what the Commonwealth is left to pay every year. It's a really important point for us to understand how that funding model actually works.

Ms FALKINGHAM: I'm very happy to try and give you some background now, but equally happy to take it on notice. You'd be aware that DSS and Treasury manage those relationships and those funding agreements with the states and territories, but I know an area that would be of interest to the committee is the range of in-kind revenues and expenses that are invited into the scheme. Our anticipation was of those being phased out by this stage in the scheme, and obviously that'll be a big part of the next round of negotiations with the states and territories. The review in particular is looking at the merits of some of the in-kind arrangements and whether it is better to leave them with the states and territories in perpetuity because they're better placed to run those services.

I think there are examples around student transport and other types of areas where it just makes sense for them to be run by different areas. So under the bilateral agreements between the Commonwealth and states and territories, the jurisdictions fund a proportion of the scheme's participant supports through in-kind contributions, and that's different, as you would know, Senator Reynolds, in every bilateral agreement. Some of those examples include personal support in schools, transport subsidies, school bus services and accommodation services. The intention over time is to phase out those in-kind arrangements, as I said, and that process has commenced. However, it's going to take us a number of years to unpack and work our way through that.

I don't want to get too much into negotiations that DSS will lead, because there'll be a strong part of those conversations with the states and territories, not just looking at the contribution of the states and territories but also looking at the risk-sharing arrangements because, when they were negotiated at the time, it was obviously predicated on very, very different modelling and numbers from the Productivity Commission. And so the NDIS Review is looking at the arrangements in relation to everything from the governance to the funding model itself at the moment. Let me take it on notice, and we'll get you a state-by-state breakdown of the duration of the scheme and how those contributions have worked.

Answer:

The Commonwealth and state and territory (state) governments contribute to the National Disability Insurance Scheme (NDIS) as outlined in bilateral NDIS agreements.

In the NDIS full Scheme agreements, currently in place between the Commonwealth and each state (except Western Australia), states make fixed contributions towards NDIS participant supports, currently escalated by 4% per annum, while the Commonwealth is responsible for the balance of Scheme costs. The Commonwealth and Western Australia are expected to enter into a NDIS full Scheme agreement in 2023-24.

The Commonwealth, states and territories (except Western Australia) receive a partial reimbursement of their NDIS contributions from the DisabilityCare Australia Fund (DCAF), funded from a 0.5% increase in the Medicare levy which took effect from 1 July 2014. The *DisabilityCare Australia Fund Act 2013* specifies that the maximum amount that will be paid from DCAF to the states is \$9.7 billion to the end of 2023-24. The Commonwealth has factored this maximum amount into its Budget estimates. More information on the DCAF can be found at www.finance.gov.au/government/australian-government-investment-funds/disabilitycare-australia-fund.

Table 1 below provides a state-by-state breakdown of NDIS contributions for the duration of the scheme. Table 2 provides a breakdown of the DisabilityCare payments by state or territory.

Table 1. Historical Breakdown of NDIS Contributions by state and territory and Australian Government

NDIS Contributions \$ million's	Historical										2023-24 Budget estimates				
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	
Commonwealth Contribution	\$ 60	\$ 150	\$ 267	\$ 443	\$ 1,516	\$ 3,556	\$ 8,290	\$ 12,829	\$ 17,557	\$ 23,555	\$ 27,875	\$ 32,731	\$ 37,261	\$ 40,767	
State and Territory contributions	\$ 71	\$ 299	\$ 457	\$ 1,795	\$ 3,902	\$ 6,904	\$ 9,299	\$ 10,519	\$ 11,021	\$ 11,546	\$ 12,102	\$ 12,584	\$ 13,086	\$ 13,609	
NSW	\$ 22	\$ 114	\$ 170	\$ 1,044	\$ 2,246	\$ 3,180	\$ 3,217	\$ 3,468	\$ 3,605	\$ 3,749	\$ 3,810	\$ 3,962	\$ 4,120	\$ 4,285	
VIC	\$ 38	\$ 105	\$ 119	\$ 287	\$ 731	\$ 1,645	\$ 2,453	\$ 2,688	\$ 2,797	\$ 2,908	\$ 3,091	\$ 3,215	\$ 3,343	\$ 3,476	
QLD	\$ -	\$ -	\$ 1	\$ 120	\$ 395	\$ 1,145	\$ 1,737	\$ 2,095	\$ 2,213	\$ 2,302	\$ 2,428	\$ 2,525	\$ 2,626	\$ 2,731	
WA	\$ -	\$ 18	\$ 63	\$ 71	\$ 105	\$ 221	\$ 609	\$ 933	\$ 1,013	\$ 1,132	\$ 1,309	\$ 1,361	\$ 1,415	\$ 1,471	
SA	\$ 4	\$ 23	\$ 19	\$ 68	\$ 155	\$ 332	\$ 776	\$ 810	\$ 844	\$ 874	\$ 860	\$ 895	\$ 930	\$ 967	
TAS	\$ 7	\$ 19	\$ 18	\$ 50	\$ 106	\$ 185	\$ 246	\$ 254	\$ 264	\$ 275	\$ 275	\$ 286	\$ 297	\$ 309	
ACT	\$ -	\$ 18	\$ 64	\$ 146	\$ 132	\$ 131	\$ 169	\$ 176	\$ 183	\$ 190	\$ 209	\$ 217	\$ 226	\$ 235	
NT	\$ -	\$ 2	\$ 3	\$ 9	\$ 32	\$ 65	\$ 92	\$ 95	\$ 102	\$ 116	\$ 119	\$ 124	\$ 129	\$ 134	
Total	\$ 131	\$ 449	\$ 724	\$ 2,238	\$ 5,418	\$ 10,460	\$ 17,589	\$ 23,348	\$ 28,578	\$ 35,100	\$ 39,977	\$ 45,315	\$ 50,348	\$ 54,376	

- 1) Figures may not total due to rounding (Commonwealth contributions + state and territory contributions = Total)
- 2) Individual state and territory contributions are subject to net neutral reallocation from 2023-24 between states and territories based on 2021 Census data – figures shown anticipate this reallocation. WA figures assume contributions on the same basis as other states and territories in 2023-24.

