Auditor-General for Australia

Australian National Audit Office

9 May 2024

Mr Josh Burns MP
Chair
Parliamentary Joint Committee on Human Rights
Parliament House
CANBERRA ACT 2600

By email: human.rights@aph.gov.au

Dear Mr Burns

ANAO Submission for the Inquiry into compulsory income management

The Australian National Audit Office (ANAO) published the following performance audit reports that you may find relevant to the Parliamentary Joint Committee on Human Rights' Inquiry into compulsory income management:

- Auditor-General Report No. 19 2012–13 *Administration of New Income Management in the Northern Territory*;
- Auditor-General Report No. 1 2018–19 *The Implementation and Performance of the Cashless Debit Card Trial*; and
- Auditor-General Report No. 29 2021–22 *Implementation and Performance of the Cashless Debit Card Trial*.

I also expect to present performance audit reports to the Parliament on *Transitional arrangements for the Cashless Debit Card* and *Remote Employment Programs* in June 2024.

Information about what the tabled audits assessed, concluded and recommended is attached. The audit reports are available online at www.anao.gov.au.

Should the Committee require further information in relation to these matters, my office would be pleased to provide you with 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 area at external.relations@anao.gov.au.

Yours sincerely

Rona Mellor PSM
Acting Auditor-General

Auditor-General Report No. 19 (2012–13) *Administration of New Income Management in the Northern Territory*

Introduction

1. Income Management is a welfare reform measure that involves quarantining a portion of a person's welfare payments and subsequently allocating the quarantined funds towards priority needs such as food, clothing, housing and utilities. Income managed funds cannot be used to purchase excluded goods and services including alcoholic beverages, tobacco products, pornographic material and gambling services.

2. The *Social Security (Administration) Act 1999* (the Act) provides the legislative basis for all forms of Income Management and sets out the objectives of the scheme, which are centred on bringing about changes in individual and community behaviours. Among other things, the Act also defines priority needs and excluded goods and services.

Evolution of Income Management

3. In 2007, the Board of Inquiry into the Protection of Aboriginal Children from Sexual Abuse released its report—*Little Children are Sacred*. In response to the report, the Australian Government (the Government) introduced a range of measures collectively known as the Northern Territory Emergency Response (NTER). One of these measures was the introduction of compulsory Income Management in 73 prescribed communities across the Northern Territory. At that time, Income Management was described as having two primary aims:

a) to stem the flow of cash that is expended on substance abuse and gambling; and

b) to ensure funds that are provided for the welfare of children are actually expended in this way.[1]

In 2010, following a review and redesign of some NTER measures, Income Management was extended from the 73 prescribed communities to all welfare recipients in the Northern Territory who met new eligibility criteria— known as 'New Income Management'. Income Management is now described as 'a key tool in supporting disengaged youth, long-term welfare payment recipients and people assessed as vulnerable, and is aimed at encouraging engagement, participation and responsibility'[2].

[1]. Explanatory Memorandum, Social Security and Other Legislation Amendment (Welfare Payment Reform) Bill 2007, p. 5.

[2] Department of Families, Housing, Community Services and Indigenous Affairs, 'Objectives of Income Management', in FaHCSIA, *Guide to Social Security Law* [Internet], FaHCSIA, 2012, available from <http://guidesacts.fahcsia.gov.au/guides_acts/ssg/ssguide-11/ssguide-11.1/ssguide-11.1.1/ssguide- 11.1.1.30.html> [accessed 25 October 2012].

4. Income Management is also being trialled in Cape York (since July 2008) and selected communities in Western Australia (since November 2008). Income Management is increasingly becoming an important component of the Government's broader welfare reform agenda and, from 1 July 2012, the scheme was expanded to a further five trial sites in disadvantaged locations across Australia.[3]

5. There are two departments primarily involved in the delivery of Income Management. The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) is responsible for providing policy advice and reporting on the performance of all Income Management measures. The Department of Human Services (DHS)[4] is responsible for the day-to-day service delivery of Income Management, within the policy parameters established by FaHCSIA.

New Income Management

6. There were 17 553 people on New Income Management in the Northern Territory at 30 June 2012. The Government has provided $410.5 million over six years (2009–10 to 2014–15) for the implementation and administration of New Income Management, including complementary services (such as financial counselling), and associated programs (such as the School Nutrition program).

Under NTER Income Management, all people on income support payments who were living within the prescribed communities were subject to the scheme. In contrast, New Income Management introduced more targeted eligibility criteria whereby income support recipients can be subject to one of three compulsory measures, namely: Child Protection; Vulnerable; or Disengaged Youth/Long-term Welfare Payment Recipient. Further, those people not subject to compulsory Income Management can choose to participate in the scheme through a fourth, Voluntary measure. Table S1 shows the number of customers on each measure at 30 June 2012.

Table S1: Northern Territory Income Management customer numbers by measure at 30 June 2012

Measure	Number of customers	% of customers
Child Protection	51	0.3
Vulnerable	139	0.8
Disengaged Youth/Long-term Welfare Payment Recipient	13 311	75.8

[3] The sites are: Bankstown, New South Wales; Logan, Queensland; Rockhampton, Queensland; Playford, South Australia; and Greater Shepparton, Victoria.

[4] In July 2011, the *Human Services Legislation Amendment Act 2011* integrated the services of Medicare Australia and Centrelink into DHS. DHS delivers Centrelink services and payments to customers. Throughout this report, DHS is used instead of Centrelink.

Voluntary	4 052	23.1
Total	**17 553**	**100**

Source: ANAO analysis of DHS data.

7. In addition to the new eligibility criteria there are other key differences between NTER and New Income Management including:

- the opportunity for customers on the Disengaged Youth/Long-term Welfare Payment Recipient measure to be granted an exemption where they meet specific criteria; and
- the introduction of two incentive payments. The Voluntary Incentive Payment is a $250 payment to individuals for every 26 continuous weeks they remain on Voluntary Income Management. The Matched Savings Payment is a one-off payment to encourage individuals to develop a savings pattern with their discretionary funds. Eligible individuals can receive $1 for every $1 they save, up to a maximum of $500.

