

Debt Management and Recovery in Services Australia

Services Australia

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Senior Executive Director
Corporate Management Group
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Or via email:

communication@anao.gov.au.





Canberra ACT

31 May 2023

Dear President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in Services Australia. The report is titled *Debt Management and Recovery in Services Australia*. I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, reading 'Grant Hehir', is positioned below the 'Yours sincerely' text.

Grant Hehir
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Phone: (02) 6203 7300
Email: ag1@anao.gov.au

Auditor-General reports and information about the ANAO are available on our website:
<http://www.anao.gov.au>

Audit team

Tracey Martin
Renina Boyd
Leah Farrell
Sonya Carter
Ewan McPherson
Aiden Williams
Lauren Huning
Anne-Sophie Colin
Alexandra Collins

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Audit snapshot

Auditor-General Report No.28 2022–23

Debt Management and Recovery in Services Australia



Why did we do this audit?

- ▶ Debt balances and the value of undetermined debt have been increasing since 2018.
- ▶ Debt management reflects a complex system of legislation, policies and procedures, internal governance arrangements and relationships with policy entities.



Key facts

- ▶ Services Australia managed social security and welfare debts on behalf of nine policy entities in 2021–22.
- ▶ Debt management includes: detecting potential overpayments; determining whether a debt is legally recoverable; raising the debt for recovery; and managing the debt under a payment arrangement or waiving or writing-off the debt.
- ▶ Since 2019, natural disasters combined with the impacts of the COVID-19 pandemic, have led the Australian Government to implement pauses to debt raising and recovery, including temporarily writing-off debts.



What did we find?

- ▶ Services Australia has partly fit-for-purpose debt administration and recovery governance arrangements. Arrangements for oversight, roles and responsibilities, policies and procedures, training and quality checking do not sufficiently support staff to effectively undertake debt activities.
- ▶ Services Australia has not established effective risk-based strategies to detect and deter debt. Services Australia does not assess effectiveness of debt management activities.
- ▶ Services Australia accurately reports on debt balances.



What did we recommend?

- ▶ There were four recommendations to Services Australia aimed at: oversight arrangements, effectiveness and usability of policies and procedures, establishing a debt management strategy and internal targets for performance.
- ▶ Services Australia agreed to all four recommendations.

\$1.9bn

estimated value of undetermined debt in 2021–22.

51%

of potential overpayments awaiting decision were determined in 2021–22.

\$3.7 bn

of the \$4.6 billion total outstanding debt at 30 June 2022 was temporarily written-off.

Summary and recommendations

Background

1. Services Australia is the Australian Government's primary service delivery agency. Its purpose is to support Australians by delivering high-quality and accessible services and payments on behalf of the Australian Government (in partnership with other government entities). In 2021–22, Services Australia made \$226.7 billion in payments under three key program areas. Sixty-seven per cent (\$152.2 billion) of payments made in 2021–22 were administered under Program 1.1 — Services to the community — Social security and welfare. Program 1.1 is the focus of the audit.
2. Services Australia aims to 'pay the right person, the right amount through the right program at the right time.' Where incorrect information is supplied by customers, there are delays in notification of a customers' changes in circumstances, or Services Australia makes an administrative error, overpayments or underpayments can occur. Where there is an overpayment, a debt may arise, and legislation generally requires Services Australia to recover the debt.
3. Services Australia aims to manage debt 'quickly, accurately and in a sensitive manner'¹ and in accordance with government policy decisions. The debt management process involves detecting potential overpayments (once detected these are classified as undetermined debts), determining whether potential overpayments are legally recoverable and a debt should be waived or raised for recovery, and managing the recovery of the determined debts. Decisions about debt (such as to determine that there is a debt, waive or write-off a debt, or enter into a recovery arrangement) must be made in accordance with relevant legislation including the *Social Security Act 1991*, *Social Security (Administration) Act 1999*, *A New Tax System (Family Assistance) (Administration) Act 1999*, *Student Assistance Act 1973* and *Paid Parental Leave Act 2010*.

Rationale for undertaking the audit

4. At 30 June 2022 there was \$4.6 billion outstanding social security and welfare debt that has been determined (1,668,870 individual debt cases), and \$1.9 billion undetermined debt², across more than 47 debt benefit groups. Of the total debt, \$3.7 billion was temporarily written-off at 30 June 2022 (1,344,838 individual debt cases). Debt balances and the value of undetermined debt have been increasing since 2018. This audit was identified as a Joint Committee of Public Accounts and Audit (JCPA) priority of the Parliament for 2022–23. This audit provides the Parliament with assurance that Services Australia is managing and recovering debt effectively with fit-for-purpose arrangements.

Audit objective and criteria

5. The objective of the audit is to assess the effectiveness of Services Australia's management of social security and welfare debt.

1 Services Australia, General debt management information 107–02000000 p. 1; General debt information 107–01000000, p. 1.

2 The reported value of undetermined debts includes parked and Family Tax Benefit qualification debts. See footnote 68 and Appendix 5 for further information about these debts.

6. To form a conclusion against the objective, the following criteria were applied.
- Does Services Australia have fit-for-purpose debt management governance arrangements?
 - Has Services Australia developed and implemented effective strategies and processes to manage debt?
 - Does Services Australia assess and accurately report on the effectiveness of its debt management and performance activity?

Conclusion

7. Services Australia's debt management and recovery of social security and welfare debt on behalf of policy entities is partly effective. Services Australia does not have a coordinated approach for the debt management lifecycle including detecting potential overpayments, determining whether a potential overpayment is a legally recoverable debt, raising the debt and either waiving or recovering the debt.

8. Services Australia has partly fit-for-purpose debt administration and recovery governance arrangements. Services Australia's processes for managing and coordinating debt management and recovery activities include internal governance arrangements and informal and formal arrangements with policy entities responsible for the social security and welfare payments administered by Services Australia. These arrangements are not clearly documented. Services Australia has policy and procedures and training materials for debt management and recovery. Staff deemed 'proficient' through quality checking activities did not achieve correctness targets in 2021–22 when processing new debts.

9. Services Australia has partly effective strategies to detect, determine and recover debt. Debt is detected through processes designed to manage payment accuracy risks rather than risk-based compliance and enforcement strategies. In 2021–22, Services Australia determined 51 per cent of undetermined debts available for processing. The end of debt pauses relating to natural disasters and the COVID-19 pandemic contributed to a backlog of detected debts awaiting determination. Services Australia does not monitor debt detected relative to the risk of overpayment for all social security and welfare payments. The effectiveness of debt management and recovery activities is not measured.

10. Services Australia accurately reports on debt balances in its annual reports and to the policy entities for inclusion in their financial statements. Services Australia has partly established adequate arrangements to assess and report on the effectiveness of its management of debt. The single debt related performance measure reported externally by Services Australia was discontinued from 2021–22. Services Australia's internal measures do not assess performance against all aspects of the debt management process. Services Australia and the Department of Social Services (DSS) have established performance measures under the bilateral arrangement, and are piloting additional performance measures to replace those that are no longer fit-for-purpose.

Supporting findings

Governance

11. Seven entities with policy responsibility for social security and welfare payments managed by Services Australia have delegated debt related functions and powers to Services Australia's Chief Executive Officer (CEO). It is unclear what processes are in place to ensure delegations from policy entities are current. In 2021–22, internal delegations from Services Australia's CEO to staff to undertake debt management and recovery were only limited by the value of the debt to be actioned and the level of the staff. Services Australia oversees and coordinates debt management and recovery activities via bilateral agreements, organisational reporting structures, governance and operational committees and informal and formal contact arrangements with policy entities. The relationship between these arrangements is not documented. The bilateral arrangements do not clearly set out debt management roles and responsibilities or escalation pathways (see paragraphs 2.3 to 2.22).

12. Services Australia has 250 policies and procedures for debt management and recovery which are accessible by all staff. References to legislation in guidance materials are generally current and accurate, with a few exceptions. Procedures do not inform staff of whether they are carrying out an administrative process or a legislative function for which they require a delegation. Internal training is grouped into debt raising (48 training days), debt recovery (10 training days) or a combination of both elements (50 training days). Results of quality assurance activities indicate that policies, procedures and training do not sufficiently support staff assessed as 'proficient' to achieve the target correctness rate of 95 per cent or higher when determining new debts (see paragraphs 2.26 to 2.42).

Strategies and processes to manage and recover debt

13. Services Australia does not have a strategy for detection and deterrence of debt. Services Australia manages the prevention and detection of debt through strategies and compliance activities focused on payment accuracy. Improvements in payment accuracy can reduce the occurrence of debt. Operational plans focus on the processing of undetermined debt and managing the end of the debt pauses. While Services Australia proposes to adopt a risk-based approach to debt management in the future, current strategies and plans are not risk-based. Payment accuracy focused strategies and plans did not set out performance measures and targets to support an assessment of the effectiveness of Services Australia's activities across the debt management lifecycle (see paragraphs 3.3 to 3.18).

14. Debt detection is a product of business processes and activities designed to manage payment accuracy risks including processing changes in customers' circumstances, reconciliations of customer estimated income to actual income and compliance activities. Automated processes detected 99 per cent of the number and 99 per cent of the value of debts detected in 2021–22. In 2021–22, planned compliance activities were largely dependent on operational capacity, limiting risk-based prioritisation. The breakdown of debts detected by each method is not reported or monitored to determine the effectiveness of debt detection relative to the overpayment risk. Overpayment risk is not estimated for all social security and welfare payments administered by Services Australia. There are no benchmarks or targets for debt detection activities across the entity (see paragraphs 3.25 to 3.36).

15. In 2021–22, Services Australia made 1,764,464 determination decisions representing 51 per cent of undetermined debts available to be actioned. The number of undetermined debts awaiting determination was affected by various debt pauses. Of the determination decisions made, seven per cent were finalised as no debt, 32 per cent were waived and 61 per cent were raised for recovery. System controls supporting delegate decision-making are not always consistent with delegation instruments. Policy and procedures do not provide sufficient information to support some key information and decisions on the customer record. Services Australia did not meet its timeliness performance measures for determining debt in 2021–22 (see paragraphs 3.37 to 3.50).

16. Services Australia manages the recovery of debt through temporary and permanent write-offs, waivers, payment arrangements negotiated with customers and referrals to external collection agents. In 2021–22 Services Australia reduced its debt balance by \$1.9 billion through recoveries (\$1.3 billion), waivers (\$0.1 billion), permanent write-offs and debt reductions (\$0.5 billion) of determined debts outstanding. Of the \$4.6 billion of outstanding debt as at 30 June 2022, 81 per cent was temporarily written-off (reflecting debt pauses for the COVID-19 pandemic and natural disasters) and 12.5 per cent was under a recovery arrangement valued at \$0.6 billion. While the power to write-off a social security and welfare debt for a period of time is found in the relevant legislation, Services Australia treated temporary write-offs of debt pauses as administrative decisions in some cases. Services Australia does not have performance measures to enable an assessment of the appropriateness of its debt recovery activities (see paragraphs 3.51 to 3.62).

Reporting and performance measurement

17. Services Australia reports debt balances and debt recovery in its annual reports, internal reports and through regular financial reports to the policy entities, for inclusion in policy entities' financial statements. The reports accurately represent outstanding balances for determined debt and debt recoveries. Services Australia provides assurance to policy entities on the accuracy of its debt reports through annual assurance letters from its Chief Financial Officer. Services Australia produces one internal report about weekly debt activities (see paragraphs 4.2 to 4.13).

18. Until 2021–22, Services Australia reported externally on a single debt measure (debt under recovery), that was generally measurable, but not related to an activity. From 2021–22 this measure has been discontinued, and no other debt measure is in place. Services Australia has a limited set of internal measures to assess debt management performance; the measures do not have targets and do not cover all debt management and recovery activities. Since January 2022 the measures have been reported weekly. For seven entities that Services Australia managed debt on behalf of in 2021–22, only the bilateral arrangements with the Department of Social Services (DSS) contained debt performance measures and reporting requirements. Additional pilot measures were introduced in 2021–22 as DSS and Services Australia agreed the existing bilateral measures were not fit-for-purpose. No targets have been set for the pilot measures, therefore the current reporting does not facilitate an assessment of the effectiveness of Services Australia's management of debt on behalf of DSS (see paragraphs 4.14 to 4.36).

Recommendations

- Recommendation no. 1**
Paragraph 2.22 Services Australia document and map the internal and bilateral oversight arrangements for all debt management activities, including reporting lines, roles and responsibilities of governance committees and officer level meetings and performance reporting.
- Services Australia response:** *Agreed.*
- Recommendation no. 2**
Paragraph 2.42 Services Australia review the effectiveness and usability of policies and procedures, training and supervision relating to debt management activities to improve staff proficiency rates and results of quality assurance activities.
- Services Australia response:** *Agreed.*
- Recommendation no. 3**
Paragraph 3.18 Services Australia establish a risk-based debt management strategy that:
- (a) defines goals, strategies, activities and performance measures for detection and deterrence (including raising and recovery); and
 - (b) determines a debt risk appetite or tolerance, and maps planned debt management activities to relevant risks.
- Services Australia response:** *Agreed.*
- Recommendation no. 4**
Paragraph 4.36 Services Australia establish internal targets to inform a clear assessment of its performance on all debt management and recovery activities.
- Services Australia response:** *Agreed.*

Summary of entity response

19. The proposed audit report was provided to the Services Australia and an extract was provided to DSS. The summary responses are reproduced below, with the full responses provided at Appendix 1. The ANAO's comments on Services Australia's responses to the report's recommendations are at the relevant paragraphs of this report. The improvements observed by the ANAO during the course of this audit are at Appendix 2.

Services Australia

Services Australia (the Agency) notes the findings of the report that the Agency's arrangements for debt management and recovery are partly effective, having regard to internal and external governance arrangements, Agency strategies to inform debt management activities, performance monitoring and reporting, and staff training and quality assurance.

The Agency's primary focus is on delivering payments and services to the Australian community. Debt management and recovery is a consequence of this function, and especially payment accuracy, rather than an objective in its own right. Accordingly, the Agency's strategies,

performance measures, and governance arrangements are focussed on ensuring the right payment to the right person at the right time, to prevent customers from incurring a debt.

The Agency is committed to continually improving its internal and external governance arrangements, performance monitoring and reporting, and the guidance and support to staff to ensure the ongoing effectiveness of arrangements for debt management and recovery.

Department of Social Services

The Department of Social Services (the Department) acknowledges the insights outlined in the Australian National Audit Office proposed (Section 19) extract report on Debt Management and Recovery in Services Australia.

The Department considers there to be a close and collaborative working relationship between it and Services Australia on a range of matters, including debt and compliance policy. The Section 19 report should recognise the legal framework that underpins the way Services Australia operates in relation to social security law. In addition to this, there is a range of informal and formal channels that help foster this relationship, with the Department's Head Agreement providing the overarching governance framework for engagement and accountability between the two entities. The Department acknowledges the ANAO has recognised the current work underway to review and strengthen the bilateral governance arrangements. The Department notes the Bilateral Management Arrangement forms one part of the overall engagement on debt matters, with regular dialogue on these matters occurring at all levels, including between the Secretary and the CEO of Services Australia.

The Department notes the ANAO conclusion the Random Sample Survey (now known as the Payment Accuracy Review Program or PARP) underestimates the overpayment risk for annually reconciled payments. The PARP is the primary assurance mechanism to measure the integrity of current, point in time, payment outlays administered by the Department and delivered by Services Australia. The principal objective of PARP is to provide an estimate of the accuracy of outlays for surveyed payments and to estimate the impact of administrative errors, not to detect and raise debts.

In relation to Family Tax Benefit (FTB), by intentional policy design, the government pays a 'provisional' fortnightly FTB rate which is reviewed at annual reconciliation, with some recipients receiving a debt or a top-up. A separate methodology would need to be developed, to measure the risks associated with an annual reconciliation process. This issue was not raised as part of the recent independent PARP methodology review commissioned by the Department.

The Department notes the ANAO's reference to the collective work of the Department and Services Australia in reviewing the Key Performance Measures (KPMs) detailed in the Payment Assurance Service Arrangement. The Department is currently working with Services Australia to set appropriate targets for the new KPMs and notes the report's findings, benchmarks are required to assess the effectiveness of Services Australia's management of debt on behalf of the Department.

Key messages from this audit for all Australian Government entities

20. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Governance and risk management

- Internal and bilateral governance arrangements should be clearly outlined and communicated, so that staff and stakeholders can understand the interdependencies and responsibilities and follow agreed reporting lines.

Policy/program implementation

- Compliance activities should be based on clearly articulated risk-based priorities. This assists in providing assurance that the entity is appropriately allocating resources to identified risk areas and achieving desired outcomes.
- To promote lawful and effective decision-making, guidance and training material should support delegates to understand their responsibilities and systems should be configured to support delegates to appropriately exercise their delegation.

Records management

- Records management systems should maintain a complete record of decisions and actions, particularly where such information demonstrates the entity has fulfilled legislative and procedural requirements and supports conversations with internal and external stakeholders about the reasons for the decision. Point-in-time decisions should be readily identifiable to promote transparency and effective case management.

Audit findings

1. Background

Social security and welfare payments

1.1 Services Australia is the Australian Government's primary service delivery agency. Its purpose is to support Australians by delivering high-quality, accessible services and payments on behalf the Australian Government (in partnership with other government entities). Its vision is to make government services simple. In 2021–22, Services Australia made \$226.7 billion in payments under three key program areas³ as shown in Table 1.1.

Table 1.1: Services Australia's program areas 2021–22

Program	Examples of payments and services	Total payments made (\$ billion)	Customers ^a (million)
Program 1.1 Services to the community — Social security and welfare ^a	Centrelink ^b payments and benefits such as the Age Pension, Carer Payment, Disability Support Pension, Parenting Payment, Child Care Subsidy, Jobseeker, Youth Allowance and Austudy	152.2	11.4
Program 1.2 Services to the community — Health	Medicare and the Pharmaceutical Benefits Scheme	72.7	26.4
Program 1.3 Child Support	Administering child support payments between parents or non-parent carers of children	1.8	1.2
Emergency payments	Pandemic Leave Disaster Payment, Economic Support Payments, Coronavirus Supplement, Coronavirus Disaster Payment and Emergency Payments	16.6	Not reported

Note a: Services Australia refers to a recipient of a payment under the social security and welfare program as a 'customer'.

Note b: Centrelink refers to payments and benefits made under Program 1.1 Services to the community — Social security and welfare.

Source: Services Australia Annual Report 2021–22, p. iii.

1.2 Program 1.1 Services to the community — Social security and welfare is the focus of the audit. Sixty-seven per cent (\$152.2 billion) of payments made in 2021–22 were administered under this program. The social security and welfare program provides income support and benefits to older Australians, carers, people with disabilities, families, jobseekers and students.

1.3 Services Australia's aim is to 'pay the right person, the right amount through the right program at the right time'.⁴ Where incorrect information is supplied by customers, there are delays in notification of customers' changes in circumstances or Services Australia makes an administrative

3 These programs are delivered under Services Australia's Outcome 1 — Deliver high-quality, accessible services and payments to individuals, families, businesses and partner agencies on behalf of Government; with a focus on contemporary service delivery and customer experience.

4 Services Australia, *Annual Report 2021–22*, p. 108.

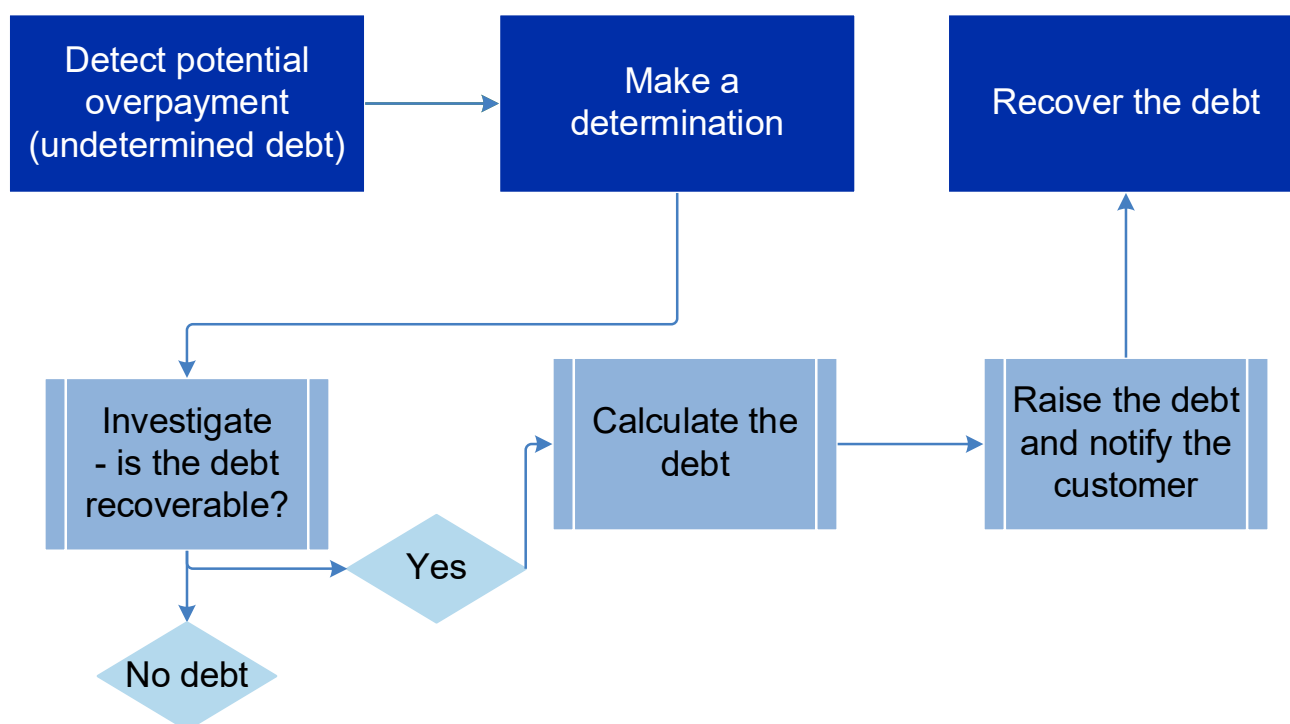
error, overpayments or underpayments can occur.⁵ Where there is an overpayment, a debt may arise and legislation generally requires Services Australia to recover the debt.⁶

Management of debt

1.4 Debt management is an important part of Services Australia's core business. It is central to achieving customer service and policy entity efficiency goals. Services Australia aims to manage debt 'quickly, accurately and in a sensitive manner'.⁷ Through effectively managing debt in accordance with policy decisions of the Australian Government and relevant legislation, Services Australia seeks to maintain public confidence and support the efficient, effective and ethical use of Commonwealth resources.