- 3) The escalation rate for state and territory is subject to review in 2023 as part of the current independent NDIS Review. Forward estimates reflect the current value for escalation of 4%.

Table 2. DisabilityCare Australia Fund payments to states and territories and Australian Government

DCAF payments \$ million	Historical						Estimated	Total
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
Commonwealth payments	\$-	\$-	\$4,000.0	\$4,000.0	\$4,000.0	\$4,000.0	\$4,000.0	\$20,000.0
State and territory payments	\$129.9	\$2,087.8	\$1,550.5	\$1,688.9	\$1,232.7	\$973.6	\$2,015.0	\$9,678.4
NSW	\$-	\$547.0	\$607.0	\$618.0	\$630.0	\$349.8	\$361.9	\$3,113.7
VIC	\$-	\$1,101.6	\$244.0	\$252.5	\$261.4	\$270.5	\$280.0	\$2,410.0
QLD	\$52.8	\$-	\$547.4	\$693.0	\$211.5	\$218.9	\$226.6	\$1,950.2
WA*	\$-	\$-	\$-	\$-	\$-	\$-	\$1,007.5	\$1,007.5
SA	\$33.0	\$295.3	\$72.7	\$75.2	\$77.9	\$80.6	\$83.4	\$718.1
TAS	\$-	\$101.8	\$22.5	\$23.3	\$24.1	\$25.0	\$25.9	\$222.6
ACT	\$42.5	\$-	\$47.2	\$16.8	\$17.4	\$18.0	\$18.7	\$160.6
NT	\$1.6	\$42.2	\$9.7	\$10.0	\$10.4	\$10.8	\$11.1	\$95.8
Total	\$129.9	\$2,087.8	\$5,550.5	\$5,688.9	\$5,232.7	\$4,973.6	\$6,015.0	\$29,678.4

Figures may not total due to rounding

* WA will receive its accumulated DCAF payments once it enters into a NDIS Full Scheme bilateral agreement and the National Partnership on DCAF, provided it meets its obligations under relevant agreements.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: Audit Risk Management and Financial Sustainability

Question reference number: IQ23-000011

Question asked by: Linda Reynolds

Type of Question: Spoken. Hansard Page: 12

Date set by the Committee for the return of answer: 19 July 2023

Question:

SENATOR REYNOLDS: I think maybe this committee will have a look at that. One final question is, for your own risk audit and control processes, how do you then interplay and use the information from the ANAO? I know they have another process underway. How do you factor that into your own processes?

MS FALKINGHAM: We take the advice of the ANAO extremely seriously. As our senior leadership team, we brief our board every single meeting on how we are tracking on ANAO advice, both through audit and risk but also through the full board. We are also very open to being iterative around keeping the ANAO abreast of what is going on. As their representative mentioned, the workaround pace at the moment in relation to Tasmania is a real game changer for us in being able to assist the actuary in the predictability of scheme costs. But we are also very aware it is a big project, and we are keen to make sure that that is tracking alongside what we expect across the numbers as well. We have really thorough processes in place. Our chief risk officer is very heavily involved in every part of the reforms that are underway at the moment to make sure that he is being alerted to any key risks that are happening that might put us off track for any of the reforms.

SENATOR REYNOLDS: Can you take on notice, in the framework that we've discussed, what are the things you are doing now to have that predictability more accurate? What are the measures you are taking to control the high-risk factors that have been identified in the ANAO report? If you could unpack those separately, not just general but more specific actions that have been taken to address those control factors. I have a number of questions but I'll ask them on notice on the user access determination process that was identified in the report. I don't think we have time for that.

CHAIR: Yes, that's fine.

Answer:

The National Disability Insurance Agency (NDIA) has implemented the below measures to increase the predictability of National Disability Insurance Scheme (NDIS) expenses include:

- ongoing technical analysis of the emerging experience on NDIS participants and the average costs of NDIS participant supports
- frequent consultation with relevant areas of the NDIA to better understand the drivers of historical experience, and the extent to which those drivers are likely to impact future experience

- deep dive investigations into specific areas where there is material uncertainty, e.g. the NDIS participant cohorts and drivers which give rise to high levels of plan inflation, including overspending on plan budgets outside of the plan reassessment process
- improvements to internal actuarial modelling capability, for example, developing a refined approach to projecting the numbers of NDIS participants who will use Supported Independent Living supports in the future, which will be implemented as part of the 2022-23 Annual Financial Sustainability Report
- enhancing the approach used to model the NDIS participant plan provision to better allow for seasonality in payment patterns, which should as a result, increase the accuracy of the year end provision at 30 June 2023.

Please refer to IQ23-000017 for the NDIA's measures to the high-risk factors identified in the ANAO report.

Joint Committee of Public Accounts and Audit

Public Hearing – 16 June 2023

ANSWER TO QUESTION ON NOTICE

National Disability Insurance Agency

Topic: Public Governance, Performance and Accountability Act

Question reference number: IQ23-000012

Question asked by: Julian Hill

Type of Question: Spoken. Hansard Page: 13

Date set by the Committee for the return of answer: 19 July 2023

Question:

CHAIR: We touched earlier before, when the NDIA were with us, about the fact that, because you're a corporate Commonwealth entity, the normal frameworks which would otherwise apply by virtue of the PGPA Act and so on don't. Grants and procurement, the committee is dealing with through separate inquiries. I'm quite curious if the audit office had any further reflections and/or the NDIA on other frameworks which are particularly important to the work of the NDIA that the committee should be cognisant of—fraud control, probity and conflict of interest?