8. Under Income Management, between 50 to 70 per cent of a customer's fortnightly welfare payments, and all advance or lump sum payments, are set aside in an Income Management account to be spent on the priority needs of the customer and their family. In consultation with DHS, income managed customers notionally allocate their income managed funds to priority needs. The unmanaged portion of a customer's welfare payment is discretionary and the customer can spend these funds on any goods or services (including excluded goods and services). Income managed funds can be spent using one of three mechanisms:

- the BasicsCard—a magnetic strip, PIN protected card that enables customers to make purchases using the EFTPOS network;
- DHS making regular or one-off direct deduction payments, on behalf of the customer, into the bank account of an organisation or individual (for example, a payment to a community store); or
- DHS making regular or one-off payments, on behalf of the customer, via manual processes such as a cheque or credit card, to an organisation or individual (for example, a payment for travel to an airline company).

9. Stores and service providers that receive income managed funds in payment for goods or services are known as third party organisations. DHS has contractual agreements with some thirdparty organisations. These agreements facilitate BasicsCard and direct deduction payments; support the objectives of Income Management (such as preventing the sale of excluded goods and services); and provide for the department to conduct compliance activities. DHS is also able to make manual payments to organisations not subject to contractual agreements.

10. The Government has commissioned a consortium of experts to conduct a strategic longitudinal evaluation of the implementation and effectiveness of New Income Management in the Northern Territory. The evaluation process includes a

baseline study, which reflects the circumstances of individuals soon after the implementation of New Income Management, and a series of four annual reports, culminating in a final evaluation report due in December 2014.

Audit objective, criteria and scope

11. The audit objective was to assess the effectiveness of FaHCSIA and DHS' administration of New Income Management in the Northern Territory. The departments' performance was assessed against the following criteria:

- New Income Management was effectively planned and implemented;
- DHS has developed effective processes for servicing customers and managing third party organisations;
- DHS has established effective performance monitoring and reporting arrangements, which are used to improve service delivery; and
- FaHCSIA effectively monitors, evaluates and reports on the performance of Income Management.

12. Income Management has been an area of ongoing interest to Parliament and the community, and there has been both support and criticism of the policy across a broad spectrum of stakeholders. During the audit a range of stakeholders were interviewed. While the ANAO's mandate does not extend to commenting on the merits of government policy, stakeholders' views on the administration of the scheme were taken into account, where appropriate.

13. The audit scope did not include an examination of individual cases and decisions such as:

- the assessment of applications for exemptions from Income Management[5]; or
- decisions to apply Income Management based on Northern Territory Government referrals (under the child protection measure) or social worker assessments of vulnerable welfare recipients.

Overall conclusion

14. Since first being introduced in 2007 as part of the NTER measures, Income Management has evolved into a broader welfare policy. In this respect, from August 2010, Income Management was extended from the 73 prescribed communities under the NTER to all welfare recipients in the Northern Territory who met new eligibility criteria—known as 'New Income Management'.

15. FaHCSIA and DHS (the departments) effectively managed the transition from

[5] In June 2012, the Commonwealth Ombudsman released an own motion review that examined aspects of Income Management, including exemptions. Commonwealth Ombudsman, *Review of Centrelink Income Management Decisions in the Northern Territory: Financial Vulnerability Exemption and Vulnerable Welfare Payment Recipient Decisions*, Commonwealth Ombudsman, Canberra, June 2012.

NTER Income Management to New Income Management. Consistent with one of the critical success factors set by the Government, by 31 December 2010 DHS had transitioned or exited the majority of NTER customers and commenced additional customers who became eligible under the new criteria.

The service delivery approach required for New Income Management is resource-intensive, differs from the day-to-day processes used for the majority of services provided by DHS, and consequently is a relatively higher cost service. For a customer living in a remote area, the departments estimate that the cost of providing Income Management services is in the order of $6600 to $7900 per annum. The delivery approach adopted by DHS provides for the identification of eligible customers, the establishment of priority needs in consultation with the customer, and the payment of income managed funds to third party organisations. Consistent with the objectives of Income Management, this approach supports the primary aim of ensuring that a portion of income support and family assistance payments cannot be spent on excluded goods and services; this money is available to be spent on priority needs, including food and housing[6].6

16. Due to the practical operation of Income Management, however, the departments are limited in their ability to determine if the notional allocations towards priority needs translate to actual spending on these goods and services. For example, a customer who has notionally allocated $70 for food on their BasicsCard can use these funds to purchase any non-excluded goods or services at any store accepting the BasicsCard. In this situation, departments can only routinely track the amounts spent via the BasicsCard, rather than the actual goods and services purchased.

17. New Income Management has moved from the implementation phase and is now provided to over 17 500 people in the Northern Territory. Funding for New Income Management has been provided until June 2014 and this period offers an opportunity for DHS to address a number of administrative aspects, such as the compliance program and quality assurance framework, that would improve the overall operation of the scheme. It is also timely for the departments to determine whether specific features of New Income Management, such as exemptions and the incentive payments, are working as intended.

18. DHS conducts a compliance program for third party organisations subject to contractual arrangements. The 2011–12 results showed that compliance rates were lower than the department's desired level of 90 per cent, with 34 per cent of BasicsCard merchants reviewed (110 from 323 reviews) being found non-compliant. DHS has implemented a revised compliance program in 2012–13 to address identified process weaknesses. The revised program also presents an opportunity to better understand the reasons for non-compliance and subsequently develop mitigation strategies.

19. DHS relies on a number of IT workflows and automated functionality as a

[6] Department of Families, Housing, Community Services and Indigenous Affairs, 'Objectives of Income Management', in FaHCSIA, *Guide to Social Security Law,* op. cit.

basis for its quality controls. DHS has also implemented a number of additional quality controls for specific parts of the process as issues have arisen, such as quality checks for parts of the exemption decision-making process. However, there is no overarching framework that outlines the approach to quality assurance and how the different aspects collectively address the risks. Given the different service approach that has been adopted for Income Management, and the risks associated with activities such as making manual payments on behalf of customers, there would be value in DHS assessing the merits of developing an overarching quality assurance framework to support the delivery of Income Management services.