1.5 Figure 1.1 shows the high-level process that Services Australia follows in the management of debt.

Figure 1.1: Debt management process



Source: ANAO summary and analysis of Services Australia's policy and procedures.

- 5 Examples of circumstances where an overpayment may occur are the person: has not notified Services Australia of a change in circumstances such as changing from being single to having a partner; has not declared their correct income; or has received a compensation payment and is no longer eligible for income support.
- 6 The following are examples of situations where there is not a legal basis for recovering an overpayment:
 - Services Australia cannot expect customers to advise of an event that might affect their payment, if they have not been told they need to. No legally recoverable debt may exist, even though an excess payment has occurred.
 - The legislation may say to pay the customer at a certain rate. A parental income estimate was lower than the actual income. The customer gets more than their entitlement. There is no legally recoverable debt because the payment was calculated correctly at the time.
- 7 Services Australia, General debt management information 107-02000000 p. 1; General debt information 107-01000000, p. 1.

1.6 The detection process involves identifying that an overpayment has occurred. This can occur when a customer notifies Services Australia of a change in their circumstances or through other activities including: annual reconciliations; data matching; regular payment reviews; and tip-offs. Where a potential overpayment has been detected it is classified as an undetermined debt and registered in the Debt Management Information System (DMIS).

1.7 The determination process involves undetermined debts being investigated to confirm if there is an overpayment that is legally recoverable. Where this condition is met, the value of the debt is calculated, a debt is raised and the customer is notified of the debt. When raising the debt, the delegate will establish whether the debt should be waived or recovered. If an overpayment is not legally recoverable, no debt exists (see footnote 6).

1.8 At the conclusion of the determination process, the undetermined debt is classified as a determined debt and the recovery of any outstanding debt balances is managed by Services Australia. Arrangements are made between the customer and Services Australia to repay the debt. If the debt is not paid by the due date (28 days from notification), there are a number of debt recovery arrangements that can be entered into such as cash repayments and withholdings from customer benefit payments. The type of recovery action is considered by the customer's status, for example, Services Australia can make withholdings from benefits and payment for current customers, whereas alternate arrangements are needed for non-current customers.⁸ Further recovery action can be taken where a suitable recovery arrangement is not entered into by the customer including Services Australia engaging external collection agents to recover debts of non-current customers. Where a person is in a vulnerable situation or experiencing financial difficulties, Services Australia aims to work with the person to determine a suitable way forward.

Debt raising legislative framework

1.9 Services Australia detects, determines, waives and recovers debt for Program 1.1 under the following legislation⁹:

- *Social Security Act 1991*;
- *Social Security (Administration) Act 1999*;
- *A New Tax System (Family Assistance) (Administration) Act 1999*;
- *Student Assistance Act 1973*;
- *Paid Parental Leave Act 2010*;
- *Data-matching Program (Assistance and Tax) Act 1990*;
- *Farm Household Support Act 2014* and Minister's Rules;
- *Public Governance, Performance and Accountability Act 2013*; and
- *Public Governance, Performance and Accountability Rule 2014*.

8 Customers may seek internal or external review of debt decisions made by Services Australia through the Administrative Appeals Tribunal (AAT).

9 In some instances debts may be raised and recovered under program specific legislation not listed above.

Policy entities

1.10 In 2021–22 Services Australia partnered with a range of entities to deliver social security and welfare payments and manage debts. Policy entities for Program 1.1 included the Department of Social Services (DSS), Department of Education, Skills and Employment (DESE)¹⁰, Department of Agriculture, Water and Environment (DAWE)¹¹, Department of Home Affairs, the National Recovery and Resilience Agency (NRRA)¹², Australian Trade and Investment Commission, Department of Veterans' Affairs (DVA), Department of Infrastructure, Transport, Regional Development and Communications (Infrastructure)¹³ and the Australian Taxation Office (ATO).

1.11 Where Services Australia manages a policy entity's debt, the value of debt accrued is reported in the policy entity's annual financial statements (rather than in Services Australia's). Bilateral arrangements between the policy entities and Services Australia aim to support debt management, oversight, reporting and data sharing arrangements.

Value of debt

1.12 Table 1.2 sets out the undetermined and determined levels of social security and welfare debt as at 30 June 2022. It is set out by debt benefit type which is the equivalent of the payment type under which the debt occurred. Around 90 per cent of social security and welfare debt raised is managed by Services Australia on behalf of DSS.

10 DESE became the Department of Education and the Department of Employment and Workplace Relations in July 2022.

11 DAWE became the Department of Agriculture, Fisheries and Forestry (DAFF) in July 2022.

12 From 1 September 2022 the National Emergency Management Agency (NEMA) became the responsible entity for all emergency payments.

13 Infrastructure became the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) from 1 July 2022.

Table 1.2: Value of undetermined and determined debt by debt benefit (payment) type as at 30 June 2022

Debt benefit group	Undetermined debt (potential overpayments) ^a				Determined debts			
	Total value of debts (\$ million)	Percentage of total value (%)	Total number of debts	Percentage of total number (%)	Total value of debts (\$ million)	Percentage of total value (%)	Total number of debts	Percentage of total number (%)
Family Tax Benefit (reconciliation only) ^{bc}	12	0.61	4332	0.29	1980	43.03	607,165	36.38
Parenting Payment Single ^c	125	6.57	50,173	3.35	518	11.25	75,212	4.51
Age Pension ^c	476	24.99	318,632	21.3	152	3.3	42,217	2.53
Newstart Allowance ^c	109	5.7	71,307	4.77	408	8.86	156,786	9.39
Child Care Subsidy (reconciliation only) ^{bd}	123	6.47	89,874	6.01	380	8.27	202,614	12.14
Disability Support Pension ^c	122	6.4	63,126	4.22	242	5.25	45,726	2.74
Carer Payment ^c	106	5.58	41,790	2.79	179	3.89	33,652	2.02
JobSeeker Payment ^c	184	9.67	229,488	15.34	81	1.76	145,561	8.72
Youth Allowance (Student) ^c	119	6.27	112,343	7.51	127	2.76	49,355	2.96
Family Tax Benefit (excluding reconciliation) ^{bc}	137	7.22	194,101	12.98	88	1.91	98,889	5.93
Coronavirus Supplement ^c	125	6.55	94,422	6.31	61	1.32	62,077	3.72
Parenting Payment Partner ^c	51	2.67	27,961	1.87	132	2.86	33,642	2.02
Austudy — Customer ^c	33	1.72	29,732	1.99	71	1.55	19,512	1.17
ABSTUDY ^c	35	1.83	29,732	1.99	23	0.5	7223	0.43
Youth Allowance (Jobseeker) ^c	31	1.62	42,428	2.84	21	0.47	28,870	1.73
Total for 32 other debt benefit types ^{ef}	117	6.14	96,198	6.43	139	3.02	60,369	3.62
Total	1905	100	1,495,639	100	4602	100	1,668,870	100

Note a: The reported number and value of undetermined debts includes parked and Family Tax Benefit qualification debts. See footnote 68 and Appendix 5 for further information about these debts.

Note b: Debt raising for Family Tax Benefit, Child Care Subsidy and Farm Household Allowance have been grouped into debt benefit groups reconciliation only (where debts are determined on a financial year basis, for example in the annual reconciliation process after actual [rather than estimated] income is confirmed and payments are balanced) and exclude reconciliation debts (where debts occur throughout the year, for example when they are triggered by notification of a change in customer circumstances).

Note c: DSS was the policy entity for these debt benefit groups.

Note d: DESE was the policy entity for the Child Care Subsidy.

Note e: This provides a combined subtotal to show the debt benefit types that are not one of the top 15 in terms of value or number of debts.

Note f: Policy entities include ATO, AGD, DAWE DESE, Department of Home Affairs, DSS and DVA. Table 1.2 does not include debts arising from Infrastructure or Australian Trade and Investment Commission payments.

Source: ANAO analysis of Services Australia, Debt Profile Report, 30 June 2022.

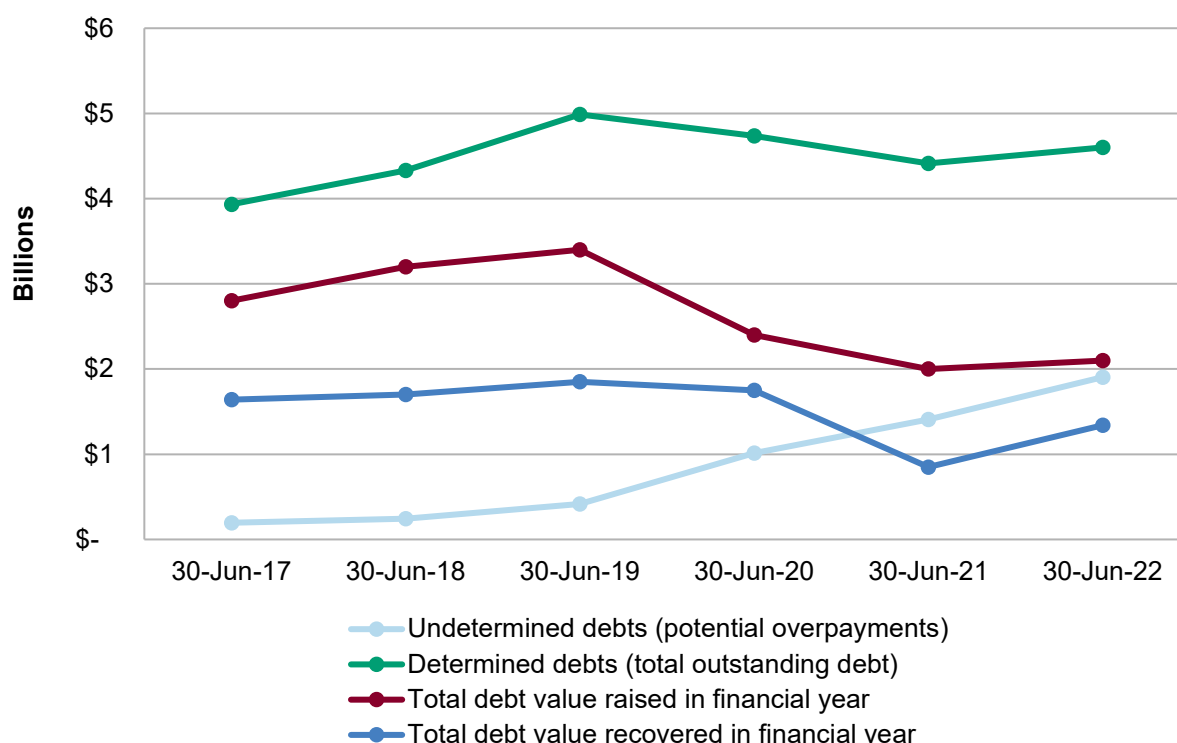
1.13 Figure 1.2 shows the total levels of debt since 2016. Since 2016 undetermined debt has risen by around \$2 billion, while the total debts raised and recovered have fallen by more than \$1 billion. Debt pauses have influenced debt balances. During debt pauses, Services Australia does not:

- actively pursue recovery of debts (and temporarily writes-off the debt); and
- does not raise new debts for customers in the affected regions, except in the case of fraud, serious non-compliance or at the request of the customer who would like the debt to be raised (meaning a potential overpayment remains undetermined during this period).

1.14 Since 2019, natural disasters such as bushfires and floods, combined with the impacts of the COVID-19 pandemic, led the Australian Government to implement debt pauses, either for all customers or customers within a specified local government area.¹⁴

- The first national debt pause commenced on 3 April 2020, announced by the Minister for Government Services. In November 2020, debt raising activity recommenced.
- Between February 2021 and February 2022, Services Australia implemented further pauses to debt raising and recovery in specific regions impacted by natural disasters.¹⁵ Services Australia gradually recommenced debt raising from January 2022 and recovery from July 2022.

Figure 1.2: Debts raised for recovery, debts recovered and undetermined debts from customers who received social security and welfare payments 2016 to 2022



Note: All values reflect the amounts reported in each year. No adjustments have been made for inflation.

14 From 2019 to 2022, Services Australia exercised delegations and enacted administrative processes to apply debt pauses in response to government decisions during times of crisis or disaster.

15 Where debt pauses were implemented, Services Australia applied temporary write-offs to stop debt recovery action for a defined period (see Appendix 5 for a description of write-offs).

Note: The reported number and value of undetermined debts includes parked and Family Tax Benefit qualification debts. See footnote 68 and Appendix 5 for further information about these debts.

Note: The undetermined debts (potential overpayment) value reported for 2017 is the value reported at 30 April 2017 in Services Australia's Debt Profile Report. The 30 June 2017 value was not available.

Note: The total value of debt raised and the total value of debt recovered in a financial year reflect amounts reported in Services Australia's annual reports between 2016–17 and 2021–22. These amounts are rounded to the nearest \$10 million.

Source: ANAO analysis of Services Australia's annual reports and internal debt reports.

1.15 From August 2022 under phase one of the Situational Hardship Project¹⁶, disaster affected customers are no longer subject to automatic debt pauses. Customers impacted by disasters, or in receipt of a crisis payment, can choose how they manage their debt repayments and can request a debt repayment pause of 1, 2 or 3 months through staff assisted or self-service channels.¹⁷ Customers are able to request two pauses in a 12 month period. Phase two of this project has been delayed 12 months and is due for completion in September 2023. It is expected to incorporate other hardship events and explore the feasibility of enhanced digital channels such as two-way SMS. A post implementation review is planned for completion in 2023.

Rationale for undertaking the audit

1.16 At 30 June 2022 there was \$4.6 billion outstanding social security and welfare debt that has been determined (1,668,870 individual debt cases), and \$1.9 billion undetermined debt¹⁸, across more than 47 debt benefit groups. Of the total outstanding debt, \$3.7 billion was temporarily written-off at 30 June 2022 (1,344,838 individual debt cases). As shown in Figure 1.2, debt balances and the value of undetermined debt have been increasing since 2018. This audit was identified as a Joint Committee of Public Accounts and Audit (JCPPA) priority for the Parliament for 2022–23. This audit provides the Parliament with assurance that Services Australia is managing and recovering debt effectively with fit-for-purpose arrangements.

Audit approach

Audit objective, criteria and scope

1.17 The objective of the audit is to assess the effectiveness of Services Australia's management of social security and welfare debt.

1.18 To form a conclusion against the objective, the following criteria were applied.

- Does Services Australia have fit-for-purpose debt management governance arrangements?
- Has Services Australia developed and implemented effective strategies and processes to manage debt?
- Does Services Australia assess and accurately report on the effectiveness of its debt management and performance activity?

16 This project provided customers with channels to self-manage debt pauses and payment arrangements during natural disasters.

17 Recently introduced self-service channels include Money You Owe and Interactive Voice Response telephony micro services.

18 The reported value of undetermined debts includes parked and Family Tax Benefit qualification debts. See footnote 68 and Appendix 5 for further information about these debts.

1.19 The audit focused on social security and welfare debt management and recovery activities and did not examine Medicare or Child Support debt. In some parts of the audit, analysis was narrowed to a selection of payment types. Services Australia does not provide debt management and recovery services for all social security and welfare payments, only payments where overpayments were detected were examined. The audit focused on Services Australia's debt governance and undertook testing of debt detection, determination and recovery activities in 2021–22. The audit had regard to debt governance, strategy and reporting and performance measurement in prior years and 2022–23. The audit did not examine the Online Compliance Intervention System For Debt Raising and Recovery (colloquially known as Robodebt).

Audit methodology

1.20 The audit involved:

- examination of documentation held by Services Australia, and where necessary policy entities, related to debt management and recovery, including bilateral arrangements, governance/committee papers, strategies, policies and procedures and debt reporting;
- meetings with relevant Services Australia and selected policy entity staff;
- examination of the operation and key controls of Services Australia's financial and debt systems used to manage debt; and
- extraction and analysis of debt data and reports on debt from key Services Australia financial and debt systems.

1.21 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$941,000.

1.22 The team members for this audit were Tracey Martin, Renina Boyd, Leah Farrell, Sonya Carter, Ewan McPherson, Aiden Williams, Lauren Huning, Anne-Sophie Colin and Alexandra Collins.

2. Governance

Areas examined

This chapter examines whether Services Australia had fit-for-purpose debt management and governance arrangements, comprising: arrangements to support the oversight and coordination of debt management and recovery; and fit-for-purpose debt management policies and procedures.

Conclusion

Services Australia has partly fit-for-purpose debt administration and recovery governance arrangements. Services Australia's processes for managing and coordinating debt management and recovery activities include internal governance arrangements and informal and formal arrangements with policy entities responsible for the social security and welfare payments administered by Services Australia. These arrangements are not clearly documented. Services Australia has policy and procedures and training materials for debt management and recovery. Staff deemed 'proficient' through quality checking activities did not achieve correctness targets in 2021–22 when processing new debts.

Areas for improvement

The ANAO made two recommendations aimed at documenting governance arrangements (paragraph 2.22) and reviewing policies and procedures to improve effectiveness and useability (paragraph 2.42).

The ANAO also identified three opportunities for improvement relating to: maintaining currency of delegations with policy entities (paragraph 2.6); clearly and consistently defining the organisation's role in managing debt in bilateral arrangements (paragraph 2.12); and establish a framework for reviewing debt management policies and procedures (paragraph 2.33).

2.1 Governance arrangements are critical to the success of program administration. It is important that governance arrangements are documented, mapped across an organisation to show interrelated functions and, where more than one entity is involved, agreed responsibilities between the relevant entities. Robust governance arrangements set out governance structures, roles and responsibilities, lines of accountability and delegation, internal controls¹⁹, reporting arrangements and performance expectations. Effective arrangements can limit ambiguity in terms of roles and responsibilities and establish clear governance and controls.

2.2 This chapter examines whether Services Australia clearly articulated and implemented governance structures and roles and responsibilities to support oversight and coordination of debt management. It also examines whether fit-for-purpose policies and procedures were developed to address requirements set out in legislation. Reporting and performance arrangements for debt are examined in Chapter 4.

19 Subsection 16(b) of the *Public Governance, Performance and Accountability Act 2013* requires accountable authorities to establish and maintain an appropriate system of internal control, this includes establishing policies and procedures that comply with finance law and other legislation that must be adhered to when managing debt.

Has Services Australia established arrangements to support oversight and coordination of debt management and recovery?

Seven entities with policy responsibility for social security and welfare payments managed by Services Australia have delegated debt related functions and powers to Services Australia's Chief Executive Officer (CEO). It is unclear what processes are in place to ensure delegations from policy entities are current. In 2021–22, internal delegations from Services Australia's CEO to staff to undertake debt management and recovery were only limited by the value of the debt to be actioned and the level of the staff. Services Australia oversees and coordinates debt management and recovery activities via bilateral agreements, organisational reporting structures, governance and operational committees and informal and formal contact arrangements with policy entities. The relationship between these arrangements is not documented. The bilateral arrangements do not clearly set out debt management roles and responsibilities or escalation pathways.

Delegated functions and powers

2.3 The accountable authorities of the policy entities that are responsible for social security and welfare payments and benefits²⁰ delegate their debt management functions under relevant legislation to the Chief Executive Officer (CEO) of Services Australia.²¹ The policy entities did not impose limitations on Services Australia's exercise of the delegated debt powers and functions. As a result, there is no requirement for Services Australia to consult policy entities when making delegated decisions such as waiving debts.

2.4 Services Australia's Legal Services Division holds the policy entity delegations. It is unclear what practices are in place for the Legal Services Division to communicate with relevant business areas when updates or amendments to these instruments are required. In June 2022, Administrative Arrangement Orders made changes to the composition of policy entities for whom Services Australia manages payments (following machinery of government changes). All but one of the delegation instruments from the affected policy entities were updated in June 2022, with the delegation from the Department of Education not updated until November 2022.

2.5 The CEO of Services Australia delegates responsibilities for debt management activities on behalf of policy entities to Services Australia staff (see Figure 2.1). The CEO's delegations, referred to as internal delegations, are kept within the Delegations and Authorisations Register (the register). A review of the register found:

- Services Australia officials that were delegated debt management functions ranged in level from APS 1 and above; 88 per cent of debt powers were delegated at APS1 to APS6 levels.