[...]

MS FALKINGHAM: Before I throw to Ms Mitchell, on the PGPA Act, I'm not aware of any framework that we are not adhering to within the agency, but we'll do an audit and take it on notice. I know, for example, as we discussed last time, we're always looking for fraud, so let us come back to you.

Answer:

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) establishes a system of governance and accountability that applies to all accountable authorities and officials of Commonwealth entities, including the National Disability Insurance Agency (NDIA).

Additionally, in relation to fraud control there is the Commonwealth Fraud Control Framework 2017:

- The Fraud Rule
- Commonwealth Fraud Control Policy
- Resource Management Guide No. 201

The Fraud Rule is binding on the NDIA as it is Section 10 of the PGPA Act, however the Commonwealth Fraud Control Policy and Resource Management Guide are non-binding but are considered for better practice which the NDIA aligns to.

The NDIA also complies with the Australian Public Service Code of Conduct.

The NDIA is not a Corporate Commonwealth Entity named in Section 30 of the Public Governance, Performance and Accountability Rule 2014, therefore does not have a legislative requirement to comply with the Commonwealth Procurement Rules (CPRs) when conducting procurements. Instead, the NDIA requires officials to comply with most of the CPRs through its own Accountable Authority Instructions (AAIs).

The NDIA Board is the Accountable Authority for the NDIA and is responsible for issuing its AAIs. These AAIs apply to all officials of the NDIA and constitute lawful and reasonable directions which all officials must comply with. The NDIA AAIs are subject to annual review.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: Fraud and Plan Costs

Question reference number: IQ23-000013

Question asked by: Julian Hill

Type of Question: Spoken. Hansard Page: 16

Date set by the Committee for the return of answer: 19 July 2023

Question:

CHAIR: I'll throw my question in on that just for the sake of time. How does [fraud] drive the cost-per-participant increases? Do it increase plan utilisation or the top-ups? If you've got fraud in a plan—that's built there and that's pushed the utilisation up—would that be a driver for those providers and participants to subsequently get a higher plan?

Answer:

Fraudulent or non-compliant National Disability Insurance Scheme (NDIS) payments can lead to higher utilisation of NDIS participant plans. This may result in plan overspend in one or more support categories which results in the NDIS participant approaching the National Disability Insurance Agency (NDIA) for an early plan review, leading to inflation within a NDIS plan.

There is limited data available to identify the drivers of plan overspend, including from fraud and non-compliance, however, the NDIA continues to investigate the underlying drivers contributing to plan overspend.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: Fraud and Compliance

Question reference number: IQ23-000014

Question asked by: Linda Reynolds

Type of Question: Spoken. Hansard Pages: 16-17

Date set by the Committee for the return of answer: 19 July 2023

Question:

SENATOR REYNOLDS: So just on that point, Mr Gifford, so for the current projected rate of increase, what sort of percentage are you looking at? So, I think it was something like 14% increase this financial year in the budget so are you saying fraud is, would you say it is less than 1%, could it have a 2%? How are you currently assessing the impact of fraud on the increase of the budget?

MR GIFFORD: Well, look, we don't explicitly measure it, Senator. And I guess, I think the work we are doing for both the greater detective work and the work around the better technology will allow us to. It's fair to say that I would be better able to answer that question properly in 6 to 12 months.

SENATOR REYNOLDS: So, currently there's some actions underway – about \$15m in the Courts, really important for a whole variety of reasons. So, at the moment, you don't have – either as a control of the costs or in terms of predictability –, you have no way of actually identifying what the influence or not of fraud is in both of those measures? But you're hoping to get that? You're working towards getting that, but you don't currently have that?

MR GIFFORD: I wouldn't say we have no visibility. For example, our June 2022 quarterly report did note the volume of payments that were recovered by cancellation or otherwise. I wouldn't say that we have no visibility, but over the coming months—

CHAIR: We're going to need to finish.

SENATOR REYNOLDS: That's alright. So what were they worth? What was the value of the ones that you have now been able to identify?

MS FALKINGHAM: We'll take it on notice.

Answer:

As at 16 June 2023 there are currently 43 active cases under investigation of which 14 cases are before the courts. The total value of claims paid in these 43 cases is \$381 million, of which \$39 million is the estimated fraud value, and which \$15.5 million is before the courts.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: Audit Report - Key Areas of Financial Risk

Question reference number: IQ23-000015

Question asked by: Julian Hill

Type of Question: Written

Date set by the Committee for the return of answer: 19 July 2023

Question:

“4.13.32 The increase in total assets is driven by a rise of \$970.0 million in other financial assets. Other financial assets represents term deposits with an initial maturity greater than three months. The increase in other financial assets is a result of the surplus achieved in 2021–22.” (page 282)

1. Regarding the “rise of \$970.0 million in other financial assets”, which represent term deposits with an initial maturity greater than three months, what is the rationale behind holding such assets?
2. What benefits do they provide to the NDIS?
3. How were funds achieved through the surplus in 2021-22 allocated?
4. Can you specifically detail what “other” financial assets are?
5. How were these allocations decided upon and why were the funds not used for other purposes, for example investment to enhance quality of services?