20. The capacity for some customers to gain an exemption from Income Management is a key difference between New Income Management and the previous scheme. During 2011–12, a Commonwealth Ombudsman's review and subsequent DHS internal taskforce identified a number of significant issues with the assessment of exemption applications, particularly concerning consistency and transparency in the decision-making process[7].[7] DHS has since introduced a number of changes to its processes and it will be important that the department continues to monitor these changes to ensure they are addressing the issues that were identified.

21. In addition to exemptions, New Income Management has seen the introduction of the Voluntary Incentive Payment and Matched Savings Payment, with mixed success. As at 30 June 2012, 13 736 Voluntary Incentive Payments had been paid to 6006 customers, for a total of $3.4 million. By its nature, the payment is designed to encourage customers to begin and stay on the Voluntary Income Management measure. However, combined with the other operational attributes of Income Management (such as facilitating bill payments), there is a risk that the payment is also a barrier to some people moving off the scheme and becoming more self-sufficient in managing their financial affairs.
Take-up of the Matched Savings Payment has been significantly lower than expected, with only 18 people having received the payment at 30 June 2012. This suggests that the payment is not having the intended impact on savings behaviour. There would be value in FaHCSIA and DHS reviewing the design and impact of the payments to determine how they are contributing to the objectives of Income Management, and if necessary, provide advice to the Government on options to adjust the arrangements.

22. In stating the objectives of Income Management, the Act highlights that the scheme is intended to bring about a range of changes in individual and community behaviour. As the department responsible for both policy advice and overall performance reporting, FaHCSIA has a key role in measuring the success or otherwise of Income Management in meeting its objectives. Currently, very limited information on Income Management is publicly reported, and the reporting focuses on basic

[7] The Ombudsman did not assess whether the outcome of the decision was correct or referable, other than to the extent that the outcome may have been adversely influenced by problematic decision-making processes.

metrics such as the number of people on the scheme and the amount of spending via one of three payment methods (BasicsCard). Accordingly, there is scope for FaHCSIA to improve the existing reporting arrangements by developing and reporting on a range of key performance indicators that provide insights on the effectiveness of Income Management in meeting its legislative objectives.

23. Similarly, while DHS collects an extensive amount of administrative data on Income Management, the nature of internal reporting is largely focused on specific metrics, such as customer numbers, and is not complemented by analysis of trends, key drivers, or the quality of service provision. Therefore, there is also scope for DHS to strengthen its internal monitoring and reporting arrangements by developing performance indicators that better measure the efficiency and effectiveness of Income Management service delivery.

24. The Government has commissioned a consortium of experts to conduct a strategic longitudinal evaluation of the implementation and effectiveness of New Income Management in the Northern Territory. The evaluation includes a baseline study which reflects the circumstances of individuals soon after the implementation of New Income Management, and a series of four annual reports. The findings of the evaluation, particularly the final report due in December 2014, can be expected to provide important insights on the impact of Income Management and will inform the Government's consideration of the success of the policy approach and its future direction.

25. The ANAO has made two recommendations to improve the internal and external monitoring and reporting of Income Management. The recommendations are aimed at assisting the departments and stakeholders gain a better understanding of the service delivery performance and the success or otherwise of the scheme in meeting the stated policy objectives.

Key findings

Implementing New Income Management (Chapter 2)

26. FaHCSIA and DHS worked closely together to implement New Income Management across the Northern Territory within the Government's six-month timeframe. Both departments developed project management plans that reflected their policy and service delivery responsibilities and contained project deliverables and key outcomes to support the transition of NTER customers and the engagement with new customers.

Delivering Income Management Services to Customers (Chapter 3)

27. DHS has developed processes, including system-based workflows, which support the identification, commencement and ongoing management of customers on Income Management.

28. Under New Income Management, customers on the Disengaged Youth/Long-term Welfare Recipient measure can apply for an exemption if they meet certain criteria, which vary depending on whether the person has dependent children. In

2011–12, the Ombudsman and a subsequent internal taskforce identified a number of issues with some exemption assessments, including consistency and transparency in the decision-making process, and the explanations provided to customers in letters advising that applications were unsuccessful. While DHS has made changes to its processes to address the issues, the department should continue to monitor and review the changes to ensure they are having the intended effect. Further, there would be benefit in DHS investigating whether there are any unintended barriers which either discourage particular customer groups from applying for an exemption, or affect the likelihood of their application being successful, and taking any necessary remedial action.

While on Income Management, and during final discussions with DHS prior to exiting the scheme, customers are provided with opportunities to both assist them to develop budgeting skills and put in place alternative arrangements post-Income Management. However, the nature of the practical operation of Income Management, such as the facilitation of bill payment arrangements, means that there is an inherent risk that instead of developing budgeting skills, customers may come to rely on DHS and choose to remain on Income Management.

29. Two financial incentive payments are offered under New Income Management. The Voluntary Incentive Payment provides an incentive for people to commence and remain on the Voluntary measure. However, the payment is also potentially a barrier to people becoming more self-sufficient in managing their financial affairs and moving off Income Management. Consistent with the overall objectives of Income Management, the Matched Savings Payment is designed to encourage people to develop a savings pattern and increase their capacity to manage their money. The much lower than anticipated take-up of this payment suggests that it is not achieving the intended result. There would be value in the departments reviewing the design and impact of both incentive payments to determine how they are contributing to the objectives of Income Management, and whether there is a need to provide advice to the Government on options to adjust the arrangements.