20 See paragraph 1.10 for the relevant policy entities, excluding Australian Trade and Investment Commission, Department of Infrastructure, Transport, Regional Development and Communications and Australian Taxation Office.

21 For example, the Secretary of the Department of Social Services (DSS) delegated powers under the *Social Security Act 1991*, *Student Assistance Act 1973*, *A New Tax System (Family Assistance) (Administration) Act 1999*, and the *Paid Parental Leave Act 2010* to Services Australia. Under the *Social Security Act 1991* the debt powers that were delegated included determining when prepayments were not debts, issuing notices in respect of debts, entering into repayment arrangements, and waiving and writing-off debts.

- In 2021–22, internal delegations generally did not limit debt management functions and powers to staff carrying out specific debt activities or those working within specified debt related branches or divisions of Services Australia. The internal delegations imposed limitations based on the value of the debt.

Opportunity for improvement

2.6 Services Australia could establish mechanisms to ensure delegations from policy entities are valid at all times and are amended, where necessary, in a timely way, including when there are machinery of government changes and development of or changes to legislation.

Debt management governance

2.7 There are three components to Services Australia's governance of debt.

- Bilateral arrangements are in place at a broad relationship level between Services Australia and each policy entity.
- Internal governance arrangements involving senior executive governance committees, a debt specific operational committee and various divisions and branches carrying out debt management activities.
- Officer level contact between Services Australia's branches with debt management responsibility and the branch within the policy entity responsible for administering the relevant payment type managed by Services Australia.

Bilateral arrangements

2.8 The key purpose of Services Australia's bilateral arrangements is to provide a robust basis for service delivery expectations and establish clear deliverables, performance measures (service levels) where required, and issues management and resolution processes.²²

2.9 Services Australia's responsibility for the management of debts arising from payments that it delivers were set out in bilateral arrangements with seven policy entities reviewed by the ANAO.²³ Services Australia's role in relation to debt varied by entity, see Table 2.1, and are subject to the delegations from policy entities.

22 Auditor-General Report No.30 2019–20 *Bilateral Agreement Arrangements Between Services Australia and Other Entities*, paragraph 1.9.

23 The seven policy entities were the Department of Social Services; the Department of Education, Skills and Employment; the Department of Agriculture, Water and Environment; the Department of Home Affairs; the Department of Veterans' Affairs; the Department of Infrastructure, Transport, Regional Development and Communications; and the Australian Taxation Office.

Table 2.1: Services Australia's debt management role set out in bilateral arrangements

Entity	Services Australia debt responsibility
Department of Agriculture, Water and Environment (DAWE)	Debt reporting
Department of Education, Skills and Employment (DESE)	Debt reporting
Australian Taxation Office (ATO)	Debt detection
Department of Home Affairs (DHA)	Debt detection, raising, recovery and reporting
Department of Social Services (DSS)	Debt raising, recovery, management and reporting
Department of Veterans' Affairs (DVA)	Debt recovery and reporting
Department of Infrastructure, Transport, Regional Development and Communications (Infrastructure)	Debt management

Source: ANAO analysis of bilateral arrangement documents between Services Australia and policy entities.

2.10 The seven sets of bilateral agreements did not contain debt specific governance arrangements. Services Australia advised the ANAO that the general governance arrangements²⁴ outlined in the head agreements and service schedules of the bilateral arrangements could be used for the management of debt.²⁵ The application of general governance arrangements to debt activities conducted by Services Australia is not clear because agreements do not always record the payments and services delivered by Services Australia for the relevant policy entity.

2.11 The terms of reference for the committees established under the bilateral arrangements did not include the oversight of debt. Between June 2021 to June 2022, debt was mentioned in the minutes or papers of eight strategic or operational committees between Services Australia and five policy entities (DSS, DESE, DVA, ATO, DAWE). The debt related items primarily discussed updates from Services Australia, with four instances of decisions made about debt and three instances of issues regarding debt raised or escalated to other committees. With the exception of the bilateral committees with DSS and DAWE which required regular performance reporting or further information about debt activities, the discussions relating to debt at other policy entity committees were minor queries and non-urgent in nature.

Opportunity for improvement

2.12 Where Services Australia has a debt responsibility to fulfil on behalf of a policy entity, there is an opportunity to define the nature and scope of Services Australia's role in debt management in bilateral arrangements documents using language that is consistent with Services Australia's internal policy and procedures.

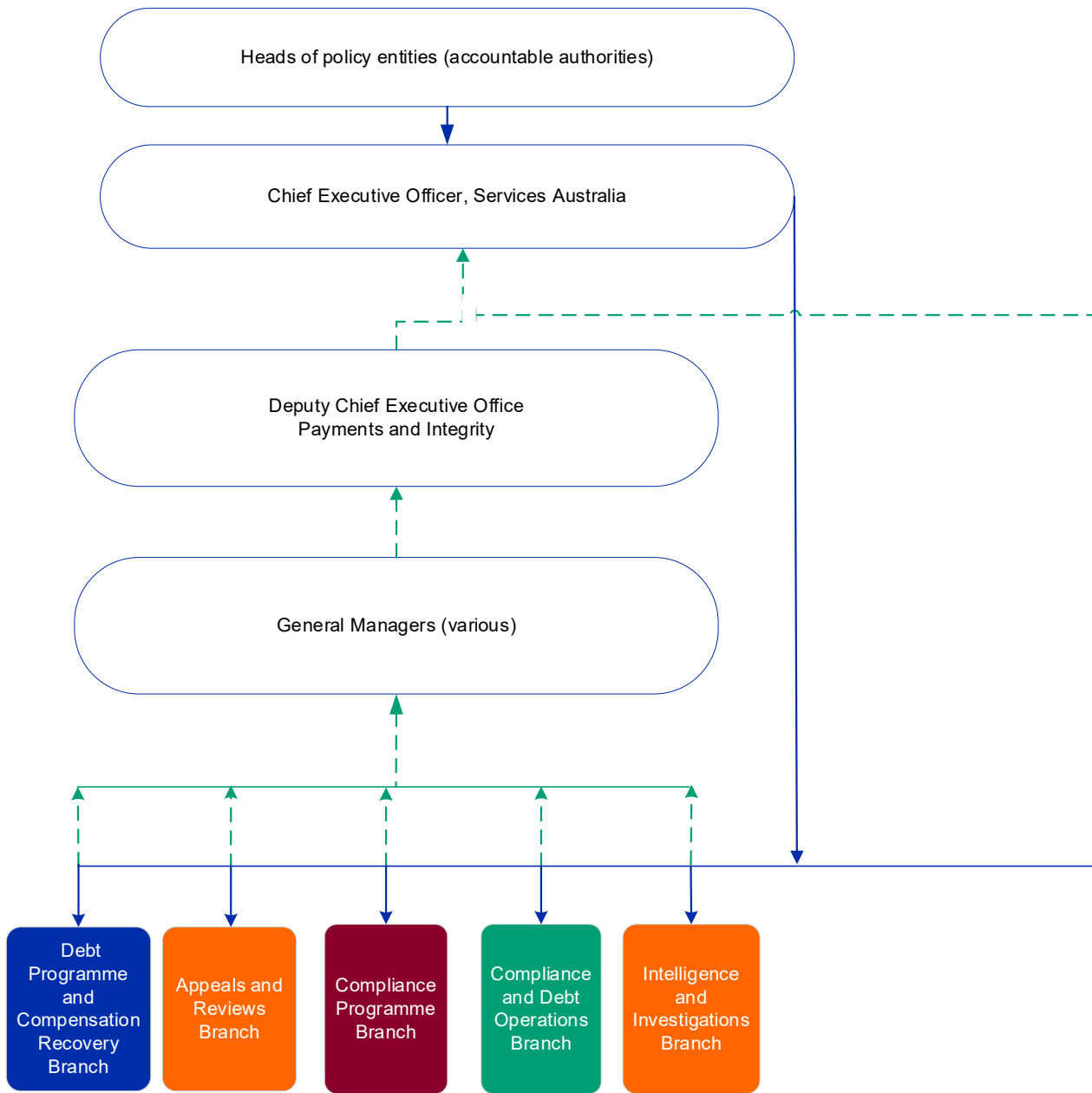
²⁴ Strategic and operational committees and relationship manager and contact officer.

²⁵ In October 2022, the Department of Education and DSS advised the ANAO that a review of the bilateral arrangements was in progress to improve the arrangements particularly, documentation of aspects of the arrangements.

Services Australia's internal governance arrangements

2.13 Services Australia advised that eleven branches are involved in debt detection, determination and recovery of social security and welfare debt (see Figure 2.1). The responsibilities of these branches are not documented in delegations or supporting policy and procedures. Services Australia's organisation chart depicts lines of responsibility for branches, divisions and groups, with the Deputy Chief Executive Officer, Payments and Integrity and the Deputy Chief Executive Officer, Customer Service Design responsible for the various branches carrying out debt management activities. Services Australia advised the ANAO that responsibility for debt related matters is shared across various divisions at National and General Manager (NM and GM) levels and is driven by the payment type. The relationship and interactions between the three governance components described at paragraph 2.7 are not documented.

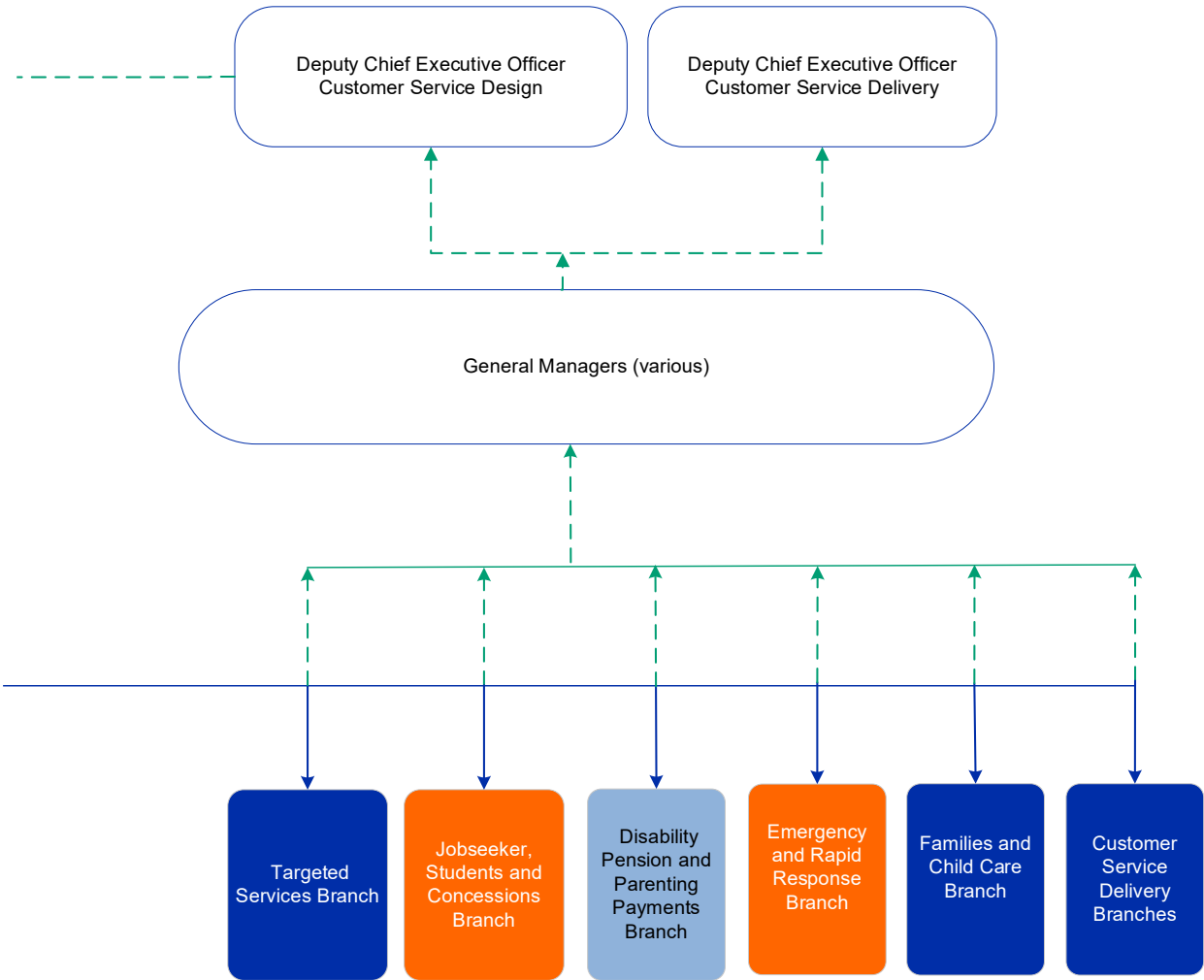
Figure 2.1: Components of Services Australia’s governance of debt management in August 2022



Key

 Undertakes detection, determination and recovery of debt	 Internal reporting lines
 Undertakes detection and determination of debt	 Delegation
 Undertakes determination and recovery of debt	
 Undertakes debt determination only	
 Undertakes debt detection only	

Note: Services Australia payment areas have changed since August 2022.
Source: ANAO analysis of Services Australia’s records and advice.



2.14 There is an operational committee that focuses on debt and payment accuracy, established in December 2020. The Debt and Integrity Projects Board (the Board) oversees projects and initiatives related to improving debt management. The Board is the decision-making body for the Debt and Integrity Program. The Debt and Integrity Projects Board is chaired by the GM Debt and Integrity Projects Division and reports to the Deputy CEO Payments and Integrity Group.

2.15 The Board's terms of reference are clear and include key activities and deliverables of the Board, membership²⁶ and frequency of meetings (intend to meet fortnightly). Services Australia advised that the Board met 26 times between June 2021 and June 2022, papers or minutes were maintained for 25 meetings, two of these being extraordinary meetings.²⁷ Seven meetings of the Board have been documented between July and December 2022.

2.16 In August 2022, Services Australia's governance structure was comprised of eight enterprise committees segregated into three tiers.²⁸

- Tier 1 comprised of the Executive Committee (CEO and Deputy CEOs, meeting fortnightly).
- Tier 2 comprised of the Enterprise Business and Risk Committee (CEO, Deputy CEOs and GMs, meeting fortnightly) and the Transformation and Integration Committee (Deputy CEOs and GMs, meeting fortnightly).
- Tier 3 comprised of the Customer Sub-Group (Deputy CEOs and GMs, meeting fortnightly), People Sub-Group (Chief Operating Officer and GMs, meeting monthly), the Security Sub-Group (Deputy CEOs and GMs, meeting fortnightly), the Portfolio Management Steering Group (GMs and NMs, meeting monthly) and the Enterprise Automation & Digital Delivery Board (GMs and NMs, meeting monthly).

2.17 Services Australia also has an Audit and Risk Committee which meets at least six times a year and provides independent assurance to the CEO on the appropriateness of the financial and performance reporting, risk management system and internal controls.

2.18 Services Australia's enterprise committees did not have a significant role in the oversight and decision-making of debt matters. The enterprise committees discussed matters relating to debt management 15 times in 2021–22, and received supporting papers for three matters. Five of the eight committees discussed and made decisions about debt matters infrequently and generally did not deliberate on effectiveness of debt management activities.²⁹ The Audit and Risk Committee

26 Debt and Integrity Projects Board membership includes General Manager, Debt and Integrity Projects Division as Chair, General Managers of each debt division, plus General Manager Core Technology Services Division as voting members. National Manager of each debt branch as non-voting members. DSS representatives are non-voting members of the Board. Voting members can endorse, not endorse or note items presented to the board whereas non-voting members cannot.

27 The ANAO requested these records in June 2022, minutes for twelve of these meetings were provided in April 2023 following Services Australia's receipt of the ANAO's draft final report.

28 As at December 2022, Services Australia's enterprise committee structure was revised. The Executive Committee is Services Australia's most senior internal management committee, and is supported by the Customer Sub-Group, Enterprise Automation and Digital Delivery Board, People Sub-Group, Portfolio Management Steering Group, and Security Sub-Group.

29 The five committees that considered debt matters were Executive Committee (three meetings), Transformation and Integration Committee (two meetings), Enterprise Business and Risk Committee (four meetings), Customer Sub-Group (five meetings) and People Sub-Group (one meeting).

received papers or discussed debt matters three times. Except for the Enterprise Business and Risk Committee, debt was not referenced in the terms of reference for enterprise committees.³⁰

Payments-based officer contacts

2.19 There are a range of formal and informal meetings between Services Australia and policy entities on day-to-day debt operations that are not described in the bilateral arrangements.

2.20 Services Australia advised the ANAO that aspects of governance arrangements, such as issues escalation, are payment specific. The ANAO examined payment-based officer contacts for six payment types (Austudy [DSS], Age Pension [DSS], Family Tax Benefit [DSS], Child Care [DESE], Parenting Payment Single [DSS] and Farm Household Allowance [DAWE]).

2.21 Services Australia provided evidence of eleven examples of payment-based contacts with policy entities to resolve debt matters, and an additional five where the policy entity contacted Services Australia for information or clarification. The discussions primarily addressed low level issues or inquiries at an officer level. In 2021–22, across the six payment types, issues were discussed via telephone or email at the officer level for five payment types. The examples provided did not demonstrate the use of general bilateral governance arrangements (for the relevant policy entity) or payment specific escalation processes that Services Australia advised they follow. In some cases, matters raised were not resolved.

Recommendation no. 1

2.22 Services Australia document and map the internal and bilateral oversight arrangements for all debt management activities, including reporting lines, roles and responsibilities of governance committees and officer level meetings and performance reporting.

Services Australia response: *Agreed.*

2.23 *As noted in the report, the Agency oversees and coordinates debt management and recovery activities via bilateral agreements, organisational reporting structures, governance and operational committees, and informal and formal contact arrangements with policy entities.*

2.24 *These agreements are intended to be strategic and principles-based. The level and frequency of engagement, composition of governance committees, reporting arrangements and granularity of any performance measures or targets will, of necessity, be driven by a range of factors including the risk tolerance and appetite of the partner entity, the materiality, and the risk and the complexity associated with the payments or services being delivered. In addition, the nature of debt management arrangements are subject to change including due to a range of external factors, and consequently the nature of reporting — including performance monitoring — is constantly under review. Finally, any changes to these bilateral agreements would need to be developed in consultation with the relevant partner agencies.*

30 The Enterprise Business and Risk Committee's terms of reference specified the Customer Sub-Group should monitor customer delivery performance (through to debt management). The Customer Sub-Group terms of reference did not reflect this debt monitoring role.

2.25 The Agency notes that the bilateral arrangements, including the performance measures and targets, in place with the Department of Social Services in respect of the social security and welfare payment programme are currently under review. More broadly, the Agency acknowledges that there is scope to improve the currency and coverage of these arrangements, as well as the clarity with which these existing arrangements relate to each other, including the ongoing appropriateness of the governance, reporting and performance measurement arrangements, as well as the interaction of officer-level escalation processes within bilateral governance arrangements.

Have fit-for-purpose policies and procedures been developed to support effective debt management and recovery?

Services Australia has 250 policies and procedures for debt management and recovery which are accessible by all staff. References to legislation in guidance materials are generally current and accurate, with a few exceptions. Procedures do not inform staff of whether they are carrying out an administrative process or a legislative function for which they require a delegation. Internal training is grouped into debt raising (48 training days), debt recovery (10 training days) or a combination of both elements (50 training days). Results of quality assurance activities indicate that policies, procedures and training do not sufficiently support staff assessed as 'proficient' to achieve the target correctness rate of 95 per cent or higher when determining new debts.

Debt policy and procedures

2.26 Services Australia's Operational Blueprint is accessible to all staff and contains reference material to support delivery of services. Services Australia has published social security and welfare debt management policy and procedures in its Operational Blueprint. Within the Operational Blueprint there is a debt section that includes 250 documents (comprised of topics [5], sub-topics [30], procedures [179], annotations [21] and attachments [15]). An individual policy and procedure document contains up to five parts (major headings): Background; Process; References; Resources; and Training and Support.

2.27 Table 2.2 provides an overview of the structure of the debt section of the Operational Blueprint that sets out five topics that are relevant to social security and welfare debt.

Table 2.2: Structure of debt policy and procedures in the Operational Blueprint

Topics	Number of Sub-Topics	Number of Procedures
General debt management information	7 ^a	40
Debt raising (determination)	9	60
Debt recovery for Centrelink	9	59
Debt waivers and write-offs	2	11
Recovery of Centrelink compensation debts	3	9

Note a: General debt management information sub-topics include debt identification (detection), debt investigation and the debt management information system.

Source: ANAO analysis of the Operational Blueprint.

2.28 Debt guidance is generally not structured by payment type to which the debt relates. Six sub-topics under the debt raising topic relate to groups of payments: pension debts; student debts; family assistance debts; paid parental leave and dad and partner debts; child care debts; and *Social Security Act 1991* debts.

2.29 The structure of debt policy and guidance does not provide a pathway for the decision-making and processing steps required when a potential overpayment is detected (see Figure 1.1). The guidance is not set out by payment type that gave rise to the debt that would allow ease of reference to the particular legislative or policy requirements for the type of potential overpayment to be actioned by a Services Australia officer. Most of the documents in the debt section of the Operational Blueprint have been in place since February 2015 and were frequently updated (three quarters of the documents had been updated 17 times or more, with some documents updated more than 60 times). The frequency of amendments requires staff to closely review and follow the relevant policy or procedure each time they complete the task.