Answer:

1. The National Disability Insurance Agency (NDIA), and the National Disability Insurance Scheme (NDIS), are funded by the Commonwealth, states and territories on a quarterly contributions and appropriations basis. These revenues are managed against cash expenditure requirements for the NDIA and NDIS. When revenue exceeds cash expenditure requirements, funds are invested into term deposits with financial institutions (with maturities aligning to the NDIA’s forecast future cash expenditure requirements). These investments earn interest returns for the NDIA.
2. The above investments in term deposits result in additional interest revenue over and above the prevailing bank account interest which would have been earned by the NDIA from holding the amounts with the Reserve Bank of Australia (RBA). These returns can be used to pay for NDIS expenditure.
3. Funds achieved through the financial year 2021-22 surplus are retained by the NDIA and allocated against future years’ expenditure requirements as part of the annual budget process.

4. As disclosed within the NDIA's Annual Financial Statements as at 30 June 2022 (refer to Note 2.1C: Other financial assets), 'Other' financial assets disclose the value of term deposit investments held by the NDIA with a maturity date greater than 3 months from the reporting date of 30 June 2022.

5. Funding allocations for NDIA resources are regularly reviewed to ensure appropriate utilisation of any identified underspends throughout the year. Any surplus at year-end remains with the NDIA to form part of future budget allocations. Budget allocations are managed separately for NDIS and NDIA via distinct programs. This ensures NDIS funding is solely used for the support of its participants, and is separated from the funding used for the administration of the NDIS (i.e NDIA costs).

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: Audit Report - Key Areas of Financial Risk

Question reference number: IQ23-000016

Question asked by: Julian Hill

Type of Question: Written.

Date set by the Committee for the return of answer: 19 July 2023

Question:

- “4.13.33 The increase in total liabilities relates primarily to a rise in participant plan provisions of \$304.8 million and a new, one-off provision of \$475.6 million to be paid to providers for additional costs incurred during the COVID-19 pandemic.” (page 282)
6. How does the NDIA plan to address the increase in participant plan provisions by \$304.8 million?
7. What factors are contributing to the rise in participant plan provisions?
8. Could you provide more information on the “new, one-off provision of \$475.6 million to be paid to providers for additional costs incurred during the COVID-19 pandemic”?
9. What specific costs are covered by this COVID-19 provision, and how will it be distributed among NDIS providers?

Answer:

6. The participant plan provision is expected to grow over time with the growth of the National Disability Insurance Scheme (Scheme). The expected increase in the provision over the 2021-22 period was \$392 million, as per the results of the 2020-21 Annual Financial Sustainability Report. Therefore, the actual increase in provision of \$304.8 million was lower than expected. The Scheme Actuary continues to analyse the emerging experience of payment levels and timing to improve the accuracy of the provision estimate.
7. The rise in the participant plan provision is primarily driven by the overall growth in participant supports provided by the Scheme. Participant expenses on a cash basis grew by 18% between financial years 2020-21 and 2021-22 (from \$23.3 million to \$27.6 million). Between 30 June 2021 and 30 June 2022, the participant plan provision also grew by 18%.
8. This initiative was announced by the Hon. Bill Shorten MP on 22 June 2022 in the statement titled ‘NDIS pricing boosted to support participants’ recognising the costs of keeping participants safe, particularly during the COVID-19 pandemic and significant overhead costs incurred by registered providers of activities of daily living and community participation supports not previously taken into account. The Minister’s announcement can be found at ministers.dss.gov.au/edia-releases/8326

9. The amount received by an individual provider was calculated by reference to their 2021-22 claims for Agency managed and plan managed participants for supports in the Assistance with Daily Living or Community, Social or Economic Participation support categories, excluding any items attributed to COVID or Aged Care Pass through arrangements. To be eligible, providers must be registered and have provided services in the following registration groups:

1. High intensity daily personal activities
2. Assistance daily activities
3. Daily Tasks/Shared Living
4. Participate Community
5. Supported Employment and
6. Group/Centre Activities

Joint Committee of Public Accounts and Audit

Public Hearing – 16 June 2023

ANSWER TO QUESTION ON NOTICE

National Disability Insurance Agency

Topic: Audit Report - Key Areas of Financial Risk

Question reference number: IQ23-000017

Question asked by: Julian Hill

Type of Question: Written.

Date set by the Committee for the return of answer: 19 July 2023

Question:

10. Can the NDIA outline how they are addressing the key areas of risk identified by the ANAO?

11. Please explain in detail the three factors contributing to the higher risk assessment as found by the ANAO?

Answer:

10. The Australian National Audit Office (ANAO) identified 4 key areas of financial statement risk as part of preparations for its audit of financial year (FY) 2022-23 National Disability Insurance Agency (NDIA) Financial Statements. The 4 key areas are detailed below, inclusive of how the NDIA manages the risk:

1. Accuracy and occurrence of National Disability Insurance Scheme (NDIS) participant plan expenses
 - a. Accuracy is managed by the NDIA Scheme Actuary. Current measures to increase the predictability of NDIS expenses include:
 - ongoing technical analysis of the emerging experience on NDIS participants and the average costs of NDIS participant supports
 - frequent consultation with relevant areas of the NDIA to better understand the drivers of historical experience, and the extent to which those drivers are likely to impact future experience
 - deep dive investigations into specific areas where there is material uncertainty, for example, the participant cohorts and drivers which give rise to high levels of plan inflation, including overspending on plan budgets outside of the plan reassessment process
 - improvements to internal actuarial modelling capability, for example, developing a refined approach to projecting the numbers of participants who will use Supported Independent Living supports in the future, which will be implemented as part of FY 2022-23 AFSR

- enhancing the approach used to model the NDIS participant plan provision to better allow for seasonality in payment patterns, and which should as a result increase the accuracy of the year end provision at 30 June 2023.