30. Customers may exit Income Management in some circumstances. However, this is not an explicit objective of the scheme and as a result there are no specific strategies in place to achieve this outcome. While some customers are likely to remain on Income Management indefinitely due to their personal circumstances, there are others who would benefit from a defined pathway to exit the scheme. This would be consistent with one of the overall aims of Income Management—to promote and support positive behavioural change and personal responsibility—and would contribute to lowering the relatively high costs of administering the scheme. Accordingly, there would be merit in the departments developing strategies to assist customers to exit Income Management, where appropriate.

Managing Third Party Organisations (Chapter 4)

A third party organisation wanting to provide goods and services to income managed customers can choose from three payment mechanisms, provided they meet the relevant eligibility criteria. Two of the mechanisms, which facilitate BasicsCard and direct deduction payments, are based on contractual arrangements that support the objectives of Income Management and provide for activities such as compliance reviews. The third mechanism relates to manual payments, which can provide a further option where the BasicsCard or direct deduction options are unsuitable. However, manual payments are not supported by the same contractual arrangements as BasicsCard and direct deduction payments and therefore organisations receiving manual payments are not subject to terms and conditions such as compliance reviews.

31. DHS has developed a compliance program to monitor organisations' adherence to their contractual obligations. The 2011–12 results were lower than the department's desired level of 90 per cent compliance, with 66 per cent of BasicsCard merchants reviewed being found compliant. The main reasons for non-compliance by BasicsCard merchants were failing to keep receipts to demonstrate the goods and services provided, and allowing the purchase of excluded goods.

32. The 2011–12 compliance program was based on manual processes, relying on information maintained in various spreadsheets. DHS identified this approach as being a risk to the quality controls for the compliance program, and the results from the limited quality assurance process demonstrated that the approach required improvement. For the 2012–13 compliance program, DHS has implemented a system supported by automated workflows. The new approach presents DHS with the opportunity to: address previously identified process weaknesses; better identify reasons for non-compliance; and develop appropriate strategies to address compliance issues.

33. The nature of manual payments means that they are time-consuming and susceptible to human error. In addition, where a contract is not in place, additional risks exist and it can be more difficult for DHS to be assured that actions such as selling excluded goods or services and providing cash refunds have not occurred. Therefore, it is preferable to minimise the number of manual payments, particularly those paid on a regular basis.

34. DHS produces a report which identifies third party organisations that regularly receive multiple manual payments. This allows the department to more easily identify those organisations that could be eligible for one of the contractual arrangements but instead choose to receive manual payments. DHS is using this information to contact organisations and encourage them to participate in Income Management through a relevant contract. DHS could further use this information to better understand the factors that may inform an organisation's decision whether to enter into a contract and develop strategies to encourage greater take-up of the arrangements.

Monitoring and Reporting Service Delivery (Chapter 5)

35. System-based controls including workflows and automated functionality feature prominently in DHS' IT delivery design for Income Management. While these features support consistent decision-making and provide a basis for quality control, there is no overarching quality assurance framework covering all Income Management activities. With Income Management now implemented in the Northern

Territory and being progressively rolled out to other locations in Australia, it is timely for DHS to consider if the current quality management processes and controls remain appropriate. In this context, there would also be benefit in assessing the merits of developing an overarching quality assurance framework to support the delivery of Income Management services.

36. The nature of the Income Management arrangements means that situations can arise where moneys are required to be returned to the Commonwealth by either a third party organisation or a customer. Between 1 July 2011 and 6 August 2012, 2832 requests for recoveries from third party organisations were actioned. Of these, 12 per cent took 30 days or more to finalise, and on 41 occasions the value of the recovery was $500 or more. In the majority of recovery cases the customer must wait until the funds have been returned before their Income Management account is re-credited.

37. As with recoveries, overpayments can potentially lead to a debt being raised against a third party organisation or a customer. The majority of overpayments that have been identified (84 per cent) are due to DHS system or processing errors. Unlike recoveries, DHS has not established guidelines or a framework to support the identification of overpayments. This increases the risk that not all overpayments are identified, or identified in a timely manner.

38. Following amendments to social security law in 2010, DHS is developing a new process for raising debts. This presents an opportunity to ensure that there is also an appropriate framework in place to identify and manage overpayments, and clarify the circumstances when an overpayment will be raised as a debt. This is particularly important given the potential impact on customers, the age of some of the identified overpayments, the underlying reasons for the overpayments and DHS' subsequent ability to raise debts.
DHS prepares a monthly project status report to track progress and results. While the reports provided management with useful information during the roll-out phase, the focus of the reporting has not been updated toreflect the post-implementation operating environment. As a consequence, the reporting does not provide an indication of important ongoing success factors, such as if the services being delivered are meeting customers' expectations.

39. There is also scope for DHS to improve its monitoring and reporting arrangements in order to better understand the cost-effectiveness of Income Management service delivery, which involves additional costs arising from the resource-intensive delivery model required for the scheme. To this end, the monitoring and reporting arrangements could be improved by developing performance indicators that better measure the efficiency and effectiveness of Income Management service delivery.

Monitoring and Reporting Income Management Objectives (Chapter 6)

40. As the department responsible for policy advice and reporting on all Income Management measures, FaHCSIA has developed a performance reporting framework

that is outlined in its Portfolio Budget Statements (PBS) and reported in the Annual Report. The reporting framework in the PBS has a narrower focus than the objectives outlined in the Act and is measured by a single key performance indicator (KPI) relating to amounts spent via the BasicsCard.

41. The KPI is limited in its scope as it only includes spending via the BasicsCard, and does not provide a comprehensive view of whether Income Management is meeting its objectives. To provide a stronger basis for measuring the impact of New Income Management, there would be value in FaHCSIA developing and trialling additional KPIs that provide information on the effectiveness of Income Management in meeting its legislative objectives. In addition, reporting against the existing KPI could be improved by including spending relating to direct deduction and manual payments and a brief analysis of how the results relate to the achievement of the scheme's objectives.

42. New Income Management is one of a range of social policy initiatives which will have an impact on individuals and communities and is based, in part, on bringing about change in individual behaviour (including encouraging socially responsible behaviour and reducing harassment). However, measuring the effectiveness of Income Management in realising changes in the behaviour of individuals is difficult for a number of reasons, including the lack of baseline data for comparison purposes.