2.30 The ANAO observed that the use of the search function within the Operational Blueprint produces a long list of material that contains the key words searched for, including material that is less relevant displayed towards the top of the search results. Finding payment related debt material is not straightforward, as a document title rarely indicates the scope of its contents.

2.31 Some documents provide links to lists of debt teams or other contacts such as partnership teams. Generally, there is limited information about where to go for help. Services Australia advised the ANAO in December 2022 that support is available to staff in locating relevant material including through a hints and tips page, Quality Development Officers, Team leaders, a Level 2 Debt Helpdesk and Level 3 Debt Policy Team, and a pilot of an Operational Blueprint Virtual Assistant (designed to help staff find the information they need).

2.32 Most (167, 79 per cent) of the Operational Blueprint documents reference legislation. References to legislation were generally current, complete and accurate, with a few exceptions.³¹ The references were usually not embedded within the description of the process and instead listed in the reference section.³² Overall, there were 13 documents that did not reference current legislation³³, 10 documents that did not have complete references to legislation and 39 documents which did not have accurate references to legislation. Examples of characteristics that did not meet current, complete and accurate references to legislation include a reference to a bill rather than an act passed by parliament, legislation title incomplete, legislation that was not in force, legislation sections not listed and the legislation section listed was incorrect.

31 The Operational Blueprint also contains documents that reference policy guides. References to policy guides were generally current, complete and accurate.

32 Services Australia advised the ANAO in December 2022 that references to legislation are generally not included in the Process tab, to ensure that processes are easier to follow. Such an approach limits visibility of aspects of processes that are required to satisfy legislative requirements and where staff are exercising delegated responsibilities.

33 Historical references to legislation are often indicated in policy and procedure documents under a historical legislation heading or by indicating the legislation is historic or relates to circumstances prior to a specified date. For example, historical references are relevant to interest charges and a recovery fee where it is appropriate to provide reference to historical processes to explain previous decisions.

Opportunity for improvement

2.33 There is an opportunity for Services Australia to establish a clear framework for reviewing debt management policies and procedures to maintain their completeness, accuracy and internal consistency.

Internal training

2.34 Debt management policy and procedures in the Operational Blueprint provide links to training courses under the 'Training and Support' heading in individual documents. Training courses are accessible on Services Australia's intranet through the Learning Management System. The ANAO examined 37 debt courses available online in July and August 2022, few courses referred to legislation (10) or delegations (six) to support staff understanding of when they must comply with social security and welfare law and must have an appropriate delegation to make a decision.³⁴

2.35 Services Australia has a Debt Learning Plan for staff who are new to a debt management activity. The plan includes three training pathways. Debt raising training includes considerable payment stream training (Phase 2b in Table 2.3), involving 35 days of training, and 99 courses. The training is grouped for completion in phases by skill-level and experience. Table 2.3 sets out for each training pathway the number of days and courses to be completed and the training content.

34 Twenty-one (57 per cent) courses included competency tests. None of the courses had a requirement to re-sit the course or review the material if the staff member failed the final proficiency check.

Table 2.3: Debt training pathways content and time to complete

Training pathway	Training days (number)	Training courses (number)	Training content					
			Phase 1: Customer Service Skills	Phase 2a: Debt raising technical	Phase 2b: Payment streams technical	Phase 2c: Debt raising upskill	Phase 3a: Debt recovery specific	Phase 3b: Debt recovery upskill
Debt raising	48	158	✓	✓	✓	✓	✗	✗
Debt recovery	10	69	✓	✗	✗	✗	✓	✓
Debt raising and recovery	50	185	✓	✓	✓	✓	✓	✓

Key: ✓ Included in pathway ✗ Not included in pathway.

Source: ANAO analysis of Services Australia's Debt Learning Plan.

2.36 Services Australia maintains records of self-paced learning in its Learning Management System, and advised the ANAO that it plans to record attendance at facilitated training in this system. Services Australia did not demonstrate that it monitored or determined whether debt staff had completed minimum requirements (such as the Debt Learning Plan) or individual staff training recorded in performance plans.

Quality assurance

2.37 Staff completing debt raising and recovery activities are subject to quality assurance processes within the relevant branch.³⁵ Two programs support quality checking: Quality Online (QOL) and Quality Management Application (QMA).

- QOL supports sampling and quality checking of work completed by staff in the Customer First and Customer Record systems. Proficiency levels are applied by system or benefit type, and activity type.³⁶
- QMA supports sampling and quality checking of work completed by a staff member in the Process Direct system. Proficiency is applied to a skill tag³⁷ or through an auto-sampling model.³⁸

2.38 The proficiency level determines the required correctness rate and sampling rate for work completed by staff, see Table 2.4. It is intended that staff achieve proficiency ratings of 'proficient' in QOL and 'experienced' in QMA, so that when undertaking processing they achieve a 95 per cent correctness rate or higher. After two weeks and completion of at least 20 cases for a type of debt task (for example, determining whether a potential overpayment is a debt), regular proficiency assessments are undertaken until these proficiency levels are achieved and then reviewed every 12 months. Where a staff member has a 'proficient' or 'experienced' proficiency rating and their correctness rates regularly fall below the 95 per cent level, a proficiency assessment is triggered.

Table 2.4: Quality checking minimum correctness and sampling rates by proficiency level and system

Proficiency level QOL	Proficiency level QMA	Minimum correctness rate to be achieved by staff	Quality checking sampling rate for work completed
Learner	Entry	<85% ^a	100%
Intermediate	Established	85% to <95%	25%
Proficient	Experienced	95% or higher	2%

Note a: Staff undertaking new activities also have a proficiency level of 'entry'.

Source: Services Australia, *Staff Quality Management Application (QMA) Proficiency Policy*, August 2021, p. 1, *Quality Management Application in Process Direct 111–20010800*, p. 6, and *Updating Proficiency for QOL 111–20071707*, p. 10.

35 The ANAO audited Services Australia's quality assurance arrangements in Auditor-General Report No.10 2018–19, *Design and Implementation of the Quality Framework*.

36 Activity types are classified as new claims and non-new claims.

37 A staff member can have more than one skill tag. Proficiency assessments must be assessed separately for each skill tag. Skill tag applies to, for example, the Status Resolution Support Services.

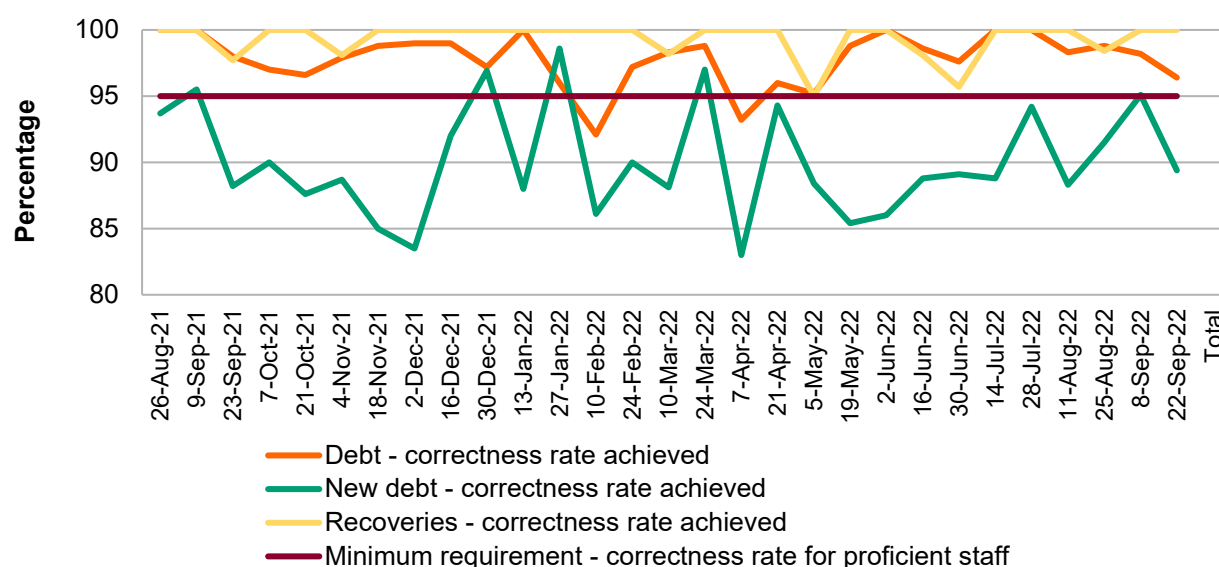
38 Auto-sampling applies to a range of payments, claims and processes. For example, ABSTUDY, Age Pension Claims, Additional Child Care Subsidy Child Wellbeing Determination, Assurance of Support Claims and Australian Government Disaster Recovery Payment.

2.39 The Compliance and Debt Operations Branch (one of the branches with responsibility for debt raising and recovery activities) provided the ANAO with the number of staff at proficiency levels for QOL by system and skill tag. Depending on the payment type or debt process, between 45 to 60 per cent of staff in that branch had not achieved a 'proficient' rating in QOL. Compliance and Debt Operations staff generally do not undertake processing in the Process Direct system, meaning QMA did not contain debt processing quality check records for these staff.³⁹ The proficiency ratings for QOL indicate that policy and procedures do not sufficiently support staff when processing debt.

2.40 For Compliance and Debt Operations Branch staff between August 2021 and September 2022, the number of items checked varied by fortnight from 14 to 300 quality checks for a debt activity. Over this period, 2842 debt, 3686 new debt (determination of an undetermined debt) and 1359 recoveries items were quality checked.⁴⁰

2.41 For Compliance and Debt Operations Branch staff who were assessed as 'proficient' in QOL for debt processing activities, Figure 2.2 shows correctness rates ranged from 83 to 100 per cent in quality checks for debt processes.⁴¹ New debt items checked had the lowest (unsatisfactory) correctness rates, while recoveries had consistently high (satisfactory) correctness rates. Quality assurance results for new debts indicated that policy and procedures, training and supervision do not sufficiently support staff to achieve desired correctness rates of 95 per cent or higher.

Figure 2.2: Quality check correctness rates in QOL for 'proficient' staff, debt processing fortnightly August 2021 to September 2022



Source: ANAO analysis weekly QOL correctness results between 26 August 2021 and 22 September 2022.

39 Services Australia recorded proficiency levels for two skill tags [jobseeker, youth allowance and students and older Australians, disabilities and carers]. Debt work was not undertaken in Process Direct for these skill tags, so there was no quality checking for debt in QMA. Services Australia processed debts in Process Direct for Farm Household Allowance, Child Care Subsidy and Family Tax Benefit.

40 QOL defined the quality check activities 'debt' as amending a determined debt, 'new debt' as actioning an undetermined debt and 'recoveries' as negotiating repayments.

41 Services Australia advised that Compliance and Debt Operations Branch staff do not appear in QMA reports as Debt Management Information System (DMIS) debt, new debt and recovery activities are not processed in the Process Direct system.

Recommendation no. 2

2.42 Services Australia review the effectiveness and usability of policies and procedures, training and supervision relating to debt management activities to improve staff proficiency rates and results of quality assurance activities.

Services Australia response: *Agreed.*

2.43 *The Operational Blueprint is the key source of procedural guidance and information to support Agency staff in delivering payments and services, including in relation to debt management activities. The Operational Blueprint is regularly updated based on staff feedback, helpdesk enquiries, feedback from section 126 and 135 reviews under the Social Security (Administration) Act 1999, and AAT outcomes and policy or legislative change. Operational Blueprint guidance requires a balance between correctly translating legislation and policy, and ensuring the information is concise, user friendly, and able to be quickly and accurately translated by our frontline staff into action.*

2.44 *Operational Blueprints are complemented by other workforce capability activities such as daily staff communication, formal training, coaching, on the job experience, daily team briefings established through our high performance programme Empowering Excellence, direct supervision, and the support of Quality Development Officers and their reviews.*

2.45 *Further, the Agency has implemented and operationalised its quality policies and guidelines. These include quality call listening for all staff undertaking telephony activities, Aim for Accuracy exercises to provide assurance that the work has been through quality checking processes, ensuring that Quality Development Officers are in place to support quality results, and targeted checking processes when systemic issues are identified.*

2.46 *There are also escalation processes in place for more difficult cases, including Team Leaders, Quality Development Officers and function-specific helpdesks. As the ANAO has identified, quality and proficiency have been impacted by significant redeployments of staff in response to pandemics and emergency responses, as well as large influxes of new staff requiring the full spectrum of training. Since staff have returned to their core functions in 2022, the Agency has been focusing on refreshing the skills of experienced staff, as well as ensuring new staff have the skills and experience required to undertake debt management functions. The Agency will continue to focus on supporting its workforce to obtain and retain the skills and experience required to deliver debt management functions effectively and within expected proficiency thresholds.*

2.47 *The quality assurance and proficiency management framework is an Agency-wide framework. The Agency will focus on strengthening the feedback loop from frontline staff, appeal/debt/AAT outcomes, customers, and quality outcomes to ensure all elements of the workforce capability approach are maximised.*

ANAO comments on Services Australia's response

2.48 The proficiency levels from QOL for staff in the Compliance and Debt Operations Branch is set out in paragraph 2.39. The correctness rates for debts processed by staff assessed as 'proficient' and the ANAO's finding that policy and procedures, training and supervision do not sufficiently support staff to achieve desired correctness rates of 95 per cent or higher is set out in paragraph 2.41 and Figure 2.2.

3. Strategies and processes to manage and recover debt

Areas examined

This chapter examines whether Services Australia has developed and implemented effective strategies and processes to manage and recover social security and welfare debt comprising: debt strategies; debt detection activities; debt determination decisions; and debt recovery.

Conclusion

Services Australia has partly effective strategies to detect, determine and recover debt. Debt is detected through processes designed to manage payment accuracy risks rather than risk-based compliance and enforcement strategies. In 2021–22, Services Australia determined 51 per cent of undetermined debts available for processing. The end of debt pauses relating to natural disasters and the COVID-19 pandemic contributed to a backlog of detected debts awaiting determination. Services Australia does not monitor debt detected relative to the risk of overpayment for all social security and welfare payments. The effectiveness of debt management and recovery activities is not measured.

Area for improvement

The ANAO made one recommendation aimed at establishing a debt management strategy (paragraph 3.18).

3.1 Regulatory functions include administering, monitoring, promoting compliance and enforcing regulation. Regulation is defined as ‘any rule endorsed by government where there is an expectation of compliance’.⁴² Services Australia fulfils a regulatory function by administering payments and recovering debt on behalf of policy entities.⁴³

3.2 A risk-based and data-driven approach to the development and implementation of compliance and enforcement activities enables an entity to:

- allocate limited resources to the greatest risks of non-compliance; and
- encourage voluntary compliance and deliver proportionate responses.

42 Department of Prime Minister and Cabinet, *Regulator Performance Guide*, July 2021, page 5; Department of Finance, *Regulator Performance (Resource Management Guide 128)*.

43 Services Australia has contributed to the Australian Government regulatory reform agenda by providing a case study for continuous improvement and building trust through the Money You Owe initiative. Money You Owe is an online service that allows customers to view and update details relating to their social security and welfare debts.

Does Services Australia have a fit-for-purpose risk-based strategy for debt management?

Services Australia does not have a strategy for detection and deterrence of debt. Services Australia manages the prevention and detection of debt through strategies and compliance activities focused on payment accuracy. Improvements in payment accuracy can reduce the occurrence of debt. Operational plans focus on the processing of undetermined debt and managing the end of the debt pauses. While Services Australia proposes to adopt a risk-based approach to debt management in the future, current strategies and plans are not risk-based. Payment accuracy focused strategies and plans did not set out performance measures and targets to support an assessment of the effectiveness of Services Australia's activities across the debt management lifecycle.

3.3 Services Australia's general debt management policy and procedure states that the bilateral arrangements with the Department of Social Services (DSS) contain a debt management framework to maximise correct payments and detect and investigate debts. The framework employs three key strategies:

- prevent debt — through minimising the risk of incorrect payments;
- detect debt — through detecting and fixing incorrect payments; and
- deter debt — through promoting voluntary compliance through the recognition of risks and penalties, including the likelihood of detection, debt recovery and possible prosecution.

3.4 The bilateral agreement for payment assurance between Services Australia and DSS states that Services Australia is responsible for undertaking debt management and developing and undertaking compliance strategies. This involves identifying current and emerging risks associated with incorrect payments to inform development of joint compliance strategies.

3.5 Services Australia does not have a strategy for a risk-based approach to debt management (prevention, detection, determination and recovery). Debt management is a feature of, and influenced by, other strategies, roadmaps and the Compliance Assurance Programme that focus on payment accuracy, see Table 3.1. Except for the Payment Integrity Strategy (see paragraph 3.6), Services Australia has not mapped how any of these key documents will enable it to deliver on one of the measures of success contained in the Master Plan 2021–22⁴⁴: 'Our response to compliance and debt management is targeted based on risk'.

44 Services Australia's Master Plan aims to guide Services Australia's modernisation of the customer experience.

Table 3.1: Documents contributing to strategic and operational planning for debt management activities

Document	Prevent strategies	Detect strategies	Deter strategies	Risk-based	Debt performance measures for prevent, detect and deter	Alignment to other documents
Payment accuracy roadmap	✓ _b	✗	✗	✗	✗	Payment integrity strategy
Payment integrity strategy	✓ _b	✗	✗	✓ _e	✗	Payment accuracy roadmap and Debt restart
Debt restart 2.0	✗	✗	✓ _d	✗	✗	Payment integrity strategy
Debt Reform paper, including the Debt Modernisation Roadmap	✗	✗	✗	✗	✗	Debt Modernisation Program
Debt Modernisation Program	✗	✗	✓ _c	✗	✗	Debt Reform paper Debt Modernisation Charter
Debt Modernisation Charter ^a	✗	✗	✗	✗	✗	Debt Modernisation Program
Compliance Assurance Programme	✗	✓ _c	✗	✓ _f	✗	Payment integrity strategy

Key: ✓ The document addresses this element ✗ The document does not address this element.

Note a: The Debt Modernisation Program is the delivery mechanism for modernising Services Australia's Debt Reforms. Debt Modernisation Program Projects are endorsed and overseen by the Debt and Integrity Projects Board (see paragraph 2.14), and includes the Debt Modernisation Roadmap initiatives.

Note b: These are payment accuracy prevention strategies which aim to prevent payment inaccuracy and may have an impact on debt.

Note c: This includes data matching compliance activities which may lead to the detection of potential overpayments.

Note d: These include operational plans to recommence debt raising and recovery action or some organisational transformation improvement projects. For example, focusing on communications with customers.

Note e: Services Australia planned to adopt a risk-based approach to debt in this strategy.

Note f: Some compliance activities were investigated based on risk factors (see paragraph 3.30).

Source: ANAO analysis of Services Australia's records.

Payment accuracy initiatives

3.6 The Payment Integrity Strategy was endorsed by the Executive Committee in April 2021. The strategy planned to move towards a risk-based human centred approach to payment integrity, establishing the following goals for:

- 2021, to consolidate customer research to understand drivers of integrity risk, debt and appeals;
- 2022, to build a model informed by front line service delivery, debt and appeals to understand risk and improvement opportunities;
- 2022, tiered proactive compliance and debt strategies for key payments based on customer risk segmentation and vulnerable customer definition; and
- 2025, customer segmentation based on risk, intent and defined vulnerability drives proportionate responses to compliance and debt management with defined escalation pathways. Better use of data, for example, Single Touch Payroll, allows Services Australia to effectively allocate resources.

3.7 The Payment Accuracy Roadmap was endorsed by the Customer Sub-Group (see paragraph 2.16) in November 2021. The Payment Accuracy Roadmap primarily includes education and prevention activities to improve payment accuracy over the next 24 months, such as educational content for customers on how to report their employment correctly, improved online payment and debt explanations for some payment types and communication ‘nudges’ that remind disengaged customers of requirements. The roadmap initiatives were to progress in unison with ‘Manage My Payment’ design work across the next two to five years and beyond.⁴⁵ The Roadmap does not include milestones for delivery of initiatives or performance measures to assess success.

3.8 In November 2021 Services Australia amalgamated the Payment Integrity Transformation Roadmap and Payment Accuracy Roadmap, listing 12 priority initiatives. Priorities and planned initiatives and activities have changed overtime, and initiatives do not have deliverables or performance measures to support an assessment of the successful implementation of these initiatives.

Debt restart plans

3.9 The national debt pause implemented in April 2020 ended on 2 November 2020 (see paragraph 1.14), and Services Australia implemented an operational plan (the Debt Restart Playbook) to progressively restart debt raising and recovery. The project closed on 30 June 2021 and outstanding work was to be transitioned to business as usual (BAU)⁴⁶, with the backlog at 1,240,058 undetermined debts.

3.10 In December 2021 and May 2022, Services Australia developed further operational plans (Lifting the debt pause for COVID-19 lockdown areas and Debt Restart 2.0) to manage the inflow of undetermined debts into the system for determination decisions following the end of various debt pauses. These plans focused on short term goals and processing based outcomes rather than a

45 Manage My Payment intends to use third party data to provide a proactive and accurate service offer for customers by June 2023.