- Occurrence is addressed as part of the FY 2023-24 Budget measures will target the risk of 'Accuracy and occurrence of participant plan expenses'. This will be done by improving the consistency and equity of decision-making for access and planning decisions for NDIS participants, supporting participants to manage their plans within budget, better tailoring of plans to the needs of individuals over their lifetime and increasing the NDIA's ability to detect and prevent fraud and non-compliance. In these ways the Budget measures will reduce participant plan expenses without reducing the value of supports provided, and will also reduce the uncertainty around the level of spending on participant supports.

- b. Monitoring of the accuracy of claims paid is performed by the Chief Financial Officer Division based on a sample of claims paid each month, selected randomly by the Scheme Actuary. For each selected claim, documentary evidence is sought from the claimant to support the validity and accuracy of the claim. Where documentary evidence does not support the claim, it is recorded as an error (and further investigated for compliance purposes accordingly). Approximately 200 claims are sampled each month, for a total annual sample size of more than 2,000. This sampling method provides a 95% statistical confidence level the reported error rate is within an expected range of approx. 3-5.5% (given historical and current year-to-date trends).
2. Valuation of NDIS participant plan provisions is managed by Scheme Actuary. There is significant judgement in estimating the proportion of payments which have already been paid at the balance date, and therefore the proportion of payments which are still outstanding, in respect of supports which have already been provided. These outstanding amounts are the basis of the participant plan provision. This proportion of outstanding payments varies over time due to claiming and billing cycles of providers as well as seasonal differences, and is more difficult to predict where the overall level of payments is growing. Historical trends in payments are analysed but judgement must be applied in forming assumptions about future payment patterns.
 3. Completeness, occurrence and accuracy of contributions of in-kind services from state and territory governments is managed within the Scheme Actuary. As part of quarterly invoicing the state and territory governments are provided with the supporting in-kind data and associated value for approval in advance of the respective invoice being rendered.
 4. Implementation of the new Customer Relationship Management system (PACE) associated with participant and provider payments is overseen by a Steering Committee and regular Board Reporting. This includes status reporting against key milestones and risk management.
11. The NDIA cannot comment on what informed ANAO's risk assessment.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: Audit Report - Key Areas of Financial Risk

Question reference number: IQ23-000018

Question asked by: Julian Hill

Type of Question: Written.

Date set by the Committee for the return of answer: 19 July 2023

Question:

12. Considering the higher risk rating in estimating participant plan expenses, what measures can the NDIA and the Board take to moderate and control these factors?
13. “Decisions as to the appropriate level of support and therefore associated expenses are complex as the Scheme participants have varying needs”: Would the NDIA say these decisions would be less complex if done through a standardised assessment framework?
14. What are the “significant judgements and assumptions” that need to be made?

Answer:

12. Current measures to increase the predictability of Scheme expenses include:

- ongoing technical analysis of the emerging experience of Scheme participants and the average costs of participant supports
- frequent consultation with relevant areas of the Agency to better understand the drivers of historical experience, and the extent to which those drivers are likely to impact future experience
- deep dive investigations into specific areas where there is material uncertainty, e.g. the participant cohorts and drivers which give rise to high levels of plan inflation, including overspending on plan budgets outside of the plan reassessment process
- improvements to internal actuarial modelling capability, e.g. developing a refined approach to projecting the numbers of participants who will use Supported Independent Living supports in the future, which will be implemented as part of the 2022-23 AFSR
- enhancing the approach used to model the participant plan provision to better allow for seasonality in payment patterns, which should increase the accuracy of the year end provision at 30 June 2023.

In addition to this the Budget measures will help to address the predictability and level of participant plan expenses.

13. A standardised assessment framework has the potential to lead to less complex decisions and would allow for a more consistent, predictable approach to decision making due to less judgement required by NDIA staff making decisions about access and planning for participants.

14. We assume this question relates to the key area of risk: 'Valuation of participants' plan provision', for which the factors contributing to the risk assessment are stated as "significant judgements and assumptions about the timing and amount of cashflows need to be made due to the complexity of estimating the pattern of support claimed by participants or providers".

There is significant judgement in estimating the proportion of payments which have already been paid at the balance date, and therefore the proportion of payments which are still outstanding, in respect of supports which have already been provided. These outstanding amounts are the basis of the participant plan provision. This proportion of outstanding payments varies over time due to claiming and billing cycles of providers as well as seasonal differences and is more difficult to predict where the overall level of payments is growing. Historical trends in payments are analysed but judgement must be applied in forming assumptions about future payment patterns.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: Audit Report - Key Areas of Financial Risk

Question reference number: IQ23-000019

Question asked by: Julian Hill

Type of Question: Written

Date set by the Committee for the return of answer: 19 July 2023

Question:

15. How does the NDIA ensure transparency in estimating the timing and amount of cashflows?

16. What would occur if there were inaccuracies in the valuation process?

Answer:

15. The National Disability Insurance Agency (NDIA) prepares annual financial statements which are audited by the Australian National Audit Office. These statements include a description of the actual cash flow for the NDIA and National Disability Insurance Scheme (NDIS) for the current and prior financial year, and are published in the NDIA Annual Report on the NDIS website at www.ndis.gov.au/about-us/publications/annual-report

Additionally, the Social Services Portfolio Budget Statements disclose consolidated forecast cash flow both for the current budget year and over the forward estimates years. These documents are published on the Australian Government Transparency Portal at www.transparency.gov.au/publications

16. The NDIA monitors forecast cash flow assumptions for accuracy and any required changes monthly which are reported (if material) to the Department of Finance and updated regularly in accordance with the federal budget cycle.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: Audit Report - Key Areas of Financial Risk

Question reference number: IQ23-000020

Question asked by: Julian Hill

Type of Question: Written

Date set by the Committee for the return of answer: 19 July 2023

Question:

17. What is the current funding formula for NDIS participant costs?

Answer:

National Disability Insurance Scheme (NDIS) plan budgets are set in accordance with the *National Disability Insurance Scheme Act 2013* (NDIS Act) and NDIS Rules.