43. Income Management is a high-profile measure that has drawn a wide variety of stakeholder views on the merits of the policy. Creating and sustaining behavioural change is not easily measured in the short term and to that end, the Government has commissioned an external evaluation to help determine the impact of New Income Management in the Northern Territory. To date, an early implementation study and one of a series of four annual reports have been completed. While focused on Income Management in the Northern Territory, the evaluation findings, particularly the final report due in December 2014, can be expected to contain important information for measuring the overall effectiveness of Income Management as a social policy approach. Accordingly, if the evaluation is able to capture sufficiently reliable data and adequately address the key aspects of Income Management, it will inform the Government's consideration of the policy and its future direction.

Summary of agency response

44. FaHCSIA and DHS provided the following summary responses to the proposed audit report. Each department's full response is included at Appendix 1.

Department of Families, Housing, Community Services and Indigenous Affairs

> The Department agrees with Recommendation Two proposed in the report. The Department of Families, Housing, Community Services and Indigenous Affairs will continue to work with the Department of Human Services to improve the Key Performance Indicators for Income Management.

Department of Human Services

The Department of Human Services (the department) welcomes this report and considers that implementation of its recommendation will enhance the administration of Income Management in the Northern Territory.

The department agrees with Recommendation No.1 outlined in the report. The department will work collaboratively with the Department of Families, Housing, Community Services and Indigenous Affairs on developing performance indicators to improve internal monitoring and reporting on Income Management.

Recommendations

Recommendation No. 1 **Paragraph 5.48**	To improve the internal monitoring and reporting of information on Income Management, the ANAO recommends that DHS develop performance indicators, including financial benchmarks, which provide a basis for measuring the efficiency and effectiveness of the service delivery approach. **DHS response:** Agree.
Recommendation No. 2 **Paragraph 6.21**	To provide for a performance reporting framework which better measures the effectiveness of Income Management, the ANAO recommends that FaHCSIA: • develop and trial a range of KPIs that align with the scheme's legislative objectives; and • improve reporting against the existing KPI by including the amount of income managed funds spent across all payment types, and a brief analysis of how the results relate to the achievement of the scheme's objectives. **FaHCSIA response:** Agree

Auditor-General Report No. 1 (2018-19) ***The Implementation and Performance of the Cashless Debit Card Trial***

Background

1. Welfare quarantining, in the form of income management, was first introduced in 2007 as part of the Australian Government's Northern Territory National Emergency Response.[1] The aim of income management is to assist income support recipients to manage their fortnightly payments — such as Newstart/Youth Allowance, parenting or carer payments, and the Disability Support Pension — for essentials like food, rent and bills.[2]

2. On 1 December 2014, the Government agreed to trial a new approach to income management — the Cashless Debit Card (CDC), in Ceduna and the East Kimberley. The Cashless Debit Card Trial (CDCT or the trial) aimed to: test whether social harm caused by alcohol, gambling and drug misuse can be reduced by placing a portion (up to 80 per cent) of a participant's income support payment onto a card that cannot be used to buy alcohol or gambling products or to withdraw cash; and inform the development of a lower cost welfare quarantining solution to replace current income management arrangements.

3. On 14 March 2017, the Minister for Human Services and the Minister for Social Services announced the extension of the trial in Ceduna and the East Kimberley for a further 12 months. In addition, funding was allocated as part of the 2017–18 Budget to trial the CDC in two new locations with the Government announcing in September 2017 that the CDC would be delivered to the Goldfields region of Western Australia and also to the Hinkler Electorate (Bundaberg and Hervey Bay Region) in Queensland.[3] Subsequently, the *Social Services Legislation Amendment (Cashless Debit Card) Act 2018* received royal assent on 20 February 2018. The amendments restricted the expansion of the CDC, with the cashless welfare arrangements continuing to 30 June 2019 in the current trial areas of East Kimberley and Ceduna, with one new trial site in the Goldfields.

Rationale for undertaking the audit

4. Recent ANAO audits have highlighted the need for entities to articulate mechanisms to determine whether an innovation is successful and what can be learned to inform decision making regarding scaling up the implementation of that innovation. The CDCT was selected for audit to identify whether the Department of Social Services (Social Services) was well placed to inform any further roll-out of the CDC with a robust evidence base. Further, the audit aimed to provide assurance that Social Services had established a solid foundation to implement the trial including: consultation and communication with the communities involved; governance arrangements; the management of risks; and robust procurement arrangements.

Audit objective and criteria

5. The objective of the audit was to assess the Department of Social Services' implementation and evaluation of the Cashless Debit Card Trial.

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

- Appropriate arrangements were established to support the implementation of the Cashless Debit Card Trial.
- The performance of the Cashless Debit Card Trial was adequately monitored, evaluated and reported on, including to the Minister for Social Services.

Audit methodology

7. The audit methodology included:

- examining and analysing documentation relating to the implementation, risk management, monitoring and evaluation for the Cashless Debit Card Trial; and

- interviews with key officials in the departments of Social Services and Prime Minister and Cabinet and with external stakeholders including Indue Limited (Indue), ORIMA Research (ORIMA), Community Leaders, Local Partners and others in the trial sites.

Conclusion

8. The Department of Social Services largely established appropriate arrangements to implement the Cashless Debit Card Trial, however, its approach to monitoring and evaluation was inadequate. As a consequence, it is difficult to conclude whether there had been a reduction in social harm and whether the card was a lower cost welfare quarantining approach.

9. Social Services established appropriate arrangements for consultation, communicating with communities and for governance of the implementation of CDCT. Social Services was responsive to operational issues as they arose during the trial. However, it did not actively monitor risks identified in risk plans and there were deficiencies in elements of the procurement processes.