46 The Payment Integrity Strategy planned for Debt Restart activities to transition to BAU by July 2021.

strategy for detection, deterrence or recovery. Reporting on progress against these plans is discussed at paragraphs 3.49 and 3.62.

Debt reform initiatives

3.11 On 25 May 2022, the Executive Committee agreed to the progression of the initiatives outlined in the Debt Modernisation RoadMap (RoadMap).⁴⁷ The relationship between the RoadMap and the various operational plans for restarting debt determinations following the end of the debt pauses is unclear.

3.12 The Debt Reform paper to the Executive Committee on the Debt Modernisation RoadMap identified that, as at May 2022, there was \$4.6 billion in outstanding determined debt and \$1.5 billion in undetermined debts (of which 70 per cent were between six months and three years of age). The paper also noted that the current debt processes took between 35 and 82 minutes due to the number of steps and systems involved, with a workforce of 300 to 400 full time equivalent staff. The initial focus of the Roadmap was to process the expected inflow into the system (following the end of debt pauses) of 10,000 to 15,000 undetermined debts per week. The implementation of the Roadmap was expected to lead to the following improvements:

- By July 2022 — the introduction of the Single User Interface Phase 1 Rapid Automation would decrease the rate of the growth in the number of undetermined debts, holding the number of undetermined debts at or below 1.2 million in 2022–23;
- By May 2023 — the Single User Interface Phase 2 and automated no debt completions would reduce the number of undetermined debts by 200,000 to 1 million; and
- By January 2024 — initiatives that would reduce the number of undetermined debts to around 366,000, which was less than the number of undetermined debts prior to the impacts of the COVID-19 pandemic.

3.13 The paper to the Executive Committee noted the Roadmap was developed in consultation with DSS⁴⁸ and consultation was required with other relevant policy entities in relation to the initiatives.⁴⁹ The paper did not address associated legal risks or the steps the decision-maker would need to undertake to implement the initiatives.

3.14 Services Australia developed internal discussion papers and informed the Minister for Government Services in September 2022 of the approach to managing the backlog of potential overpayments. The Minister for Government Services wrote to the ministers of relevant policy entities in October 2022 seeking their support. In January 2023, Services Australia provided DSS with a revised proposed strategy to address the backlog of undetermined debts for consideration. Services Australia has not yet consulted other policy entities or advised the Executive Committee that it is no longer pursuing the initiatives approved in May 2022.

47 The Debt and Integrity Projects Board was to oversee implementation.

48 DSS advised ANAO in May 2023 that the paper that went to the Services Australia Executive Committee was not formally approved by the Department.

49 In January 2023 Services Australia asked the ANAO to remove the RoadMap initiatives from this report as they are 'strategies that are proposed and still in the process of approval.' However, as noted in paragraph 3.11 there is evidence that these initiatives were approved. Further information about Services Australia's actions taken in relation to this initiative between September 2022 and April 2023, were provided by Services Australia in April 2023 following receipt of ANAO's draft final report.

3.15 A Debt Modernisation Charter (the Charter) was endorsed by the Strategic Advisor Transformation (Deputy CEO) in June 2022. The outcomes of the Charter include improved staff training and customer education, assessment of debts within 30 days of a notification of change of circumstances, efficient management of undetermined debts and 'one consolidated modern debt management system for all agency payments and services'. The Charter's performance measures of improvement in customer satisfaction, customer effort reduction and staff hours saved do not include a method for measuring performance, benchmarks or targets. These performance measures are unrelated to Services Australia's internal or external debt related performance measures. Progress against the Charter's outcomes were reported via the Debt Modernisation Progress Dashboard to the Chief Executive Officer Master Plan Implementation meetings in July and November 2022. Services Australia advised the ANAO in January 2023 that success measures are being finalised for the Charter.

Risk assessment processes for debt management

3.16 Services Australia advised the ANAO that debt risk is not separately assessed from payment accuracy risk.⁵⁰ Services Australia develops a Compliance Assurance Programme (CAP) each year for the investigation of payment accuracy risks. The payment accuracy risk management plans are not consolidated into a register to support risk assessment from a broader compliance rather than payment specific perspective. Payment integrity risk management plans were part of the CAP methodology but were not used in the development of the 2021–22 CAP to support payment accuracy risk identification. Risk tolerance levels have not been specified in the CAP in 2020–21 and 2021–22.⁵¹

3.17 The 2021–22 CAP Methodology observed that there was a lower volume of planned activity in 2020–21 due to natural disasters, the pandemic response and debt restart. This resulted in areas of payment accuracy risk not being addressed through compliance activities. The 2021–22 CAP noted the range of other factors relevant to establishing planned activity levels, limiting risk-based prioritisation.⁵² The CAP did not establish performance measures, and targets linked to the CAP related to planned activity levels rather than performance.

50 Services Australia defined payment accuracy risks as 'factors that may cause a customer's payment to be inaccurate'.

51 Risk tolerance is the level of risk taking the agency is willing to engage in in order to achieve a specific objective or manage a category of risk. Services Australia's risk management policy establishes a low tolerance for activities with the potential to result in non-compliance with government policies.

52 These factors included: redeployment of compliance resources to support Services Australia's response to COVID-19; the national debt pause for the period of March 2020 to 30 October 2020, and debt restart activities from 2 November 2020; refund, remediation and settlement distribution activities in the Income Compliance Program; and outstanding compliance activities from 2020–21 CAP.

Recommendation no. 3

3.18 Services Australia establish a risk-based debt management strategy that:

- (a) defines goals, strategies, activities and performance measures for detection and deterrence (including raising and recovery); and
- (b) determines a debt risk appetite or tolerance, and maps planned debt management activities to relevant risks.

Services Australia's response: *Agreed.*

3.19 *3a: The Agency has a range of strategies in place to prevent customers from incurring debts, including payment accuracy and correctness assurance, as well as streamlining processing activities and supporting customers to update their circumstances. Collectively, these strategies support the delivery of the right payment, to the right person, at the right time, and in doing so reduce the risk that the customer will incur a debt. The Agency's strategies are therefore of necessity focussed on payment inaccuracy risk.*

3.20 *The report acknowledges that in recent years, debt management and recovery has been impacted by successive debt pauses in response to pandemics and natural disasters. The Agency has a Debt Modernisation Charter which has been considered by the Agency's Executive Committee, and has been developed in consultation with partner agencies. The Agency will consider the measures for success in the charter and incorporate these into the ongoing governance and reporting frameworks that support the Agency's strategies to support debt management and recovery.*

3.21 *3b: The Agency's management and recovery of debts, particularly in respect of the social security and welfare programme, is subject to a number of external factors, including: economic factors driving demand for income support payments; the overall complexity of the highly targeted social security and welfare system; and the overall risk appetite and strategy of partner agencies that drive policies and processes to support debt management and recovery.*

3.22 *In addition, the Agency's approach to administering payments and services, including debt management and recovery, is informed by the legislation and policy underpinning the programme. This legislation in many cases may not confer a wide discretion on the Agency to determine how it will prioritise the management of any particular debt. Finally, the Agency's approach to debt management may be driven by external factors such as the ability of the relevant customer to repay the debt. Accordingly, there may be limitations on the ability of the Agency to set internal or external performance targets associated with debt recovery.*

3.23 *In respect of the social security and welfare programme, the Agency continues to work with the Department of Social Services to develop appropriate operational reporting against KPIs (the pilot measures) and the finalisation of these measures will provide further visibility of how the Agency's activities to manage debt are linked to performance and program outcomes.*

ANAO comments on Services Australia's response

3.24 Services Australia's regulatory functions with respect to debt management are set out in paragraph 3.1 and the ANAO's assessment of Services Australia's Debt Modernisation Charter is at paragraph 3.5, Table 3.1 and paragraph 3.15. The ANAO's assessment of the bilateral pilot key performance indicators with DSS is set out in paragraphs 4.31 to 4.35 and Table 4.7.

Does Services Australia have effective risk-based processes in place to detect debtors?

Debt detection is a product of business processes and activities designed to manage payment accuracy risks including processing changes in customers' circumstances, reconciliations of customer estimated income to actual income and compliance activities. Automated processes detected 99 per cent of the number and 99 per cent of the value of debts detected in 2021–22. In 2021–22, planned compliance activities were largely dependent on operational capacity, limiting risk-based prioritisation. The breakdown of debts detected by each method is not reported or monitored to determine the effectiveness of debt detection relative to the overpayment risk. Overpayment risk is not estimated for all social security and welfare payments administered by Services Australia. There are no benchmarks or targets for debt detection activities across the entity.

Debt detection methods

3.25 Services Australia uses six activities or processes to detect social security and welfare debt. Table 3.2 provides a description of each process, its primary purpose and relevant payments. While debt detection is not the primary purpose of some of these processes, it is a potential outcome.

Table 3.2: Processes that enable debt detection

Process/activity	Description	Primary purpose	Relevant payments
Customer notification of change of circumstances	Centrelink customers are required to notify Services Australia of any changes in their circumstances relating to eligibility or entitlement to ensure that they receive correct payments. Generally notification of changes in circumstances must be made within 14 days.	Ensuring Services Australia has complete and correct contact information, as well as details about income, assets, partner's circumstances and other information relevant to notification requirements for a payment.	All
Reconciliations	End of period comparison of the customers' actual payments received (based on estimated income) to a recalculation of the entitlement (based on actual income).	Retrospective review of payment correctness using income data available at a point in time.	Family Tax Benefit, Child Care, Child Care Rebate and Farm Household Allowance ^a

Process/ activity	Description	Primary purpose	Relevant payments
Random Sample Survey reviews	Reviews of a random sample of DSS payment recipients to determine if their circumstances on file are correct. Debts are detected if the reviewed circumstances indicate an overpayment over a time period.	Estimating payment accuracy for the surveyed payments, estimating the impact of administrative errors for sampled items.	DSS payments only ^b
Data matching	Matching of data held by Services Australia internally and with government and non-government entities to identify differences in information that the customer has declared to the agency.	Compliance activity with several purposes, including to prevent further incorrect payments and to detect potential debts arising from incorrectly declared circumstances.	All
Tip-off investigations	Information provided by members of the public, Services Australia staff or other entities that indicates a customer may be dishonestly receiving a payment. Where the allegation proves to be correct, an overpayment occurs, and following a determination process, a debt may be raised.	Compliance activity to assess an allegation and investigate where necessary.	All
Serious non-compliance investigations	Serious non-compliance involves investigation of cases where there is a deliberate intention to deceive. Investigation may reveal the recipient misrepresented their circumstances and a debt is detected.	Compliance activity reserved for potential fraud cases.	All

Note a: From 1 July 2020 annual reconciliations requirements were discontinued for Farm Household Allowance (see commencement of *Farm Household Support Amendment (Relief Measures) Act (No. 1) 2020*). These reconciliations were generally completed 10 to 11 months after the end of the financial year. Services Australia continues to undertake reconciliations where information becomes available for 2014–15 through to 2019–20 financial years.

Note b: In 2021–22, Services Australia and Department of Agriculture, Water and Environment undertook a review of 50 randomly selected Farm Household Allowance payment recipients to check accuracy of payments.

Source: ANAO analysis of Services Australia's records.

3.26 The processing of notification of changes to customer circumstances, reconciliations and data matching are automated processes. The other processes listed in Table 3.2 are generally created via a Services Australia officer completing a manual process.

3.27 The policies and procedures for customer notification of change of circumstances, reconciliations, random sample surveys, data matching processes and serious non-compliance investigations are generally contained in the Operational Blueprint. There are procedures for tip-off investigations located outside of the Operational Blueprint, these procedures include a two category risk rating system of low and high rather than the four tier system (low, medium, high or very high risk) that Services Australia advised the ANAO is used.

3.28 The key controls for the processes in Table 3.2 (with the exception of tip-offs and serious non-compliance investigations) were assessed by ANAO during the 2021–22 financial statements audit as having been implemented and operating effectively.

3.29 Of the debts detected during the Random Sample Survey, the ANAO selected a sample of 32 debts to assess whether required pre quality checks occurred prior to finalisation of the debt. The required quality check did not occur in 15 cases. Of the 17 cases where a pre quality check occurred, the quality checker required changes in seven cases.

3.30 Debt detection activities are not risk-based, instead they are a product of program design focused on payment accuracy and customer self-reporting. Services Australia does not have a cohesive or overarching plan that sets out, by debt detection activity, planned (or estimated⁵³) annual activity levels or the risk assessment completed to determine appropriate activity levels. Services Australia prepares various reports on the number and value of debts detected but does not report on the debts detected by separate debt activities.

- Change of circumstances and reconciliations are undertaken in response to information provided by the customer. Services Australia does not report on the number or value of debts raised following a determination process of customer notifications of changes of circumstance.
- Reconciliations are performed on the total population of recipients of specific payments. The payments are identified according to the risk of overpayment created by the difference between a customer's estimated and actual annual income. Debt reports show the number and value of debts detected by payment type through reconciliation.
- Data matching activities are a data-driven approach to investigating the following payment accuracy risk factors: earned income⁵⁴; unearned income⁵⁵; qualifications⁵⁶; location⁵⁷; relationships⁵⁸; study load⁵⁹; and third party compliance.⁶⁰
- Services Australia advised in January 2023 that tip-offs containing insufficient information to identify a customer are closed; tip-offs rated as low, medium and high are actioned as part of the CAP (this is inconsistent with operating procedures, see paragraph 3.27); and very high risk tip-offs are referred to the division responsible for serious non-compliance and fraud investigations. The Fraud Investigations Branch will investigate cases that satisfy the Case Selection and Prioritisation Guidelines (CSPG), which are influenced by operational and case-based risks.

53 An estimate would be used for activities that are initiated by external parties such as customers when notifying of change of circumstances and tip-offs from the public or other sources.

54 Earned income pertains to risks associated with earning an income from personal exertion. It includes full-time, part-time and casual work for customers, their partners or relevant family members. It does not include self-employment.

55 Unearned income involves the ownership of assets or investments that impact payment through means other than personal exertion. This includes assets or investments owned by the customer, their partner or relevant family members. This includes self-employment.

56 Qualification risks arise when a customer may no longer be entitled to the payment and/or concession they are in receipt of due to changes in circumstances.

57 Location risk is associated with incorrect payment due to geographic location, accommodation and/or residence.

58 Relationships risk is where a customer is in a relationship that precludes eligibility for the single rate of payment and also impacts the means testing of payments.

59 Study load risk arises where there is a risk of incorrect payment due to the customer ceasing or altering their study workload.

60 Third party compliance refers to the risks associated with third party organisations that access payments administered by Services Australia.

- The number of reviews undertaken for the Random Sample Survey is determined by DSS in consultation with Services Australia. Planned activity levels were to increase from 20,875 in 2021–22 to 22,917 in 2022–23. Sampling and reporting is undertaken on a trimester basis. Reports include the number of reviews completed, debts raised following a determination process, debt values and percentage of reviews where debt is detected.
- Planned compliance activities such as data matching and tip-offs are set out in the annual CAP. Regular progress reports are prepared and quarterly reviews are undertaken of compliance activities completed and debts raised following a determination process (although a quarterly review was not completed at the end of 2021–22 to determine effectiveness of compliance controls). An end of financial year review of controls effectiveness for 2021–22 was not completed.
- Services Australia's Fraud and Corruption Control Plan 2020–24 does not establish the planned number of activities to be completed. An annual Fraud and Corruption Control Report 2021–22 sets out the number of external investigations completed⁶¹, the value of debts raised through external investigations and the number of external investigations that had a debt, not the number of debts raised.

Debts detected

3.31 Table 3.3 provides an overview of the ANAO's analysis of planned and actual activity, and the number and value of determined debts that were raised for recovery by detection method. The breakdown of debts raised for recovery by each method is not routinely reported within Services Australia. The planned number of total CAP activities for 2021–22 was reduced from 256,800 to 229,350 in the 30 June 2022 progress report.⁶² This reduction meant that Services Australia exceeded total planned compliance activity (by completing 245,622 activities), exceeding data matching goals but did not meet goals for the tip-off activities. Services Australia did not meet planned activity levels for the Random Sample Survey.

Table 3.3: Planned and completed detection activities, and debts raised for recovery following a determination process

Process/ activity	Planned activity in 2021–2022	Completed activity in 2021–2022	Number of debts raised in 2021–22	Value of debts raised in 2021–22 (\$ million)
Change of circumstances ^a	Not planned	Unknown	925,047	475.5
Reconciliations	Not planned	Unknown	681,509	1499.3
Random sample survey	20,875	18,901	3721	6.8

61 The annual report indicated there were an additional 66 external investigations to the number advised by Services Australia (see Table 3.3).

62 The 2021–22 quarter three CAP Quarterly Review indicated that adjustments to planned CAP volumes across quarter four would balance any emerging critical work priorities or emergency events with planned initiations and workforce availability.

Process/ activity	Planned activity in 2021–2022	Completed activity in 2021–2022	Number of debts raised in 2021–22	Value of debts raised in 2021–22 (\$ million)
Data matching and other compliance activities ^{bc}	104,200	119,692	25,369	53.5
Tip-offs ^b	125,000 ^d	115,231 ^e	31 ^f	0.5 ^f
Serious non-compliance	Not planned	1631	1033	18.2
Total	–	–	1,636,710	2053.8

Note a: The number and value of debts raised from change of circumstance totals has been estimated by the ANAO as the difference between the total debts raised minus the total debts raised from other detection methods.

Note b: Due to redeployment of staff to support the COVID-19 response, Services Australia delayed planning for compliance activities in the CAP 2021–22 until the review of first quarter activities was completed. In November 2021, Services Australia planned to complete 256,800 compliance activities in 2021–22, covering data matching and tip-offs. By 30 June 2022, total planned compliance activities was reduced to 229,350.

Note c: Services Australia's data matching activities were not separately identified in CAP reporting. In May 2023, Services Australia advised the ANAO that data matching comprises 84 per cent of the completed data matching and other compliance activities and 97 per cent of the number and 96 per cent of the value of data matching and other compliance activities debts raised. ANAO could not align Services Australia's advice with CAP reporting. Services Australia did not respond to the ANAO's request for the planned number of data matching activities.

Note d: Tip-offs are separated into two groups in CAP reporting.

- Tip-offs based on compliance risks (such as earned income, unearned income and location). There is not planned activity level but reporting includes the number and value of debts raised following a determination process.
- Tip-off operations (105,000 planned) and low impact tip-offs (30,000 planned, was reduced to 20,000 planned in quarter three) where activity levels are planned, but debts raised following a determination process are not reported.

Note e: The total tip-offs investigated is comprised of: 83 tip-offs related to compliance risks; 100,015 tip-off operations; and 15,216 low impact tip-offs. Services Australia advised in April 2023, 6683 tip-offs were on hand at 30 June 2022 and had not been investigated.

Note f: The number and value of debts raised following a determination process reflect results from tip-offs based on compliance risks.

Source: ANAO analysis of Services Australia's records.

3.32 Automated processes are responsible for detecting around 99 per cent of both the number and value of debts within the reported activity levels. Table 3.3 indicates that:

- reconciliations detect 42 per cent of the number and 73 per cent of the value of total debts raised following a determination process;
- processing of the notifications of change of circumstances detects 56 per cent of the number and 23 per cent of the value of total debts; and
- data matching detects one per cent of the number and three per cent of the value of total debts.⁶³

63 Table 3.3 reports a combined total for data matching and other compliance activities. Table 3.3 Note c indicates that Services Australia advised the ANAO that 97 per cent of debt identified through data matching and other compliance activities is attributed to data matching.

3.33 In 2021–22 Services Australia detected 2,198,033 undetermined debts valued at \$2.6 billion.⁶⁴ Most (93 per cent, 1,636,710) of the 1,764,464 undetermined debts processed in 2021–22, either automatically or manually, determined there was a legally recoverable debt, with few (seven per cent, 127,754) determination decisions finding that there was no debt.

3.34 Where debts are not detected, the debt is likely to increase as changes are not made to customers payments in a timely manner. In 2021–22, the Random Sample Survey identified overpayment risk of six per cent, with an estimated value of overpayments at \$7.2 billion for DSS payments. Services Australia made \$124.9 billion in payments on behalf of DSS in the same financial year. The Random Sample Survey does not include debts detected from reconciliations as these are identified at a point in time when actual annual income data is available and compared against estimates provided throughout the financial year by customers. As a result, the Random Sample Survey underestimates the overpayment risk for all payments managed by DSS.

3.35 Services Australia does not estimate the risk of overpayments for other payment types it manages on behalf of other policy entities. For example, in 2021–22, Services Australia made payments totalling \$10.1 billion for the Department of Education, Skills and Employment (DESE), detected \$389.9 million potential overpayments arising from these payments and did not estimate the risk of overpayment relative to DESE payments. Services Australia does not report the value of debts detected relative to the risk of overpayments across all social security and welfare payment types.

3.36 Due to the varying approaches to planning and reporting on processes that enable debt detection, and in the absence of an overall target or benchmark for debt detection across the entity, Services Australia does not determine the effectiveness of any debt detection method.

Has Services Australia effectively implemented processes to support timely and appropriate debt determinations?

