



Australian Government

Department of Families, Housing,
Community Services and Indigenous Affairs

Submission No:5.....

8 December 2008

Mr Russell Chafer
Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021, Parliament House
CANBERRA ACT 2600

Dear Mr Chafer

REVIEW OF AUDITOR-GENERAL'S REPORTS – 2007-08

I refer to the Joint Committee of Public Accounts and Audit hearing on 12 November 2008 to review the *ANAO Audit Report No. 42 of 2007-08 – Management of Customer Debt – Follow-up Audit*.

During the hearing, FaHCSIA undertook to provide further information on two points.

In response to the Hon Bronwyn Bishop's question about whether outstanding debts have been recovered from previous pension bonus payments, I can confirm that this did not occur.

FaHCSIA undertook to provide a segmentation of Age Pension debts. This segmentation for the 2007-08 financial year is at Attachment A. I would like to bring to the Committee's attention that although the table shows debts over \$20,000 represent 28.35% of the value of the Age Pension debt base for the previous financial year, they represent only 0.24% of the total number of new Age Pension debts for the same period. Also, the relative size of these debts means that they will take much longer to recover than the smaller debts, hence their disproportionate impact on the outstanding debt base over time.

In addition, I confirm the evidence given at the hearing that the deeming rules have not resulted in debts to age pensioners. The attached table shows the three main reasons for debts over \$20,000 being incurred are that people were not qualified for the age pension or the quantum of their assets or income differed significantly from what had been reported.

I hope this information answers the relevant questions raised by the JCPAA. Please do not hesitate to contact me on 02 6244 5873 if you require further clarification on any of the matters mentioned above.

Yours sincerely

Wayne Cassidy
Acting Branch Manager
Social Security Policy

Age Pension New Debts for the 12 months to 30 June 2008

By Debt Size Cohorts and Debt Reason

Attachment
A

Debt Reason		Debt Size Range					All Debts	
		UP TO \$50	\$50 - \$1,000	\$1,000 - \$5,000	\$5,000 - \$10,000	\$10,000 - \$20,000		OVER \$20,000
Advance Payment	No. Debts	134	1,527	1	0	0	0	1,662
	Amount (\$)	4,486.64	324,752.48	3,595.08	0.00	0.00	0.00	332,834.20
Obligation	No. Debts	1	3	1	0	0	0	5
	Amount (\$)	42.30	1,169.48	1,378.51	0.00	0.00	0.00	2,590.29
Qualification	No. Debts	752	6,315	1,536	302	116	151	9,172
	Amount (\$)	18,830.78	1,813,928.34	3,369,640.52	1,987,135.93	1,612,086.31	8,669,188.31	17,470,810.19
Income - Foreign or Other Benefits	No. Debts	827	11,870	2,954	338	182	71	16,242
	Amount (\$)	22,151.58	3,621,131.11	6,117,081.53	2,370,075.00	2,536,221.51	2,387,516.25	17,054,176.98
Income - Earnings	No. Debts	627	24,470	4,106	561	206	92	30,062
	Amount (\$)	16,619.57	6,206,002.62	8,882,228.04	3,891,615.61	2,829,195.82	3,136,234.91	24,961,896.57
Income - Investments	No. Debts	650	14,209	2,935	532	221	128	18,675
	Amount (\$)	13,562.07	3,608,684.82	6,638,264.80	3,769,571.92	2,988,488.36	4,359,696.27	21,378,268.24
Income - Other	No. Debts	134	3,824	1,464	285	179	100	5,986
	Amount (\$)	3,627.83	1,205,980.85	3,326,317.25	2,005,927.72	2,474,299.45	3,628,791.57	12,644,944.67
Assets	No. Debts	220	7,666	1,927	349	268	258	10,688
	Amount (\$)	5,852.56	2,260,905.18	4,294,684.26	2,458,032.96	3,791,541.32	11,313,026.92	24,124,043.20
Compensation	No. Debts	16	257	228	45	43	19	608
	Amount (\$)	509.56	97,748.00	570,582.80	313,563.76	589,150.56	518,536.06	2,090,090.74
Marital Status	No. Debts	30	1,065	251	47	46	43	1,482
	Amount (\$)	752.22	334,113.81	552,708.75	331,879.49	638,785.98	1,934,101.83	3,792,342.08
Automatic	No. Debts	66	604	186	13	12	5	886
	Amount (\$)	1,438.39	181,746.61	371,963.65	96,762.50	160,404.80	240,213.24	1,052,529.19
Debt Less than \$50 Waived Reason Not Recorded	No. Debts	262,302	0	0	0	0	0	262,302
	Amount (\$)	2,726,673.06	0.00	0.00	0.00	0.00	0.00	2,726,673.06
Miscellaneous	No. Debts	0	2	0	0	0	0	2
	Amount (\$)	0.00	769.70	0.00	0.00	0.00	0.00	769.70
All Debts	No. Debts	265,759	71,812	15,589	2,472	1,273	867	357,772
	Amount (\$)	2,814,546.56	19,656,933.00	34,128,445.19	17,224,564.89	17,620,174.11	36,187,305.36	127,631,969.11
Proportion of Total	No. Debts	74.28%	20.07%	4.36%	0.69%	0.36%	0.24%	100.00%
	Amount (\$)	2.21%	15.40%	26.74%	13.50%	13.81%	28.35%	100.00%