10. Arrangements to monitor and evaluate the trial were in place although key activities were not undertaken or fully effective, and the level of unrestricted cash available in the community was not effectively monitored. Social Services established relevant and mostly reliable key performance indicators, but they did not cover some operational aspects of the trial such as efficiency, including cost. There was a lack of robustness in data collection and the department's evaluation did not make use of all available administrative data to measure the impact of the trial including any change in social harm. Aspects of the proposed wider roll-out of the CDC were informed by learnings from the trial, but the trial was not designed to test the scalability of the CDC and there was no plan in place to undertake further evaluation.

Supporting findings

Implementation of the Cashless Debit Card Trial

11. Social Services conducted an extensive consultation process with industry and stakeholders in the trial sites. A communication strategy was developed and implemented which was largely effective, although Social Services identified areas for improvement in future rollouts.

12. There were appropriate governance arrangements in place with clearly defined roles and responsibilities across key departments and stakeholders for reporting and oversight of the CDCT.

13. Social Services demonstrated an integrated approach to risk management across the department linking enterprise, program and site-specific risk plans. While a CDCT program risk register was developed, the identified risks were not actively managed, some risks were not rated in accordance with the Risk Management Framework, there was inadequate reporting of risks and some key risks were not adequately addressed by the controls or treatments identified. In particular, treatments were inadequate to address evaluation data and methodology risks that were ultimately realised. Social Services managed and effectively addressed operational issues as they arose.

14. Aspects of the procurement process to engage the card provider and evaluator were not robust. The department did not document a value for money assessment for the card provider’s IT build tender or assess all evaluators’ tenders completely and consistently.

15. Social Services effectively established or facilitated arrangements to deliver local support to CDCT communities, although there were delays in the deployment of additional support services. As part of the CDCT, Social Services also trialled Community Panels and reviewed their effectiveness to inform broader implementation.

Performance monitoring, evaluation and reporting

16. A strategy to monitor and analyse the CDCT was developed and approved by the Minister. However, Social Services did not complete all the activities identified in the strategy (including the cost-

benefit analysis) and did not undertake a post-implementation review of the CDCT despite its own guidance and its advice to the Minister that it would do a review. There was scope for Social Services to more closely monitor vulnerable participants who may participate in social harm and their access to cash.

17. Key performance indicators (KPIs) developed to measure the performance of the trial were relevant, mostly reliable but not complete because they focused on evaluating only the effectiveness of the trial based on its outcomes and did not include the operational and efficiency aspects of the trial. There was no review of the KPIs during the trial and KPIs have not been established for the extension of the CDC.

18. Social Services developed high level guidance to support its approach to evaluation, but the guidance was not fully operationalised. Social Services did not build evaluation into the CDCT design, nor did they collaborate and coordinate data collection to ensure an adequate baseline to measure the impact of the trial, including any change in social harm.

Social Services regularly reported on aspects of the performance of the CDCT to the Minister but the evidence base supporting some of its advice was lacking. Social Services advised the Minister, after the conclusion of the 12 month trial, that ORIMA's costs were greater than originally contracted and ORIMA did not use all relevant data to measure the impact of the trial, despite this being part of the agreed Evaluation Framework.

19. Social Services undertook a review and reported to the Minister on a number of key lessons learned from the 12 month trial of the CDC. Learnings about the effectiveness of the Community Panels were based on the number of applications received and delays in decision making, rather than from the evaluation findings that noted a delay in the establishment of the Community Panels and a lack of communication with participants. The 12 month trial did not test the scalability of the CDC but tested a limited number of policy parameters identified in the development of the CDC. Many of the findings from the trial were specific to the cohort (predominantly indigenous) and remote location, and there was no plan in place to continue to evaluate the CDC to test its roll-out in other settings.

Recommendations

Recommendation no.1 **Paragraph 2.20**	Social Services should confirm risks are rated according to its Risk Management Framework and ensure mitigation strategies and treatments are appropriate and regularly reviewed. **Department of Social Services' response**: *Agreed.*
Recommendation no.2 **Paragraph 2.31**	Social Services should employ appropriate contract management practices to ensure service level agreements and contract requirements are reviewed on a timely basis. **Department of Social Services' response:** *Agreed.*
Recommendation no.3 **Paragraph 2.36**	Social Services should ensure a consistent and transparent approach when assessing tenders and fully document its decisions. **Department of Social Services' response:** *Agreed*.
Recommendation no.4 **Paragraph 3.14**	Social Services should undertake a cost-benefit analysis and a post-implementation review of the trial to inform the extension and further roll-out of the CDC. **Department of Social Services' response:** *Agreed.*

Recommendation no.5 Paragraph 3.47	Social Services should fully utilise all available data to measure performance, review its arrangements for monitoring, evaluation and collaboration between its evaluation and line areas, and build evaluation capability within the department to facilitate the effective review of evaluation methodology and the development of performance indicators. **Department of Social Services' response:** *Agreed.*
Recommendation no.6 Paragraph 3.69	Social Services should continue to monitor and evaluate the extension of the Cashless Debit Card in Ceduna, East Kimberley and any future locations to inform design and implementation. **Department of Social Services' response:** *Agreed.*

Summary of the Department of Social Services' response

20. The Department of Social Services was provided with a copy of the proposed audit report for comment. A summary of the department's response is below and the full response is at Appendix 1.

> The Department of Social Services (the department) welcomes the ANAO's conclusions and agrees with the six recommendations. The department notes there are a number of areas it needs to focus on including in relation to Risk Management, contract management arrangements and utilising available data to measure performance.

21. An extract of the proposed report was provided to the organisations mentioned in the proposed report: Indue Limited; ORIMA Research; Boston Consulting Group; Maddocks; Clayton Utz; Deloitte Access Economics; and Colmar Brunton.

Key learnings for all Australian Government entities

22. Below is a summary of key learnings and areas for improvement identified in this audit report that may be considered by other Australian Government entities when trialling new initiatives and designing, implementing and evaluating programs.