In 2021–22, Services Australia made 1,764,464 determination decisions representing 51 per cent of undetermined debts available to be actioned. The number of undetermined debts awaiting determination was affected by various debt pauses during the prior year. Of the determination decisions made, seven per cent were finalised as no debt, 32 per cent were waived and 61 per cent were raised for recovery. System controls supporting delegate decision-making are not always consistent with delegation instruments. Policy and procedures do not provide sufficient information to support some key information and decisions on the customer record. Services Australia did not meet its timeliness performance measures for determining debt in 2021–22.

Types of debt determination decisions

3.37 Once an undetermined debt is detected, Services Australia must determine whether it is legally recoverable. A debt is only legally recoverable if it meets one of the relevant provisions from social security and welfare legislation⁶⁵, and satisfies notification rules and legislative requirements for the payment, including eligibility. If there is a legally recoverable debt, Services Australia should

⁶⁴ The value is an estimate as it may vary once the debt is finally determined.

⁶⁵ Relevant legislation includes *Social Security Act 1991* (sections 1222A to 1229), *A New Tax System (Family Assistance) (Administration) Act 1999* (sections 70 to 77), *Paid Parental Leave Act 2010* (sections 165 to 171 and 173 to 174) and *Student Assistance Act 1973* (sections 38 to 40).

consider whether the debt should be waived. If the debt is not waived it must be raised for recovery. Appropriate records of the decision must be maintained in Debt Management Information System (DMIS) and related systems.

3.38 The debt determination process can be manual or automatic.

- (a) For manual cases, a Services Australia officer undertakes an investigation process and examines the evidence for a debt. When investigating a debt, the officer must determine if the debt is legally recoverable and it is cost effective to recover the debt.
- (b) For system calculated debts, the undetermined debt is automatically converted to a determined debt. For example, this can occur when a customer advises of a change in circumstance and a resulting debt is detected once the updated details are entered into the system.

3.39 There are three determination decisions that can be made. Table 3.4 provides a description of each of these determination decisions.

Table 3.4: Types of determination decisions

Type of decision	Description
No debt	A debt may be finalised as no debt when an excess or incorrect payment received by a customer is not a debt or it is an excess payment that is not legally recoverable (see paragraph 3.37). For example, there is no basis for raising a debt where a customer has not advised Services Australia of an event that might affect their payment if they were not made aware that they had a notification requirement. Circumstances where a debt will be finalised as no debt are summarised in Appendix 3.
Raised and waived	Services Australia assesses the debt as legally recoverable but makes a decision to permanently cease any action to recover the debt. A waiver is permanent, recovery action cannot be pursued, except where the waiver decision is reviewed and substituted with a new decision to recover the debt. A decision to waive a debt can occur before or after determination or recovery of the debt. There are several circumstances under which Services Australia can waive a debt (see Appendix 4). A debt may be waived in part or in full, or only part of a debt may be subject to waiver.
Raised for recovery	<p>If an undetermined debt has been determined to be legally recoverable and not waived, the determination process will lead to a debt being raised for recovery. Debts that are raised for recovery are either:</p> <ul style="list-style-type: none"> • qualification debts — where a customer has lost all entitlement to a payment; or • pay-ability debts — where the customer is still entitled to receive the payment just at a lower rate than they have received. <p>If a customer has more than one undetermined debt the debts may be combined if they have the same reason, and the periods overlap or the periods are consecutive.</p>

Source: Services Australia, *Finalised 'no debt' (FND) or 'zeroing' debts that are not legally recoverable*, 107–05110010, 4 March 2022, Services Australia, *Debt waivers and write-offs*, 107–20090157, 22 June 2021, Services Australia, *Actioning an undetermined debt on the Debt Management and Information System (DMIS)*, 107–04010040, 14 July 2022, and Services Australia advice.

3.40 Table 3.5 provides a breakdown by decision type of the value, number and proportion of debts. The majority (82 per cent) of determination decisions were automatic, although 87 per cent of no debt decisions were manually determined.

Table 3.5: Determination decision types, by value and number, for 2021–22

Type of decision	Value of debts (\$ million)	Number of debts	Percentage of number of debts (%)
No debt	–	127,754	7
Raised and waived	\$34.7	565,092	32
Raised for recovery	\$2,019.1	1,071,618	61
Total	\$2,053.8	1,764,464	100

Source: Services Australia, DMR1869 Determinations 2021–22 220630.

3.41 For each determination decision type, the ANAO selected a sample of 71 debts where a decision was made in 2021–22 to assess whether records of decisions, delegate approvals, administrative actions and communications with the customer were in accordance with legislative and procedural requirements. Key issues observed in sample results are summarised below.

- Policies and procedures do not provide sufficient information for where to locate the dates of decisions, calculations of debts, reasons for decisions and accounts payable letters sent to customer within the various DMIS and Process Direct screens that can be accessed by a Services Australia officer. The ANAO was provided with conflicting information during the course of the audit about where to locate information and what information was to be recorded for an automated process. For example:
 - The date of a debt related decision was found in the general debt information screen for 58 of 71 finalised no debt decisions and the date of the decision for the remaining 13 items could be located in an action log.
 - For raised for recovery debts, 55 of 71 sample items calculated the debt using a calculation tool in accordance with policies and procedures⁶⁶, 16 did not use a calculation tool. Services Australia advised 13 calculations were automated and did not require the use of a calculation tool.
 - Documents were not prepared for 12 of 58 sample items that were manually processed as finalised no debt. Where documents were prepared they did not always contain sufficient information to explain the debt, and at times recorded details about the debt that were in conflict with information recorded in DMIS.
- A valid reason specified in policy and procedures was recorded for 47 of 71 no debt decisions. In 14 cases a reason for a changed debt amount could be found elsewhere in the record, for 10 of these a category of reason was recorded that was not consistent with policies and procedures. In some cases, there was insufficient or inconsistent supporting information to support the reason recorded. Services Australia advised an incorrect reason was recorded for eight of 71 no debt decisions, including two no debt decisions where a debt should have been raised.
- 14 of 71 no debt decisions and 6 of 71 raised for recovery decisions were quality checked, and the checks did not identify any situations requiring feedback or changes to the decision. No waiver decisions were quality checked.

⁶⁶ The calculations recorded could not be reconciled to the debt value recorded for 12 of 56 sample items.

3.42 Quality check correctness rates for determination decisions were less than the desired correctness rate of 95 per cent or higher (see paragraph 2.41) for staff rated as 'proficient'.

Decision-making authority

3.43 Services Australia does not have an adequate system of controls for debt decision-making. The decision to determine an undetermined debt as there being no debt (known as finalised no debt) may be made by any staff member with the relevant systems access. The decision-maker requires a delegated power to determine specific categories of payments that do not amount to an overpayment including prepayments and scholarship payments. Services Australia advised that the decision to finalise as no debt is an administrative action. Policy and procedures do not indicate where a decision taken when processing the undetermined debt is a delegated decision (requiring a delegation instrument) or administrative action (where no delegation instrument or other internal authority is required). Services Australia relies solely on quality checking processes (see paragraph 2.37 to 2.42) to ensure administrative actions to finalise no debt are appropriate and in line with policy and procedures.

3.44 Services Australia policy guidance states 'Access granted to update DMIS does not remove the responsibility of staff to ensure their actions and decisions are within their delegation limits'. DMIS system access arrangements supporting delegate decision-making are not consistent with delegation instruments.

- Services Australia has internally delegated responsibility for small debt waivers to APS 1 to 4 officers, whereas DMIS system delegations have been established so that all officers, regardless of level, can make these decisions.
- DMIS system access arrangements for delegates are broadbanded. For example, responsibilities can be assigned to APS 1 and 2, APS 3 and 4, or APS 5 and 6 levels. Services Australia's delegation instruments, delegating social security and welfare debt powers, do not always delegate powers to the lowest level in a DMIS broadband.

3.45 Services Australia provided a historical list of DMIS delegate and user staff names at a point in time. It could not provide a complete list of delegates or users in DMIS for the 2021–22 financial year to support testing of delegate approvals in the ANAO's determination decision samples. On this basis ANAO testing could determine where an officer had or did not have access at a point in time, but not whether they were properly authorised as a delegate to make the type of decision on the day it was made. Services Australia does not undertake quality assurance reviews to assess whether a decision was made by a properly authorised delegate.

3.46 Sample testing identified four instances where the field identified as recording the decision-maker for finalised no debt and debts raised for recovery contained a customer reference number instead of a username for a Services Australia officer responsible for these determination decisions. Services Australia advised that the field signifying the decision-maker could be overwritten where there were subsequent decisions in relation to the debt. To establish the username of the decision-maker and the timing of the determination decision would require investigation of further screens and examination of audit logs including replaying decisions in Services Australia's systems.

3.47 In October 2022, Services Australia advised the ANAO that in 2021–22 it received 80,870 requests for a formal internal review by an Authorised Review Officer. In 2021–22, 28,871 appeals

that were decided included a decision relating to a debt or an aspect of debt management or recovery and 33 per cent of these appeals either varied or set aside the debt decision, recovery fee, interest charge or recovery arrangement.⁶⁷ Services Australia does not analyse debt related decisions varied or set aside to improve training, policies or procedures.

Timeliness of determination of debts

3.48 In 2021–22 Services Australia had 3,438,091 undetermined debts⁶⁸ with an estimated value of \$4.0 billion available to make a determination decision (manual or automatic) (see Table 3.6). Of these, 177,988 detected debts were not accounted for as a determined or undetermined debt in Services Australia’s debt reports in 2021–22.

Table 3.6: Change in total undetermined debt between 30 June 2021 and 30 June 2022

	Number of debts
Undetermined debts as at 30 June 2021 ^a	1,240,058
New undetermined debts detected in 2021–22 ^a	2,198,033
Total undetermined debts on hand in 2021–22^a	3,438,091
Debts determined in 2021–22	1,764,464
Debt not determined in 2021–22^a	1,673,627
Undetermined debt as at 30 June 2022 ^a	1,495,639
Debts detected that were not accounted for at 30 June 2022 (Difference between debt not determined in 2021–22 and undetermined debts on hand at 30 June 2022 across the two primary undetermined debt reports produced by Services Australia)	177,988

Note a: Undetermined debts include parked and Family Tax Benefit qualification debts (see footnote 68).

Source: ANAO Analysis of Services Australia’s debt reports and advice.

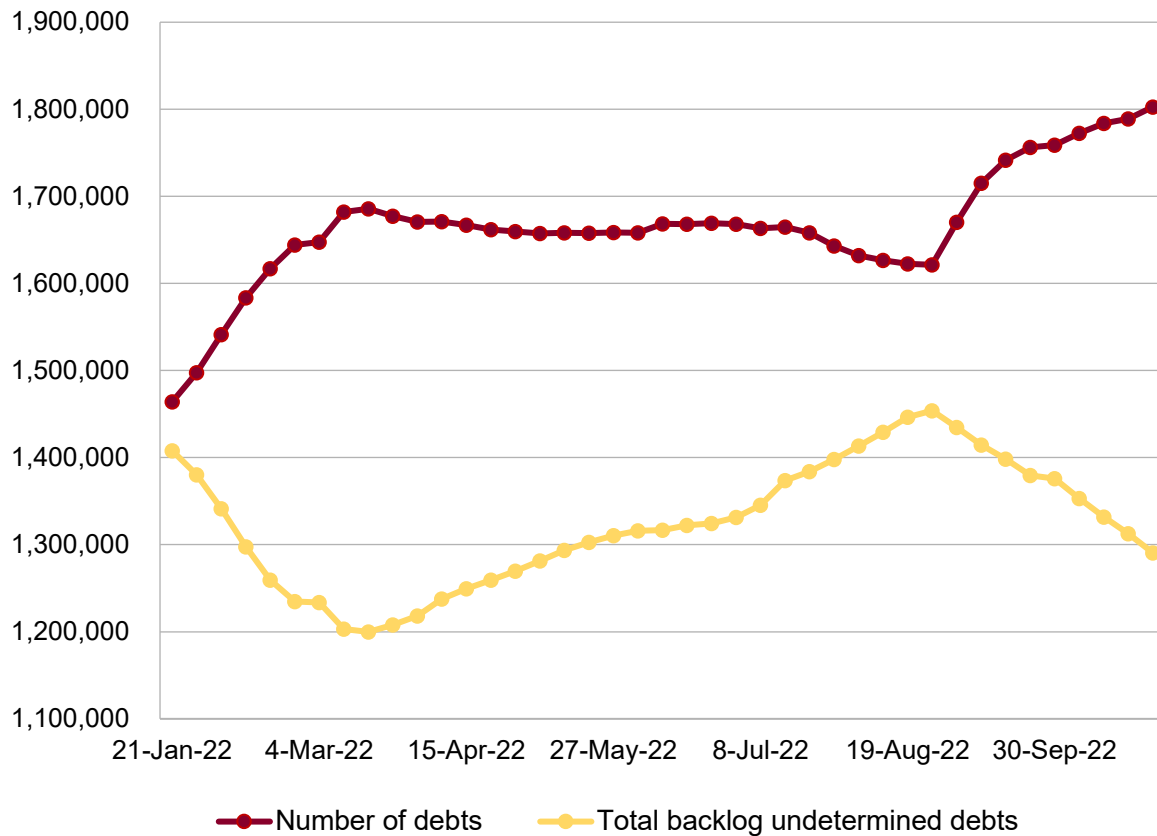
3.49 Services Australia’s policy states it intends to determine debts as quickly as possible, to make the customer aware of the debt as soon as it occurs and to meet timeliness performance targets. Overall there was an increase in undetermined debts of 255,581 (with an estimated value of \$0.5 billion) in 2021–22. The increase was due in part to debt pauses due to the COVID-19 pandemic and natural disasters, as Services Australia does not actively determine new debts for customers in affected areas during pauses (see paragraph 1.13). While Services Australia adopted a staged approach to debt raising in lockdown areas from January 2022 as debt pauses were lifted, it could not keep pace with the backlog of undetermined debts and the rate of new undetermined debts registered. Figure 3.1 shows the that between January and October 2022, overall the number of determined debts has increased, and the backlog of undetermined debts has fluctuated but has fallen since August 2022. The weekly report figures are inconsistent with end of financial year

67 Of the 28,871 with a debt flag that were decided: 12,964 were affirmed; 4175 were set aside; 5297 were varied; 6280 were withdrawn; and 155 Services Australia did not have jurisdiction. For those appeals decided with a debt flag, 9472 (33 per cent) led to a changed outcome.

68 This includes parked debts (where further information has been sought to complete the process of determining the undetermined debt) and Family Tax Benefit qualification debts (which do not have an estimated amount until after reconciliation).

figures. At 30 June 2022 the backlog was around 1.5 million reported in end of financial year reports, not around 1.3 million reported in the weekly report as at 1 July 2022.

Figure 3.1: Number of determined and undetermined debts, weekly movement between 21 January and 28 October 2022



Note: Undetermined debts do not include parked or Family Tax Benefit qualification debts.

Source: Services Australia, weekly debt insights reports, 21 January to 28 October 2022.

3.50 Services Australia advised the ANAO in August 2022 that most debts (75 per cent) are determined automatically. Automatically processed debts are often determined on the same day they have been registered as an undetermined debt (for example, 68 of 71 items in the raised and waived sample were automatically raised and waived, with 67 of the 68 sample items being registered and determined on the same day). This indicates that there are significant delays associated with manual debt determinations.

Does Services Australia appropriately recover debts?

Services Australia manages the recovery of debt through temporary and permanent write-offs, waivers, payment arrangements negotiated with customers and referrals to external collection agents. In 2021–22 Services Australia reduced its debt balance by \$1.9 billion through recoveries (\$1.3 billion), waivers (\$0.1 billion), permanent write-offs and debt reductions (\$0.5 billion) of determined debts outstanding. Of the \$4.6 billion of outstanding debt as at 30 June 2022, 81 per cent was temporarily written-off (reflecting debt pauses for the COVID-19 pandemic and natural disasters) and 12.5 per cent was under a recovery arrangement valued at \$0.6 billion.

While the power to write-off a social security and welfare debt for a period of time is found in the relevant legislation, Services Australia treated temporary write-offs of debt pauses as administrative decisions in some cases. Services Australia does not have performance measures to enable an assessment of the appropriateness of its debt recovery activities.

3.51 Once a debt has been raised for recovery, Services Australia commences the following process:

- determining the best recovery method⁶⁹, unless there is a reason to delay recovery such as temporarily writing-off the debt (see Appendix 5);
- informing the customer about self-service payment options;
- monitoring broken payment arrangements⁷⁰; and
- selective review of current payment arrangements.

3.52 Decisions about recovery or non-recovery of debts may need to be made a number of times during the life of the debt. The debt is due 28 days after the issue of the account payable letter. The account payable notice provides information to the customer on how they can pay the debt or contact Services Australia to enter into a payment arrangement.

3.53 As at 30 June 2022, determined debts had an outstanding balance of \$4.6 billion for a total of 1,668,870 debts. Table 3.7 shows the status of outstanding balances for determined debt. At 30 June 2022, around 81 per cent of the value of outstanding debts were temporarily written-off and 12.5 per cent of debts were under a payment arrangement, where the debt was not otherwise categorised as held, quarantined, temporarily written-off or having been referred to an external collection agent (see Appendix 5 for further information on debt status).

Table 3.7: Outstanding determined debt status, by number and value, as at 30 June 2022

Determined debt status	Number of debts	Percentage of total number of debts	Value of debt (millions)	Percentage of total value of debts
Payment arrangement ^a	175,244	10.5%	\$572.3	12.5%
No payment arrangement ^b	121,977	7.3%	\$243.0	5.3%
Held	866	0.1%	\$2.0	0.0%
Quarantined ^c	1700	0.1%	\$0.6	0.0%
Temporary write-offs ^d	1,344,838	80.6%	\$3721.2	80.9%
Referred to an external collection agent ^e	24,245	1.4%	\$61.4	1.3%
Total	1,668,870	100.0%^f	\$4600.5	100.0%^f

Note a: Excludes payments arrangements for any of the other debt status categories within the table.

Note b: Excludes no payment arrangements for any of the other debt status categories within the table.

69 Recovery can include a customer paying the debt in full, entering into payment arrangements, garnishees, referral to a collection agent and legal proceedings.

70 Broken payment arrangements are where a customer does not make required payments under a payment arrangement.

Note c: The number and value of quarantined debts includes 91 payment arrangements with a value of less than \$1 million. It is unclear if the payment arrangements continue while the debt is quarantined.

Note d: The number and value of temporary write-offs includes 373,463 payment arrangements with a value of \$1,273.8 million. It is unclear if the payment arrangements continue while the debt is temporarily written-off.

Note e: The number and value of external collection agents includes 17,595 payment arrangements with a value of \$52.7 million.

Note f: Totals rounded to one decimal place.

Source: Services Australia, Debt Profile Report as at 30 June 2022.

3.54 The ANAO examined compliance with procedural and legislative requirements for a selection of temporary write-offs and key controls for selected debt payment arrangements, which represent around 81 per cent of the value and number of outstanding determined debt. Management of debts that had other statuses were not examined.

Write-offs

3.55 As at 30 June 2022, 1,344,838 debts valued at \$3.7 billion were temporarily written-off.

- The main reasons for temporary write-offs were debt pauses related to natural disasters and the COVID-19 pandemic (valued at \$3.5 billion or 95 per cent)⁷¹ — write-offs from debt pauses were generally automated, whereas other write-offs were manually processed.
- Around 60 per cent of temporarily written-off debts were held by current customers, and 40 per cent were held by former customers.
- Twenty-seven per cent of the debts (\$1 billion) that were temporarily written-off were older than six years.

3.56 Of the 1,344,838 debts that had a temporary write-off status as at 30 June 2022, the ANAO selected a random sample of 101 debts⁷² to assess whether records of write-off decisions, delegate approvals and communications with the customer were in accordance with requirements set out in policy and procedures.⁷³ Key points from testing results are summarised below.

- Services Australia recorded the reason for write-off (see Appendix 5) and the period of the write-off for all 101 sample items.
- Approvals were automatically processed for 85 of 101 sample items. Services Australia advised it made 'an administrative decision to pause debts to ease financial strain during disaster events not a legislative decision'. These debts were reported with a status of temporarily written-off. The power to write-off a social security and welfare debt is found in the legislation governing the relevant payment type.⁷⁴ The ANAO saw evidence separate to customer debt records of emails where the debt pauses were being treated as an

71 Since 2020, write-offs due to debt pauses were intended to reduce financial pressure on customers who may be affected by exogenous circumstances such as fires, floods, or COVID-19 restrictions.

72 The sample was comprised predominantly of: Family Tax Benefit debts (47.5 per cent); Child Care Subsidy debts (13.8 per cent); and Newstart Allowance debts (six per cent). Individually, all other debt types represented less than four percent of the sample.

73 For the sample the audit also examined the duration of write-offs, if quality assurance or review processes altered the write-off decision, and if debt recovery occurred during the write-off period.

74 Relevant legislation includes *Social Security Act 1991* (section 1236), *A New Tax System (Family Assistance) (Administration) Act 1999* (section 95), *Paid Parental Leave Act 2010* (section 193) and *Student Assistance Act 1973* (section 43).

administrative decision or as a write-off under relevant legislation without reference to specific sections of the Acts.

- For the 16 manually processed sample items, Services Australia did not provide adequate data for ANAO to assess whether the decision-maker was a properly authorised delegate on the day they made the decision (see paragraph 3.45).
- For all sample items, the customer was advised of the debt by accounts payable letter, and of those, 35 were subsequently advised of the write-off.
- 10 of the 101 decisions were quality checked and a further 13 of 101 decisions were appealed. In one instance, there was a change to the write-off (as the period of the write-off was extended following an appeal).