A Typical Support Package (TSP) is a baseline amount of funding based on a participant's disability, individual support needs and characteristics. However, during the planning conversation with the NDIS participant, further information is gathered to create a personalised NDIS plan which meets the participant's individual circumstances and goals. Reasonable and necessary decision making is applied during this process to ensure the funded supports are reflective of the NDIS participant's support needs and their individual circumstances.

While informing the National Disability Insurance Agency delegate of the services available to the NDIS participant, a TSP does not form the basis of a NDIS delegate's decision. The NDIA delegate applies reasonable and necessary decision making to determine the appropriate level of funded supports to be included in the NDIS participant's plan.

Joint Committee of Public Accounts and Audit

Public Hearing – 16 June 2023

ANSWER TO QUESTION ON NOTICE

National Disability Insurance Agency

Topic: Audit Report - Key Areas of Financial Risk

Question reference number: IQ23-000021

Question asked by: Julian Hill

Type of Question: Written.

Date set by the Committee for the return of answer: 19 July 2023

Question:

18. What is the current status of the bilateral agreements between the NDIS and the state/territory governments?
19. Are there any ongoing negotiations or updates regarding these agreements?
20. What mechanisms are in place to evaluate and assess the effectiveness of the state/territory bilateral agreements?
21. Are there any performance indicators or benchmarks that are used to monitor the progress and success of these agreements?
22. Are they outcomes based?

Answer:

The Commonwealth has entered into NDIS full Scheme agreements with all states and territories except Western Australia. The Commonwealth is currently in discussion with Western Australia and are expected to enter into a NDIS full Scheme agreement in 2023-24.

Full Scheme agreements establish enduring arrangements for the NDIS. NDIS performance monitoring is in place through the NDIS Annual and Quarterly Reports to the Disability Reform Ministerial Council which are published on the NDIA's website at www.ndis.gov.au/about-us/publications/quarterly-reports.

Joint Committee of Public Accounts and Audit

Public Hearing – 16 June 2023

ANSWER TO QUESTION ON NOTICE

National Disability Insurance Agency

Topic: Audit Report - Key Areas of Financial Risk

Question reference number: IQ23-000022

Question asked by: Julian Hill

Type of Question: Written.

Date set by the Committee for the return of answer: 19 July 2023

Question:

23. Can you provide an overview of the key responsibilities and obligations outlined in the bilateral agreements between the NDIS and state/territory governments, including Tier 2 services?

24. Are there any variations or differences in the bilateral agreements between different states/territories?

25. How does the NDIS ensure consistency and fairness in the provisions and support available to participants across different jurisdictions?

26. How do the state/territory bilateral agreements address the funding and financial arrangements for the NDIS?

27. What provisions are in place to ensure the sustainability and long-term viability of the Scheme in each jurisdiction?

Answer:

Each NDIS full-Scheme agreement outlines consistent roles and responsibilities of the Commonwealth and each state and territory in relation to governance, policy, market development and oversight and funding arrangements for the NDIS.

Schedule A of each bilateral NDIS full-Scheme agreement outlines the NDIS funding responsibilities of both the Commonwealth and the state/territory party to the agreement. Schedule B includes time-limited financial arrangements, including the provision of in-kind supports unique to the state/territory. Agreements are publicly available on www.ndis.gov.au/about-us/governance/intergovernmental-agreements

The agreements also outline the responsibility for disability services for those who are not eligible for the NDIS (Tier 2), and how the NDIS interacts with state and territory service systems through the *Principles to Determine the Responsibilities of the NDIS and other Service Systems - Applied Principles and Tables of Support (APTOS)*. In addition to the APTOS, the NDIS Legislation and Rules, and NDIS Operational Guidelines ensure consistency for NDIS participants nationally. The APTOS is available at www.dss.gov.au/sites/default/files/documents/09_2021/ndis-principles-determine-responsibilities-ndis-and-other-service-1.pdf

The Disability Reform Ministerial Council has oversight of the NDIS and receives Quarterly and Annual reports on its operation. Ministers may request additional reports on operations at the jurisdictional level.

Each full-Scheme agreement includes provisions for reviews of NDIS costs in 2023 and 2028. Commencement of the 2023 review was brought forward through the establishment of the independent Review of the NDIS, which commenced on 18 October 2022.

National Cabinet committed to an NDIS Financial Sustainability Framework on 28 April 2023, which provides an annual growth target in the total costs of the Scheme of 8% for 2026-27, with further moderation of growth as the Scheme matures.

Joint Committee of Public Accounts and Audit

Public Hearing – 16 June 2023

ANSWER TO QUESTION ON NOTICE

National Disability Insurance Agency

Topic: Financial Sustainability

Question reference number: IQ23-000023

Question asked by: Julian Hill

Type of Question: Written

Date set by the Committee for the return of answer: 19 July 2023

Question:

28. Can the NDIA provide any actuarial advice or figures showing that the Government’s “annual growth target of 8 per cent by 1 July 2026” can be achieved?

29. Has the NDIA undertaking modelling to realise the 8% figure is achievable? How much needs to be shaved off the Budget forward estimates figures?

30. How does the absence of cost control mechanisms comparable to those in other demand-driven government schemes, such as Medicare and the PBS, impact the NDIS in accurately managing its expenditure?