Performance and impact measurement

- When designing and implementing a trial of a policy, program, technology or service delivery approach, there should be clear objectives identifying success factors and mechanisms to capture lessons learned to inform further implementation. In particular,
  - Designing and implementing a trial is different to the design and full-scale implementation of policy. A trial will require greater focus and resources directed to its design and performance measurement so that early decisions can be made regarding the need to adapt, exit or expand implementation.
  - It is important to place a greater emphasis on the capture of baseline data, documenting expected outcomes, capturing lessons learned, impact measurement and enabling feedback mechanisms at regular intervals.
- Success of a trial should be measured based more on what is learned to inform the next phase of re-design or implementation, and less on whether the actual implementation worked according to expectations.

Auditor-General Report No. 29 (2021–22) *Implementation and Performance of the Cashless Debit Card Trial - Follow-on*

Background

1. The Australian Government introduced the Cashless Debit Card (CDC) Trial, later known as the CDC program, in 2016.

2. Under the CDC program, a portion of a participant's income support payment is allocated to a restricted bank account, accessed by a debit card (the CDC). The CDC does not allow cash withdrawals; or purchase of alcohol, gambling or cash-like products. The objective of the CDC program is to assist people receiving income support to better manage their finances and encourage socially responsible behaviour.

3. The CDC is enabled under the *Social Security (Administration) Act 1999*. The Department of Social Services (DSS) and Services Australia are responsible for the CDC program. There are two card providers: Indue Ltd (Indue) and the Traditional Credit Union (TCU).

4. The CDC program has been implemented in Ceduna in South Australia; the East Kimberley region in Western Australia; the Goldfields region in Western Australia; the Bundaberg, Hervey Bay, and Cape York regions in Queensland; and the Northern Territory.

Rationale for undertaking the audit

5. Auditor-General Report No.1 2018–19 *The Implementation and Performance of the Cashless Debit Card Trial* found that while DSS largely established appropriate arrangements to implement the CDC Trial, its approach to monitoring and evaluation was inadequate. It was therefore difficult to conclude if the CDC Trial was effective in achieving its objective of reducing social harm and whether the card was a lower cost welfare quarantining approach compared to other components of Income Management such as the BasicsCard.

6. The report made six recommendations relating to risk management, procurement, contract management, performance monitoring, cost–benefit analysis, post-implementation reviews and evaluation.

7. This follow-on audit provides the Parliament with assurance as to whether:

- DSS has addressed the agreed 2018–19 Auditor-General recommendations;
- DSS' management of the extended CDC program is effective; and
- the extended CDC program was suitably informed by a second impact evaluation of the CDC Trial.

Audit objective and criteria

8. The objective of the audit was to examine the effectiveness of DSS' administration of the Cashless Debit Card program, including implementation of the recommendations made in Auditor-General Report No.1 2018–19, *The Implementation and Performance of the Cashless Debit Card Trial*.

9. To form a conclusion against the audit objective, the following criteria were applied:

- Do DSS and Services Australia have effective risk management, procurement and contract management processes in place for the CDC program?
- Has DSS implemented effective performance measurement and monitoring processes for the CDC program?
- Was the expansion of the CDC program informed by findings and lessons learned from an effective evaluation, cost–benefit analysis and post-implementation review of the CDC Trial?

Conclusion

10. DSS' administrative oversight of the CDC program is largely effective, however, DSS has not demonstrated that the CDC program is meeting its intended objectives. DSS implemented the recommendations from Auditor-General Report No.1 2018–19 relating to risk management, procurement and contract management, partly implemented the recommendations relating to performance monitoring, and did not effectively implement the recommendations relating to cost–benefit analysis, post-implementation review and evaluation.

11. DSS and Services Australia have effective risk management processes in place for the CDC program, although DSS has not yet developed a risk-based compliance framework. DSS' limited tender procurement processes were undertaken in accordance with Commonwealth Procurement Rules, however DSS' due diligence over its procurement of the Traditional Credit Union could have been more thorough. Contract management arrangements with the card providers are effective. A service level agreement between DSS and Services Australia was finalised in April 2022. Recommendations from Auditor-General Report No.1 2018–19 relating to risk management, procurement and contract management were implemented.

12. Internal performance measurement and monitoring processes for the CDC program are not effective. Monitoring data exists, but it is not used to provide a clear view of program performance due to limited performance measures and no targets. DSS established external performance measures for the CDC program. These were found to be related to DSS' purpose and key activities, but one performance indicator was not fully measurable. External public performance reporting was accurate. Recommendations from Auditor-General Report No.1 2018–19 relating to performance measurement and monitoring were partly implemented.

13. The CDC program extension and expansion was not informed by an effective second impact evaluation, cost–benefit analysis or post-implementation review. Although DSS evaluated the CDC Trial, a second impact evaluation was delivered late in the implementation of the CDC program, had similar methodological limitations to the first impact evaluation and was not independently reviewed. A cost–benefit analysis and post-implementation review on the CDC program were undertaken but not used. The recommendations from Auditor-General Report No.1 2018–19 relating to evaluation, cost–benefit analysis and post-implementation review were not effectively implemented.

Supporting findings

Risk management, procurement and contract management

14. There are fit-for-purpose risk management approaches in place in DSS and Services Australia for the CDC program although there is no risk-based compliance strategy. Risks are identified and treatments are established. DSS' CDC risk management processes are aligned with the DSS enterprise risk framework. Services Australia has appropriate risk documentation and processes in place. Documentation of shared risk between DSS and Services Australia is developing. (Paragraphs 2.4 to 2.37)

15. The limited tender procurements for the extension and expansion of CDC services and for an additional card issuer in the Northern Territory were undertaken in a manner that is consistent with the Commonwealth Procurement Rules. Procurement processes, procurement decisions and conflict of interest declarations were documented. The conduct of procurements through limited tender was justified in reference to appropriate provisions within the Commonwealth Procurement Rules. The procurement of Indue for expanded card services was largely effective. A value for money assessment for one of the Indue procurements was not fully completed. The procurement of a second card provider (TCU) was meant to be informed by a scoping study. The scoping study, which was contracted to TCU, did not fully inform the subsequent limited tender procurement. There was limited due diligence into TCU's ability to deliver the services. A value for money assessment was conducted during contract negotiations. (Paragraphs 2.38 to 2.67)