Payment arrangements

3.57 When selecting payment arrangements, cost effectiveness considerations must be applied.⁷⁵ This includes considering the amount owed, the customer's circumstances and the relative cost of available recovery action. Where there are no specific legislative requirements, Services Australia has developed policy and procedures that are intended to support cost effectiveness considerations. Table 3.8 provides an overview of payment arrangements and other recovery methods (including specialised recovery), the type of customer they are applied to, and cost effectiveness considerations in relation to debt values. Entering into a payment arrangement will not stop other recovery action in all circumstances.⁷⁶

Table 3.8: Types of payment arrangements and other recovery methods

Payment arrangements	Details	Customer type
Withholding	If no payment or arrangement has been made within the 28 days of an account payable letter being issued, withholding arrangements are started with standard withholding rates applied to current customers' payments. Withholding rates are determined based on the debt payment type. ^a Non-standard withholding rates may be applied when a customer requests a reduced rate due to financial hardship.	Automatic for current customers
Deductions	Customers can arrange to have voluntary deductions taken from a bank account as a means for repaying a debt.	Non-current customer
Cash payments, regular and irregular	Customers can opt into repaying their debts with cash. This is generally preferred for former customers with whom arrangements such as withholdings are no longer possible. Cash payments can be irregular (one-off payment and does not follow a pattern) or regular (payment follows a pattern of the same amount at the same frequency).	Current and non-current customer

⁷⁵ Some payment arrangements are automatic.

- For current customers that do not negotiate an arrangement by the debt due date, a standard withholding rate will be applied to any current payments being made.
- Services Australia's systems will offset debts using tax refunds or lump sum family assistance payments for Family Tax Benefit and Child Care debt.

⁷⁶ Entering into a payment arrangement will not stop other recovery action, for example, where recovery can occur through annual reconciliation processes for some payment types such as Child Care Subsidy and Family Tax Benefit.

Payment arrangements	Details	Customer type
Garnishee	Garnishee of either wages, bank accounts, tax returns or other sources is a last resort method of recovery that is only deemed appropriate if a negotiation has previously failed or the customer has not responded to contact attempts.	Current and non-current customer
External Collection Agents (ECA)	External collection agents can be employed to collect a debt as a last resort measure. When a debt has been referred to an ECA, the ECA negotiates payment arrangements directly with the customer. If an ECA has determined that the customer is not in an acceptable recovery arrangement, an interest charge will be placed on the debt.	Non-current customer
Civil Procedures to Recover Debts	Civil proceedings may be taken where a customer has an identified capacity to repay a debt and an amount outstanding larger than \$10,000. Services Australia's Litigation Team may pursue this option if all other avenues of recovery have been unsuccessfully pursued, and subsequent negotiations to arrange for the recovery of the debt have failed.	Current and non-current customer

Note a: Minimum withholding rates vary depending on the payment group, but they are all at a minimum \$10 per fortnight if payments are less than \$750, or \$15 if payments are more than \$750 per fortnight. For Family Tax Benefit recipients with debts more than \$1,500, the minimum repayment amount is \$60 per fortnight.

Source: ANAO analysis of Services Australia's policies and procedures.

3.58 As at 30 June 2022, 175,244 debts valued at \$572.3 million were in a payment arrangement that was managed by Services Australia.⁷⁷ Table 3.9 provides an overview of the payment arrangements in use that were managed by Services Australia as at 30 June 2022 for current and non-current customers. Withholdings accounted for around 78 per cent of recovery arrangements in place and was the main form of payment arrangement for current customers. Voluntary deductions and regular cash comprised a further 13 and eight per cent, respectively, of payment arrangements. Garnishee arrangements made up around one to two per cent of payment arrangements. Table 3.9 does not report on payment arrangements in place for debts that were quarantined, temporarily written-off or referred to external collection agents, as this information was not available to the ANAO.

⁷⁷ Internal debt reports showed that debts that were quarantined, temporarily written-off or referred to a collection agent included debts under a payment arrangement (see paragraph 3.53). These internal reports did not indicate the nature of the payment arrangement.

Table 3.9: Number and value of debts managed by Services Australia, by payment arrangement, current and non-current customers, as at 30 June 2022

Payment arrangement	Current customers		Non-current customers		Total			
	Number of debts	Value of debts (million)	Number of debts	Value of debts (million)	Number of debts	% of total number	Value of debts (million)	% of total value
Withholding	134,679	\$437.0	1809	\$4.6	136,488	78.0%	\$441.6	77.1%
Voluntary deduction	7738	\$18.2	14,748	\$48.4	22,486	12.8%	\$66.5	11.6%
Regular cash	4092	\$9.5	10,142	\$41.5	14,234	8.1%	\$50.9	8.9%
Garnishee	48	\$0.2	1775	\$12.3	1823	1.0%	\$12.6	2.2%
Irregular cash	105	\$0.1	61	\$0.2	166	0.1%	\$0.3	0.1%
Other government agency ^a	0	\$0.0	31	\$0.3	31	0.0%	\$0.3	0.1%
Discount ^b	12	\$0.0	4	\$0.0	16	0.0%	\$0.1	0.0%
Total ^{cd}	146,674	\$465.0	28,570	\$107.3	175,244	100% ^e	\$572.3	100% ^e

Note a: Other agency arrangements refer to when a customer has a Centrelink debt, and they are making repayments to that debt via withholdings from another agency, for example, Department of Veterans' Affairs (DVA).

Note b: A discount arrangement is an agreement between a customer and Services Australia that an 'acceptable' portion of a debt is paid off, and the remainder is waived. A customer is eligible for a discount if they do not have the capacity to pay a debt in full within 12 months.

Note c: Services Australia advised the arrangements reflected in this table do not include payment arrangements in place for held, quarantined, and temporarily written-off debts. The ANAO noted no evidence that held debts were subject to payment arrangements. It is unclear what payment arrangements were in place for debts that were quarantined or written-off at 30 June 2022.

Note d: Payment arrangements reflected in this table do not include payment arrangements managed by External Collection Agents.

Note e: Percentage totals rounded to nearest whole number.

Source: Services Australia, Debt Profile Report as at 30 June 2022.

3.59 In 2021–22, ANAO financial statements audit examined key controls in DMIS for automated withholdings and garnishee arrangements (see Table 3.8)⁷⁸, and found these controls were operating as intended. The ANAO found key internal controls around cash management and receipting for debt repayments were operating effectively, and appropriate key controls were in place as part of the Family Tax Benefit reconciliation process for Family Assistance Office debt recovery from the Australian Taxation Office.

Management of recovery outcomes

3.60 In 2021–22, Services Australia debt management activities:

- recovered \$1.3 billion;
- waived debts with a value of \$67 million (including \$34.7 million in debts that were raised and waived at determination); and
- reduced debt balances by a further \$500 million through permanent write-offs and debt reductions.

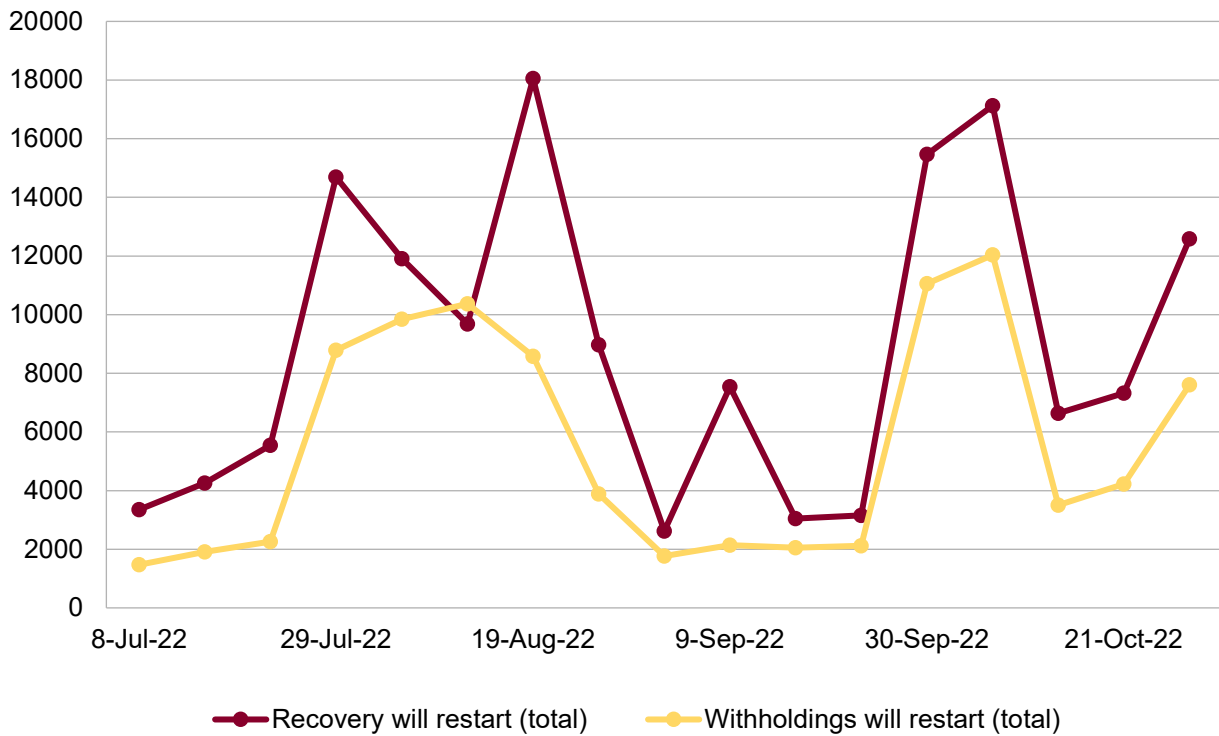
3.61 Services Australia's current performance measurement arrangements do not support a meaningful assessment of debt recovery performance (see Table 4.3, Table 4.4, Table 4.5 and paragraphs 4.16 to 4.26).

3.62 Services Australia planned that recovery would restart for 15,000 debts a day from 30 June 2022 (involving SMS advice of withholding restarts) and 15,000 debts a day would become due from 1 July 2022. Services Australia monitored SMS messages sent to customers to notify them of restarts, the number of new payment arrangements established and the number of debts with disaster related pauses ending and whether they had a payment arrangement that had been paused.⁷⁹ Services Australia did not meet daily targets for restarting recovery and withholdings. From June 2022, Services Australia used weekly debt insights reports to track the number of SMS messages sent to customers to notify them that recovery or automatic withholdings would restart (see Figure 3.2).

78 Withholding and garnishee arrangements represent almost 80 per cent of payment arrangements in place at 30 June 2022. Other payment arrangements were not examined.

79 The weekly debt insights reports also monitored financial year-to-date debt recovery by method and total debt recovery.

Figure 3.2: Number of SMS messages sent to customers advising that recovery or withholdings would restart, weekly between 8 July and 28 October 2022



Source: Services Australia, weekly debt insights reports, 8 July to 28 October 2022.

4. Reporting and performance measurement

Areas examined

This chapter examines whether Services Australia assessed and accurately reported on its debt management performance and activity.

Conclusion

Services Australia accurately reports on debt balances in its annual reports and to the policy entities for inclusion in their financial statements. Services Australia has partly established adequate arrangements to assess and report on the effectiveness of its management of debt. The single debt related performance measure reported externally by Services Australia was discontinued from 2021–22. Services Australia's internal measures do not assess performance against all aspects of the debt management process. Services Australia and the Department of Social Services (DSS) have established performance measures under the bilateral arrangement, and are piloting additional performance measures to replace those that are no longer fit-for-purpose.

Area for improvement

The ANAO made one recommendation aimed at Services Australia developing internal targets to inform a clear assessment of performance on debt management and recovery (paragraph 4.36).

4.1 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requires entities to fairly present their financial position, financial performance and cash flows, including complying with accounting standards and other requirements prescribed by the rules. The Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) section 16EA requires performance criteria included in performance statements to be measurable and reliable. Services Australia needs to manage its responsibilities to policy entities under the bilateral arrangements which includes being able to effectively measure performance, accurately report on debt to policy entities and support those entities to discharge their responsibilities under the PGPA Act.

Does Services Australia accurately report outstanding determined debt and debt recovery balances?

Services Australia reports debt balances and debt recovery in its annual reports, internal reports and through regular financial reports to the policy entities, for inclusion in policy entities' financial statements. The reports accurately represent outstanding balances for determined debt and debt recoveries. Services Australia provides assurance to policy entities on the accuracy of its debt reports through annual assurance letters from its Chief Financial Officer. Services Australia produces one internal report about weekly debt activities.

Services Australia's reporting on debt

Services Australia's annual reports

4.2 Services Australia reports on its outstanding balances for determined debt and debts recovered in its annual reports. Since 2016–17, Services Australia has included a narrative on debt management and two tables: debts raised (following a determination process) from customers who

received social security and welfare payments; and social security and welfare debt recovered. The results are set out in Table 4.1.

Table 4.1: Annual reporting of debt management

	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
Debts raised from customers who received social security and welfare payments						
Number of debts raised	2,384,911	2,493,474	2,270,117	1,758,484	1,693,911	1,636,710
Value of debt raised (\$ billion)	2.8	3.2	3.4	2.4	2.0	2.1
Social security and welfare debt recovered						
Total value of debts recovered (\$ billion)	1.6	1.7	1.9	1.8	0.9	1.3
Value recovered by external collection agents (\$ billion)	0.1	0.1	0.1	0.1	0.04	0.05

Source: ANAO summary of Department of Human Services and Services Australia Annual Reports 2016–17 to 2021–22.

4.3 As discussed in paragraph 1.14, the reasons for the decline in debt detection and recovery from 2019–20 are attributed by Services Australia to debt pauses being applied following the 2019–20 bushfires, flood events across regions of Australia, and in relation to the COVID-19 pandemic.

4.4 The information in the annual reports does not include the number of debts detected but not yet determined (undetermined debt) or the number of debts temporarily written-off.

Services Australia internal debt reports

4.5 Since January 2022, the Debt Programme and Compensation Recovery Branch produces the only report used for debt monitoring across the organisation. The weekly debt insights report contains the following:

- number of debt determinations completed, split into categories by type of decision;
- number of new undetermined debts registered, split into categories of payment type;
- age of undetermined debts by current or non-current customers;
- number of SMS debt recovery contacts made;
- number of debts recovered, split into categories by recovery type; and
- summary of withholding arrangements in place to recover debt.

4.6 This report provides numbers and statistics on debts in the system and debt balances, and does not contain any performance targets.

Reporting on debt to policy entities

Financial reporting

4.7 Policy entities retain responsibility for reporting on debt balances in their financial statements under the PGPA Act but rely on the financial information provided to them by Services Australia as the service delivery agency.

4.8 Services Australia's Chief Financial Officer (CFO) issues annual assurance letters to policy entities for whom it manages social welfare payment debt in 2021–22.

4.9 Through these letters, the CFO confirms that internal controls have no known deficiencies in order to maintain materially accurate accounts and records relevant to the policy entity. The assurance letters to DSS and the Department of Agriculture, Water and Environment (DAWE) also include an assurance statement relating to debt.

4.10 Services Australia provides four policy entities (DSS, Department of Education, Skills and Employment [DESE], Department of Home Affairs [DHA] and DAWE) with detailed monthly financial reports on debts, see Table 4.2.⁸⁰

Table 4.2: Monthly financial debt reports to entities

Report	Description	Entities
Monthly debt report (year-to-date)	Set out by debt benefit type, the report provides: total outstanding determined debt year-to-date; debts raised for recovery; debts raised and waived at determination; debts written-off; recoveries overdue; and receivables.	DSS, DESE, DHA and DAWE
Monthly debt financial statement report (year-to-date)	Financial report set out by debt benefit type showing total receivables by specified date ranges for age of receivables.	DSS, DESE and DHA

Source: ANAO summary of Services Australia records.

4.11 ANAO analysed values in reports to entities against values contained in the Services Australia debt profile report and concluded that there was reasonable assurance over the completeness of social security and welfare debt reported by Services Australia to policy entities.

Reporting under bilateral arrangements

4.12 Services Australia is required to provide specific reports on debt under the bilateral arrangements with four policy entities: DSS; DHA, DESE and DAWE. The requirements for these reports are unique to each entity and are set out in the bilateral arrangements, in most instances requiring that Services Australia keeps the relevant policy entity informed of debt matters.

4.13 Services Australia advised the ANAO that DSS has been provided with full access to data in Services Australia's systems relating to DSS welfare payments including debt. DSS extracts the data itself for the reports required under the bilateral arrangements (see paragraphs 4.28 and 4.31).

Has Services Australia established adequate arrangements to assess and monitor the effectiveness of its debt management and recovery?

Until 2021–22, Services Australia reported externally on a single debt measure (debt under recovery), that was generally measurable, but not related to an activity. From 2021–22 this measure has been discontinued, and no other debt measure is in place. Services Australia has a limited set of internal measures to assess debt management performance; the measures do not have targets and do not cover all debt management and recovery activities. Since January 2022

⁸⁰ Services Australia provided other entity specific reports to policy entities. For example, aged debtors report was provided to DSS annually and DESE monthly. The completeness and accuracy of these reports was not examined.

the measures have been reported weekly. For seven entities that Services Australia managed debt on behalf of in 2021–22, only the bilateral arrangements with the Department of Social Services (DSS) contained debt performance measures and reporting requirements.

Additional pilot measures were introduced in 2021–22 as DSS and Services Australia agreed the existing bilateral measures were not fit-for-purpose. No targets have been set for the pilot measures, therefore the current reporting does not facilitate an assessment of the effectiveness of Services Australia’s management of debt on behalf of DSS.

External performance measurement

4.14 In accordance with section 16EA of the PGPA Rule and Resource Management Guide (RMG) 131 *Developing good performance information*, meaningful performance information is reliant upon a clear understanding of the entity’s purpose and expressing that understanding in a way that is related and measurable.

4.15 Section 16EA of the PGPA Rule requires an entity’s performance measures, in the context of the entity’s purposes or key activities, to:

- (a) relate directly to one or more of those purposes or key activities;
- (b) use sources of information and methodologies that are reliable and verifiable;
- (c) provide an unbiased basis for the measurement and assessment of the entity’s performance;
- (d) where reasonably practicable, comprise a mix of qualitative and quantitative measures;
- (e) include measures of the entity’s outputs, efficiency and effectiveness if those things are appropriate measures of the entity’s performance; and
- (f) provide a basis for an assessment of the entity’s performance over time.

Debt performance measure

4.16 Prior to 2021–22, Services Australia reported on ‘debt under recovery’ as a key performance measure. Services Australia advised the ANAO that this measure had been in place since 2012. The target for the performance measure had remained unchanged at 60 per cent or more, between 2012 and 2021–22. Services Australia was unable to provide evidence of the rationale for the target or any review of the appropriateness of the target, particularly in light of the debt pauses.

4.17 In 2021–22, Services Australia transitioned from 27 performance measures to seven high-level measures (see Appendix 6).⁸¹ The ‘debt under recovery measure’ was classified by Services Australia as ‘not aligned’ with any of the seven as part of an internal mapping exercise. The only remaining payment related performance measure from 2021–22 is ‘payment quality’, which consists of ‘Centrelink: delivery of correct customer payments’ and ‘Medicare: delivery of accurate medical benefits and services’.

81 The 27 performance measures previously reported by Services Australia as strategic measures have transitioned to become Tier 2 Tactical measures. Tactical measures are internal-facing measures which support and drive the agency to manage its business and achieve its strategic performance measures. This includes the Centrelink – Debt under recovery measure. This measure is also a Tier 3 operational measure (see paragraph 4.25).

4.18 The 'debt under recovery' measure appeared in the appendix to Services Australia's Corporate Plan 2021–22 with the same target of 60 per cent or more for 2021–22. Services Australia's Annual Performance Statements 2021–22 only report on the seven high-level measures. The 'debt under recovery' measure was reported in an appendix to the Annual Report 2021–22. Table 4.3 sets out the details of the performance measure.





Table 4.3: Services Australia's debt under recovery performance measure 2021–22

Program	Key activity	Performance measure	Description	Target	Method
Program 1.1: Services to the community — social security and welfare	None	Achievement of payment integrity standards: Centrelink: debt under recovery	The percentage of Centrelink debt with a current debt recovery arrangement in place	≥60%	Data mining

Source: Services Australia Corporate Plan 2021–22.

4.19 The ANAO assessed this measure against the requirements of section 16EA of the PGPA Rule and the results are set out in Table 4.4.

Table 4.4: Results of performance measure assessment

Performance measure	Measurable ^b			
	Related ^a	Reliable and verifiable	Free from bias	Assessable over time
Achievement of payment integrity standards: Centrelink: debt under recovery				

Legend:  Fully and/or mostly meets requirements  Partially meets requirements  Does not meet requirements.

Note a: Related refers to the requirement of subsection 16EA(a) of the PGPA Rule 2014, as amended. In applying the 'related' criterion, the ANAO assessed whether the entity's performance measures:

- related directly to one or more of the entity's purposes or key activities;
- provided a clear link between purposes, key activities and performance measures; and
- were expressed in a consistent way.