Answer:

28. The National Disability Insurance Agency (NDIA) does not have any actuarial advice to show how the 8% target can be achieved. Over and above the financial year 2023-24 Budget measures, further National Disability Insurance Scheme changes and initiatives to achieve the 8% target from 1 July 2026 are yet to be developed.

29. The NDIA has not modelled any specific scenarios targeting 8% from 1 July 2026. The additional savings required beyond the budget measure in 2026 is \$632 million (a reduction in growth of 1.2%).

30. As an uncapped, demand driven Scheme, the NDIS relies on the quality and consistency of decision making by NDIA staff and delegates around access and planning decisions to ensure eligibility decisions are appropriate, and supports provided are reasonable and necessary. In the absence of fee schedules, co-payments and limits/caps, there are fewer objective measures to control cost increases over time.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: User Access Terminations

Question reference number: IQ23-000024

Question asked by: Julian Hill

Type of Question: Written.

Date set by the Committee for the return of answer: 19 July 2023

Question:

“4.13.37 During 2020–21, the ANAO’s interim testing of user access found weaknesses in user access terminations processes. User accounts should be removed upon termination date as they no longer have a legitimate requirement to access the NDIA’s network.” (page 283)

31. What are the risks associated with delayed or unauthorised user access terminations?

32. How is the NDIA taking action to rectify the weaknesses of user access termination processes identified by the ANAO?

33. Has the NDIA identified any instances of unauthorised access or data breaches that have directly resulted from delays in user access terminations?

34. How does the NDIA communicate their user access processes to staff?

35. Are there training programs in place for staff to ensure they are aware of their responsibilities?

Answer:

31. The risks associated with delayed user access terminations are loss, misuse, unauthorised release or compromise of data/information and reputational damage to the National Disability Insurance Agency (NDIA).

32. The NDIA has implemented a range of improvements to the Agency’s offboarding processes to support the timely actioning of user access terminations. These include:

- an updated offboarding process with guides available on the intranet. Once a manager is made aware of a person’s intent to cease work with the Agency, an offboarding request is made on the People and Culture service desk. This generates automatic workflows to Services Australia, Information Communications and Technology, Finance and Security to complete offboarding
- a weekly offboarding compliance process whereby Workforce Planning review all offboarding requests and identify those where the request to offboard has been submitted after the cessation date of the staff member. Workforce Planning investigate the circumstances and engage the responsible SES for further information if this is required.

- Formal reporting on offboarding compliance is provided to the senior leadership group. Non-compliance explanations for Agency staff are recorded in the Agency Workforce Summary of the offboarding report.
- Staff system login data is compared to staff separation data on a monthly basis to identify whether staff have accessed systems after their separation dates. Any potential unauthorised system access is referred to the cyber security team for investigation.

33. The NDIA has identified instances of delayed user access. These incidents were investigated and no malicious behaviour or data breaches were identified. Events that appeared to be unauthorised access have been investigated and to date all outcomes of investigations are deemed to be low risk.

34. NDIA staff members' roles and responsibilities relating to privacy and information handling, security awareness, risk, assurance and fraud is covered initially through a mandatory induction program and follow up refresher modules. There are a variety of user access processes across the range of systems used by the Agency that are accessible through the intranet, including Human Resources, Finance, Customer Relationship Management and Information Communication and Technology systems. These systems are supported by dedicated teams and service desks that provide user access support.

35. The NDIA has a range of mandatory learning modules, including mandatory refreshers on a 12 or 24 month cycle, to ensure staff are aware of their user access responsibilities.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: User Access Terminations

Question reference number: IQ23-000025

Question asked by: Julian Hill

Type of Question: Written

Date set by the Committee for the return of answer: 19 July 2023

Question:

“4.13.38 The NDIA, with assistance from Services Australia, has implemented a monitoring process to address the issue. Services Australia provides system support to the NDIA and facilitates access management. The ANAO will test the design and implementation of the new processes during the 2022–23 financial statements audit.” (page 283)

36. Can you provide more information about the monitoring process that has been implemented by the NDIA to address this issue?

37. Is the NDIA seeing improvements from the monitoring process in the overall security of the NDIA network?

38. Is the NDIA seeing improvements from the monitoring process in the timeliness of user access terminations?

Answer:

36. The National Disability Insurance Agency (NDIA) has implemented a 2 part monitoring process to support offboarding staff and terminating user access. The first part monitors the timeliness of offboarding staff with a weekly report being produced to analyse the cessation date of staff who have left the NDIA compared to the date the offboarding request was lodged. An offboarding request is lodged no later than the staff members last day with the NDIA, in order to be compliant with the offboarding process. If an offboarding request is lodged after the staff member has left the NDIA, it is non-compliant and identified within this report. Explanations for the late notification and/or escalation to the relevant NDIA Senior Executive Staff member is part of the process used to improve compliance and adherence to the correct process.

The second part of the monitoring process is a comparison report of cessation date of NDIA staff and the last date and time the staff member logged into NDIA systems. In circumstances where login dates occur after the cessation date, the Cyber Security team is asked to investigate further. Outcomes are formally recorded in a centralised register.

37. Yes. NDIA offboarding compliance has increased from 84% in Financial Year (FY) 2021-22 to 88% in FY 2022-23. Outsourced Partner in the Community (Partners) offboarding compliance has improved from 81% in FY 2021-22 to 95% in FY 2022-23. This improvement supports the overall security of the NDIA network.

38. Yes. The process and controls are properly embedded across the NDIA and non-compliance is investigated and managed appropriately. The controls are helping to build compliance and adherence to the process expected of NDIA staff and Partners.