16. There are appropriate contract management and service delivery oversight arrangements in place for the CDC program. Effective contract management plans are in place for the contracts with the card providers. Documentation supporting the monitoring of Indue service delivery risk could be more regularly reviewed. In April 2022, DSS and Services Australia finalised a CDC service level agreement. This was established late in the relationship, which commenced in 2016. (Paragraphs 2.68 to 2.90)

Performance measurement and reporting

17. Reports of internal performance measures are not produced as required under the CDC data monitoring strategy. There are a number of data reports provided to and considered by DSS on a regular basis. These reports include some performance measures and no performance targets, and provide limited insight into program performance or impact. DSS has not implemented the recommendation from Auditor-General Report No.1 2018–19 that it fully utilise all available data to measure performance. (Paragraphs 3.5 to 3.19)

18. In 2020–21, DSS developed two external performance indicators for the CDC program. An ANAO audit of DSS' 2020–21 Annual Performance Statement found that the two indicators were directly related to a key activity (the CDC program), that one of the performance indicators was measurable, and part of the second indicator was not measurable because it was not verifiable and was at risk of bias. A minor finding was raised. DSS reports annually against the two CDC performance measures. (Paragraphs 3.22 to 3.32)Evaluation, cost–benefit analysis and post-implementation review

19. DSS' management of the second impact evaluation of the CDC Trial was ineffective. Results from a second impact evaluation were delivered 18 months after the original agreed timeframe and there is limited evidence the evaluation informed policy development. The commissioned design of the second impact evaluation did not require the evaluators to address the methodological limitations that had been identified in the first impact evaluation. DSS did not undertake a legislated review of the evaluation. (Paragraphs 4.7 to 4.49)

20. A cost–benefit analysis and post-implementation review were undertaken on the CDC. Due to significant delays and methodological limitations, this work has not clearly informed the extension of the CDC or its expansion to other regions. (Paragraphs 4.50 to 4.73)

Recommendations

Recommendation no. 1 **Paragraph 3.20**	Department of Social Services develops internal performance measures and targets to better monitor CDC program implementation and impact. **Department of Social Services' response:** *Agreed.*
Recommendation no. 2 **Paragraph 4.39**	Department of Social Services undertakes an external review of the second impact evaluation of the CDC. **Department of Social Services' response:** *Disagreed.*

Summary of entity responses

Department of Social Services

The Department of Social Services (the department) acknowledges the insights and opportunities for improvement outlined in the Australian National Audit Office (ANAO) report on Implementation and performance of the Cashless Debit Card (CDC) Trial — Follow-on.

We acknowledge the ANAO's overall conclusion that the department's administrative oversight of the program is largely effective. The department accepts the conclusion relating to internal performance measures. We acknowledge the rationale and supporting evidence that the second impact evaluation and the cost-benefit analysis were constrained by limitations to available data.

The department accepts Recommendation 1 and acknowledges the suggested opportunities for improvement. The department has taken steps to address these and actions are either underway or already complete. This will strengthen the department's oversight of the operation and effectiveness of the CDC program.

The department does not agree with Recommendation 2. Limitations of the second impact evaluation are openly acknowledged. An external review will not generate additional evidence or insights and would only reiterate data availability and accessibility constraints. This would not constitute value for money to the taxpayer.

The department is supportive of the independent review process and commits to undertaking a review of any future evaluations.

ANAO comment on Department of Social Services response

21. In relation to Recommendation 2, the *Social Services Legislation Amendment (Cashless Debit Card Trial Expansion) Act 2018* included a requirement that any review or evaluation of the CDC Trial must be reviewed by an independent expert within six months of the Minister receiving the final report (refer note 'c' to Table 1.1). Contrary to the legislative requirement, the evaluation of the CDC program was never reviewed by an independent expert. Although the Department of Social Services (DSS) describes the 2021 evaluation as having limitations, the results were used by DSS to conclude that it met one of two externally reported CDC program performance measures: 'Extent to which the CDC supports a reduction in social harm in communities' (refer paragraph 3.30). In making the legislative amendment, the clear intent of Parliament was to obtain independent assurance that the cashless welfare arrangements are effective in order to inform expansion of the arrangements beyond the trial areas. A review of the evaluation methodology would, moreover, help ensure that the design of future evaluation work is fit for purpose and represents an appropriate use of public resources.

Services Australia

Services Australia (the agency) welcomes this report and notes that there are no recommendations directed at the agency. Recognising that the audit concluded that the agency had effective risk management processes in place for the Cashless Debit Card (CDC) program, we will ensure that the improvement opportunity identified for risk treatments to be reviewed regularly is incorporated into these processes.

In respect to the service level agreement between the agency and the Department of Social Services, this was finalised and acknowledged by the ANAO during the report comment period in April 2022. We will take into consideration the broader audit findings, and incorporate any lessons where appropriate as we work with the Department of Social Services to implement the CDC program policies and deliver services.

Key messages from this audit for all Australian Government entities

22. Below is a summary of key messages, including instances of good practice, that have been

identified in this audit and which may be relevant for the operations of other Australian Government entities.

Policy/program design

- An evaluation strategy should be developed during the design and implementation of a program, including the identification of effective baseline data. Undertaking effective evaluations will build a base to inform future policy changes and provide evidence as to whether the program is meeting its intended objectives.

Performance and impact measurement

- If data is to be used to monitor program performance, it needs to have corresponding performance measures and targets applied to ensure that it is meaningful and can provide a clear view of the program's progress in achieving its stated objectives.

Policy/program implementation

- When the service delivery of a program is provided through another Australian Government entity, there are dual accountabilities. Ensuring there is an effective service agreement in place can address shared risks, clarify roles and responsibilities, and establish clear service delivery expectations through service level standards.