Joint Committee of Public Accounts and Audit
Public Hearing – 16 June 2023
ANSWER TO QUESTION ON NOTICE
National Disability Insurance Agency

Topic: NDIS Expenditure

Question reference number: IQ23-000026

Question asked by: Julian Hill

Type of Question: Written.

Date set by the Committee for the return of answer: 19 July 2023

Question:

“MS FALKINGHAM, We have been given really clear direction from government now in relation to the eight per cent target, and we think the range of measures in the budget are the right package of measures to be able to get us on that right trajectory.”

39. Can the NDIA further explain the “clear direction” that government has provided to you in relation to the eight per cent target?

40. What specific budget measures will realise the eight per cent target?

41. Which of the three areas of risk will the budget measures target and how?

42. Is the NDIA confident they will see eight per cent annual growth by 1 July 2026?

Answer:

39. The government has indicated that it is necessary for the National Disability Insurance Agency (NDIA) to continue working towards operational initiatives as well as structural reform of the National Disability Insurance Scheme (NDIS) in order to achieve the 8% target from 1 July 2026. The implementation of the 2023-24 Budget measures will move the NDIS towards the medium-term trajectory of 8% annual growth (compared with the projected cost of the NDIS without the Budget measures). The NDIS Review is also due to provide recommendations in October 2023 regarding further NDIS reforms which will likely contribute to improved controls of the growth in Scheme costs in the medium term.

40. The 2023-24 Budget measures are estimated to achieve savings of \$15.3 billion over the forward estimates compared with the Scheme Actuary's projections before application of the measures. The 8% growth target is separate to the Budget measures and further Scheme changes or initiatives to achieve the target from 1 July 2026 are yet to be developed.

41. The 2023-24 Budget measures will target the risk of 'Accuracy and occurrence of participant plan expenses'. This will be done by improving the consistency and equity of decision-making for access and planning decisions for NDIS participants, supporting participants to manage their plans within budget, better tailoring of plans to the needs of individuals over their lifetime and increasing the Agency's ability to detect and prevent fraud and non-compliance. In these ways the Budget measures will reduce participant plan expenses without reducing the value of supports provided and will also reduce the uncertainty around the level of spending on participant supports.

42. The 2023-24 Budget measures will move the Scheme towards the medium-term target of 8% growth. The recommendations of the NDIS Review due in October 2023 are also expected to have a focus on Scheme sustainability and improved controls in relation to long-term growth in Scheme costs. The combination of the Budget measures, the upcoming findings of the NDIS Review and the ongoing focus on improving the effectiveness of the Agency's operations, provide a level of confidence that the 8% target can be achieved.

Joint Committee of Public Accounts and Audit

Public Hearing – 16 June 2023

ANSWER TO QUESTION ON NOTICE

National Disability Insurance Agency

Topic: National Disability Insurance Agency Identified Risks

Question reference number: IQ23-000027

Question asked by: Julian Hill

Type of Question: Written.

Date set by the Committee for the return of answer: 19 July 2023

Question:

“MS FALKINGHAM: ... Our chief risk officer is very heavily involved in every part of the reforms that are underway at the moment to make sure that he is being alerted to any key risks that are happening that might put us off track for any of the reforms.”

43. What risks has the chief risk officer identified in these reforms?

Answer:

The Chief Risk Officer has identified a number of risks in the National Disability Insurance Agency’s (NDIA’s) reforms which are currently underway, including data management and quality, change management and transition arrangements. The identified risks are being managed in alignment with the NDIA’s comprehensive Risk Management Framework and Risk Management Strategy.

In addition, the NDIA’s design and build teams have a dedicated risk register which is actively managed to ensure risks are controlled.

Joint Committee of Public Accounts and Audit

Public Hearing – 16 June 2023

ANSWER TO QUESTION ON NOTICE

National Disability Insurance Agency

Topic: Fraud and Compliance

Question reference number: IQ23-000028

Question asked by: Julian Hill

Type of Question: Written.

Date set by the Committee for the return of answer: 19 July 2023

Question:

44. Can the NDIA please clarify how the NDIA measures fraud?

Answer:

The National Disability Insurance Agency (NDIA) has in place a comprehensive Fraud and Corruption Strategy and Control Plan, which is aligned to the Agency's Risk Management Framework.

The NDIA takes all reasonable measures to control fraud and manage public resources, including mobilising NDIA staff to respond to suspected fraud and embedding integrity in the NDIA's activities, to ensure National Disability Insurance Scheme (NDIS) participants are protected and continue to have choice and control when accessing the supports they need through their NDIS Plan.

The NDIA uses a range of strategies to identify, investigate and act on fraud:

- use information and data to detect and respond to people who are doing the wrong thing with NDIS funds
- continue to improve processes to reduce opportunities for people to do the wrong thing
- work with the Australian Federal Police, Law Enforcement bodies, and other Commonwealth and state government agencies to identify, warn, and prosecute offenders
- work closely with other regulatory bodies including the NDIS Quality and Safeguards Commission and the Australian Competition and Consumer Commission
- participate as co-lead of the Fraud Fusion Taskforce, aimed at combating serious and organisation crime impacting Government programs, and
- rely on tipoffs to help identify people who may be doing the wrong thing with NDIS funds.

The NDIA regularly checks the strength of the NDIA's fraud and corruption control through:

- conducting fraud risk assessments; and
- updating the NDIA's Fraud and Corruption Control Plan.

The NDIA's Fraud and Corruption Control Plan outlines how the NDIA is meeting its responsibilities under the:

- *Public Governance, Performance and Accountability Act 2013*; and
- Commonwealth Fraud Control Framework 2017.