Note b: In applying the 'measurable' criterion, the ANAO assessed whether the entity's performance measures were:

- reliable and verifiable — supported by clearly identified data sources and methodologies;
- free from bias — provides an unbiased basis for the measurement and assessment of the entity's performance; and
- assessable over time — able to provide a basis for an assessment of performance over time.

Source: ANAO analysis based on the PGPA Act and PGPA Rule.

4.20 The ANAO assessed the 'debt under recovery' performance measure as not related, and was largely measurable except that it did not support assessment over time.

- The measure is not related to a key activity.
- The measure is reliable and verifiable because the data sources for the measure are Services Australia's two key systems — Income Security Information System (ISIS) and Debt Management Information System (DMIS) — which have appropriate key system controls to mitigate risk and ensure the data is accurate and complete. Services Australia

also conducts a quality assurance check on the final report, by running a separate manual calculation and comparing that against the system-generated report totals.

- It is free from operational bias because the process for extracting the data to measure performance is data mining from the Enterprise Data Warehouse, which in turn utilises data from ISIS and DMIS, and there is no manual manipulation of the data for the compilation of the original report.
- Up until 2019–20, the same methodology was used to calculate the performance results so they were comparable up to that period. The original methodology only included Services Australia’s collection of debts. In 2019–20 Services Australia amended the methodology to include the debts collected by external collection agents⁸² and provided an explanation for the results of the measure in the 2019–20 Annual Performance Statements. When changing the methodology, Services Australia did not report the results of the measure using the original and revised methodology to support a comparison.

4.21 The results of ‘debt under recovery’ performance measure are recorded quarterly in the relevant internal performance measure record⁸³, and approved each quarter by the Debt Programme, Appeals and Reviews Division General Manager.

4.22 In October 2018, following a high-level review of performance measures, Services Australia advised the Secretary of DSS that ‘debt under recovery’ was identified as not an effective measure of performance, as achieving the target does not contribute to reducing the outstanding balances for determined debt. At the time, Services Australia was engaging with DSS on a new suite of performance measures under the bilateral arrangement. Despite concerns about effectiveness of the measure, ‘debt under recovery’ remained the only measure in the corporate plan in 2019–20 and 2020–21.

Performance measure reporting

4.23 The ANAO examined Services Australia’s reporting of the ‘debt under recovery’ performance measure in its annual reports from 2016–17 to 2021–22. The results are set out in Table 4.5.⁸⁴

82 External collection agents are contracted by Services Australia to collect debts primarily from former Services Australia customers who no longer receive social welfare payments (see Table 3.8).

83 *Performance Measure Record KPI04 — SSW: Achievement of Payment Integrity Standards: Centrelink: debt under recovery.*

84 In November 2022, the ANAO advised Services Australia of incorrect references to the ‘debt under recovery’ measure on pages 197 and 198 for Key Performance Indicators two and five, in the 2021–22 Annual Report. Services Australia advised the ANAO that these errors will be noted in the 2022–23 Annual Report.

Table 4.5: Performance results for the debt under recovery measure

Year	Target	Result (%)
2016–17	≥60%	61.8
2017–18	≥60%	59.0
2018–19	≥60%	69.5
2019–20	≥60%	95.8
2020–21	≥60%	70.6
2021–22	≥60%	71.3

Note: The increase in results from 2018–19 was in part due to the measure being updated in October 2018 to include debts recovered by external collection agents. This means the results prior to 2018–19 are not comparable with future years (see paragraph 4.20).

Source: Services Australia annual reports 2016–17 to 2021–22.

4.24 The formula for the measure is the value of debt under arrangement divided by the value of total outstanding determined debt at the end of the financial year. The formula excludes undetermined debt, and debt temporarily written-off or held. Services Australia advised that the reason for the improved results from 2019–20 was the calculation of debt under recovery does not include debts that have been temporarily written-off. From 2019–20 onwards there has been a smaller number of debts that have been determined and therefore eligible to be progressed by Services Australia (or an external collection agent) through to a recovery arrangement. The performance results from 2019–20 onwards do not reflect the percentage of debts under recovery compared to the population of all outstanding determined debts. The debt pauses led to significant numbers of outstanding determined debts remaining temporarily written-off which are excluded from the methodology for this performance measure. In the absence of an accompanying explanation of the circumstances, the performance results from 2019–20 do not provide a meaningful comparison to prior year results.

Internal performance measures

4.25 Services Australia has three internal debt performance measures, set out in the Debt Programme and Compensation Recovery Branch Business Plan 2021–22 under the overarching statement ‘Deliver high quality debt raising and recovery services that collectively improve debt recovery performance’:

- percentage of all debt is under a recovery arrangement with the Agency (Services Australia) — 60 per cent target;
- percentage of outstanding potential overpayments (undetermined debt) are under 90 days old — 80 per cent target; and
- percentage of outstanding potential overpayments (undetermined debt) are under 180 days old — 90 per cent target.

4.26 Services Australia advised the ANAO that although ‘debt under recovery’ is no longer an external performance measure, it will still be providing internal reports to the responsible executives within relevant branches. Since January 2022, this measure has been included in weekly debt insights reports (providing weekly results over a period of two months) which are reported to

the Deputy Chief Executive Officer Payments and Integrity (see paragraph 4.5). The adequacy of this measure is discussed at paragraphs 4.22 to 4.24.

4.27 Services Australia reports on the other two measures as part of the quarterly reports prepared under the bilateral arrangements with DSS. Since January 2022, Services Australia reports on the ageing of outstanding potential overpayments (undetermined debts) in the weekly debt insights report. Ageing is reported for across 10 intervals but is not aligned⁸⁵ to these measures. For example, weekly debt insights reports provide a result for undetermined debts that are 90 days old or less⁸⁶, but do not report against the measure of less than 90 days. Services Australia does not report internally on the effectiveness of various methods to detect an undetermined debt or the volume of debt detected compared to the assessed rate of payment inaccuracy (see paragraphs 3.34 and 3.35).

Bilateral performance measures














































4.28 The ANAO examined bilateral arrangements for seven of the nine entities on behalf of which Services Australia manages debt, only the DSS bilateral arrangements contain performance measures relating to debt (in the agreement for Payment Assurance).⁸⁷ The debt measures and the performance results for five of the six measures in 2021–22 in the Quarterly Performance Assurance Reports (provided to DSS) are set out in Table 4.6.

85 The following intervals are reported: less than 30 days; 30 to 90 days; greater than three to six months; greater than six months to 12 months; greater than one year to two years; greater than two years to three years; greater than three years to four years; greater than 4 years to five years; greater than five years to six years; and greater than six years.


86 By adding the first two intervals (the intervals less than 30 days and 30 to 90 days).

87 The agreement includes a measure for determined debts of the percentage of outstanding debts that have a recovery action taken within five years of being raised for recovery, or within five years of the last recovery action, whichever is later. This measure is not reported in the Quarterly Performance Assurance Report.

Table 4.6: Key Performance Measure 2.2 — Income Support Debt Management

Performance measure	Benchmark ^a %	Q1 Sep 2020–21 %	Q2 Dec 2020–21 %	Q3 Mar 2020–21 ^b %	Q4 Jun 2020–21 %	Q1 Sep 2021–22 %	Q2 Dec 2021–22 %	Q3 Mar 2021–22 %	Q4 Jun 2021–22 %	Q1 2022–23 %
2.2.1 Processing of potential overpayments (performance measures for determination of undetermined debts)										
Long-term — potential overpayments within 90 days ^c	Upper — 80 Lower — 77	30 	23 	19 	17 	17 	15 	13 	13 	11 
Long-term — potential overpayments within 180 days ^c	Upper — 90 Lower — 80	63 	46 	36 	33 	29 	29 	26 	23 	19 
2.2.2 Debt recovery — Social security (performance measures for debt recovery)										
Percentage of current recipient debt in a repayment arrangement	Upper — 90 Lower — 80	53 	49 	50 	72 	73 	71 	63 	61 	72 
Percentage of ex-recipient debt in a repayment arrangement	Upper — 50 Lower — 30	21 	20 	21 	29 	29 	27 	23 	22 	27 
Percentage of recovery arrangements at the standard rate	Upper — 40 Lower — 30	27 	23 	31 	40 	34 	32 	29 	26 	36 

Key:  represents when the benchmark was met and performance results are rated 'green'

 represents when the result falls between the upper and lower benchmark and performance results are rated 'orange'

 represents the lower end where the performance results were not met and rated 'red'.

Note a: For quarters two to three 2020–21, Services Australia and DSS did not rate the results in the Quarterly Performance Assurance Reports and the ANAO has applied the ratings as per the methodology.

Note b: Results for quarter 3 have been rounded up by the ANAO as they were presented to one decimal point in the Quarterly Performance Assurance Report.

Note c: Processing potential overpayments (undetermined debt) within 90 and 180 days establishes an expectation for timeframes within which undetermined debts will be determined.

Source: ANAO analysis Quarterly Performance Assurance Reports.

4.29 The data for the quarterly reports is extracted by DSS, which has access to Services Australia's Enterprise Data Warehouse. DSS then sends the results to Services Australia for inclusion of a narrative describing the reasons for the results. Services Australia does not generate any reports on these performance measures.

4.30 Targets have been established for each of the five performance measures reported in Table 4.6. In 2021–22, the targets were not met as a result of the debt pauses and the impact this had on the backlog of undetermined debts awaiting processing.

4.31 In April 2021, the Strategic Business Discussion Committee (established under the bilateral arrangements with DSS) agreed that the current debt management key performance measures were not fit-for-purpose, and they needed to be replaced with a set of key performance measures that take account of the whole debt management cycle. The Bilateral Management Committee (established under the bilateral arrangement with DSS) agreed to a 12 month pilot for five new key performance measures, to be implemented from 1 July 2021, see Table 4.7.

Table 4.7: Pilot key performance measures and results for the first three quarters of 2021–22

Pilot key performance measure ^a	Stage of debt lifecycle	Quarter 1 %	Quarter 2 %	Quarter 3 %
Overpayments detected year-to-date as a proportion of leakage ^b	Detection	26.4	21.6	26.9
Proportion of debt shells [undetermined debt] processed within or aged less than 90 days	Determination	36.5	27.6	28.0
Proportion of outstanding debt under recovery	Recovery	53.5	51.0	44.6
Proportion of debt under active recovery that will be recovered in five years or less	Recovery	39.5	38.6	39.1
Debt recovered as a proportion of debt raised (12 month rolling total)	Recovery	46.4	59.0	57.9

Note a: Services Australia cannot calculate the results for the measures and does not undertake any validation of the results. Services Australia advised the ANAO 'that DSS produces the results for the KPM and the agency provides commentary on the KPM results as part of the quarterly Performance Assurance Reporting'.

Note b: The pilot measure for overpayment detection consists of the number of overpayments detected in the financial year-to-date (based on the number of undetermined debts registered in Debt Management Information System) as a proportion of the previous year's leakage to outlays (pro-rated to financial year-to-date) (based on the results of the Random Sample Survey).

Source: Bilateral Management Committee papers December 2021 and June 2022.

4.32 The debt detection pilot measure does not appropriately measure debt detection performance because the measure assumes that debts detected via annual reconciliation processes would be identified by the Random Sample Survey (see paragraphs 3.34 and 3.35).

4.33 DSS sought to put in place targets for the pilot measure. However, Services Australia and DSS agreed not to apply targets or benchmarks until the results were monitored over a period of 12 months and realistic targets could then be set in recognition of the impact of the debt pauses on operational performance.

4.34 The five existing performance measures under the bilateral arrangement with DSS focus only on the timeliness of debt determination activities and debt recovery. Whereas the five pilot

performance measures are broader and cover overpayment detection, debt determination and debt recovery with the inclusion of tracking recovery trajectories and volume. Combined, these 10 performance measures provide DSS with a clearer view of Services Australia's effectiveness in managing debt, when compared to the measures currently used by Services Australia (see paragraph 4.25).

4.35 In December 2021, the committee noted that the overpayment detection Key Performance Measure was affected by the COVID-19 pandemic, and undetermined debt processing had fallen behind the long-term processing trend pre pandemic, due to debt pauses. Both the Bilateral Management Committee and the Strategic Business Discussion Committee were to receive ongoing reports, as it was expected that extended debt pauses would have a continuing impact on results. In June 2022, the committee agreed to extend the pilot to 31 December 2022 (noting the ongoing impact of the COVID-19 pandemic has performance well below business as usual levels), and conduct a review in January/February 2023 when debt management activity is expected to return to business as usual levels. As at April 2023, Services Australia and DSS were still finalising a paper for the Bilateral Management Committee on the outcomes of the pilot phase and Services Australia did not provide ANAO with a copy of the draft paper.

Recommendation no. 4

4.36 Services Australia establish internal targets to inform a clear assessment of its performance on all debt management and recovery activities.

Services Australia response: *Agreed.*

4.37 *As noted above in response to recommendation 3, the Agency's strategies are focussed on preventing customers from incurring a debt through managing payment inaccuracy risk, and supporting customers in updating their circumstances in a timely manner. These payment accuracy targets are reflected in the Agency's strategic (Tier 1) performance measures.*

4.38 *In addition, there are a number of external factors — including policy decisions by Government — which may impact on the Agency's debt management and recovery activities. Finally, the underlying legislation and policy may confer little discretion on the Agency in terms of how it prioritises debt management and recovery activities.*

4.39 *As noted in response to recommendation 1, any changes to the bilateral agreements that support the Agency's delivery of payments and services, including in respect of performance measures, targets and reporting, would need to be developed in consultation with the relevant partner agencies.*

4.40 *To that end, the Agency notes that in respect of the social security and welfare payments programme, the Agency continues to work with the Department of Social Services to develop appropriate operational reporting to support the social security and welfare program and the finalisation of these measures will provide further visibility of how the Agency's activities to manage debt are linked to performance and program outcomes.*

4.41 *More broadly, the Agency will review the performance measurement and performance reporting arrangements in place with partner entities as part of the broader consideration of the currency and coverage of bilateral agreements, referenced in response to recommendation 1.*

ANAO comments on Services Australia's response

4.42 Recommendation No 4 relates to internal performance measures rather than bilateral performance measures between Services Australia and policy entities. Services Australia's debt related internal performance measures are set out in paragraphs 4.25 to 4.27 and an assessment of these measures is at paragraphs 4.22 to 4.24.



Grant Hehir
Auditor-General

Canberra ACT
31 May 2023

Appendices

Appendix 1 Entity responses



Australian Government

Services Australia

Our Ref: EC23-001408

Chief Executive Officer
Rebecca Skinner PSM

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir 

Services Australia's response the Australian National Audit Office's (ANAO) performance audit of *Debt Management and Recovery in Services Australia*

Thank you for providing Services Australia (the Agency) with the opportunity to comment on the ANAO's performance audit of *Debt Management and Recovery in Services Australia*.

I note the audit's findings for the Agency's arrangements for debt management and recovery of social security and welfare debt on behalf of partner entities is partly effective, having regard to:

- The clarity with which internal and external governance arrangements are documented.
- The link between debt management strategies, activities and performance measures.
- The effectiveness and usability of policies and procedures to support staff in debt management and recovery activities.

The Agency is primarily focussed on service delivery, and in particular ensuring the delivery of the right payment, to the right person, at the right time. Debt management and recovery is a consequence of this overarching objective, rather than an end in itself. This is reflected in the Agency's strategies and strategic performance measures, which seek to prevent payment inaccuracy risk as a means of ensuring customers do not incur debts.

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In addition, the Agency's discretion to prioritise the administration of its debt management and recovery activities is subject to a range of external factors, including:

- Policy decisions by Government (including pausing debt recovery activities).
- Underlying legislation and policy.
- The risk appetite and tolerance of the partner entities on whose behalf the Agency delivers payments and services.

The Agency acknowledges there is opportunity to strengthen the arrangements supporting debt management and recovery, including by:

- Working with our partner entities to review the currency and coverage of bilateral agreements supporting governance and performance reporting frameworks.
- Strengthening aspects of the Agency-wide quality assurance framework that supports staff in delivering payments, and services to the Australian community.
- Continuing to strengthen the strategies and internal performance targets that underpin the Agency's debt management and recovery operations.

These are set out in a more fulsome response to each of the recommendations provided at Attachment A.

The Agency considers that the implementation of the recommendations will further strengthen the arrangements in place with our partner entities, to manage and recover debts effectively.

I would like to thank the ANAO for its cooperative and professional approach throughout the audit process.

The Agency's contact for this matter is Mr Andrew Rodrigues, National Manager Audit. Mr Rodrigues is available on 02 6132 2790 or andrew.rodrigues@servicesaustralia.gov.au.

Yours sincerely



Rebecca Skinner

13 April 2023



Australian Government
Department of Social Services

Ray Griggs AO CSC
Secretary

Ref: EC23-000632

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 70
CANBERRA ACT 2601

Dear Mr Hehir, *Grant*

Department of Social Services response to proposed (Section 19) extract report - *Debt Management and Recovery in Services Australia*.

Thank you for providing the Department of Social Services (the Department) with the proposed Australian National Audit Office (ANAO) extract report on *Debt Management and Recovery in Services Australia*. I would like to emphasise that I have only seen those parts of the report that reference the Department, which is a small component of the overall report.

I consider there to be a close and collaborative working relationship between the Department and Services Australia on a range of matters, including debt and compliance policy. It is important to recognise the legal framework that underpins the way Services Australia operate in relation to social security law. In addition to this, there is a range of informal and formal channels to help foster this relationship, with the Bilateral Management Arrangement (BMA) providing the overarching governance framework for engagement and accountability between the two entities. I am pleased the ANAO has recognised the current work underway to review and strengthen the bilateral governance arrangements. I note the BMA forms one part of the overall engagement on debt matters, with regular dialogue on these matters occurring at all levels, including between the CEO of Services Australia and me.

I note the ANAO conclusion the Random Sample Survey (now known as the Payment Accuracy Review Program, or PARP) underestimates the overpayment risk for annually reconciled payments. The PARP is the primary assurance mechanism to measure the integrity of current, point in time, payment outlays administered by the Department and delivered by Services Australia. The principal objective of PARP is to provide an estimate of the accuracy of outlays for surveyed payments and to estimate the impact of administrative errors, not to detect and raise debts.

In relation to Family Tax Benefit (FTB), by intentional policy design, the government pays a 'provisional' fortnightly FTB rate which is reviewed at annual reconciliation, with some recipients receiving a debt or a top-up. Accordingly, I agree the current PARP methodology

underestimates the overpayment risk for FTB. However, a separate methodology would have to be designed to measure the risks associated with an annual reconciliation process.

I further note the ANAO reference to the collective work of the Department and Services Australia in reviewing the Key Performance Measures (KPMs) detailed in the Payment Assurance Service Arrangement. I can report the Department is currently working with Services Australia to set appropriate targets for the new KPMs and note the reports finding that these benchmarks are required to assess the effectiveness of Services Australia's management of debt on behalf of the Department.

A summary of the overall response and editorial matters I wish to bring to the attention of the ANAO are at **Attachment A**.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ray Griggs' with a stylized flourish at the end.

Ray Griggs
18 April 2023

Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.

2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2022–23 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.

3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:

- strengthening governance arrangements;
- introducing or revising policies, strategies, guidelines or administrative processes; and
- initiating reviews or investigations.

4. In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.

- From July 2022, Services Australia planned to deliver changes within Money You Owe, as well as non-digital channels, to give customers enhanced visibility of their welfare debts and provide greater choice when managing debt repayment following a disaster. Services Australia has implemented arrangements for customers to opt through self-service channels to pause debt recovery activities for three months when impacted by emergency events under phase one of the Situational Hardship Project. Phase two of this project is expected to incorporate other hardship events and explore the feasibility of enhanced digital channels such as two-way SMS.
- Services Australia advised in January 2023 that system functionality was released in August 2022 that enabled customers to receive a SMS notification to confirm a write-off has been applied to their debt. Further functionality was introduced in October 2022 to notify customers of their eligibility for a write-off based on their geographical location. These contacts are recorded on the customer's record.
- Services Australia developed a Debt Restart 2.0 plan in May 2022 to manage restarting debt raising and recovery workload and pressures on the system when various debt pauses were lifted. It also developed a 'winning the week' initiative to target the inflow of debts at the earliest point of contact.

- In June 2022, Services Australia endorsed a Debt Charter which set out a vision, outcomes, expected benefits and measures of success for Debt Modernisation. The Charter outlined the transformation ambition of ‘social welfare debts are managed through contemporary, customer centric systems and processes. Debt is prevented wherever possible and customers are empowered to avoid future overpayments’. Expected benefits include improved customer experience, a reduction in future debts and appeals, increased customer satisfaction, clearer communication with customers, and reduced manual staff effort and increased productivity for debt management and appeals activity.
- A review of Services Australia bilateral arrangements with the Department of Education and the Department of Social Services was in progress to improve the arrangements particularly, documentation of aspects of the arrangements.

Appendix 3 Circumstances to finalise a debt as no debt

Table A.1: Circumstances where a debt is finalised as no debt

Circumstance	Finalise as no debt where
Third party debts	A direct credit recall is not successful, and the debt belongs to a third party. This debt should be raised on the third party record and finalised as no debt for the customer.
Multiple debt activities	A debt may be finalised as no debt where: <ul style="list-style-type: none"> multiple undetermined debts are combined into one debt only (for example, when there is a deceased estate or several debts arising in relation to a single payment type occurring over consecutive periods); or an internal transfer results in more than one debt activity.
Family Tax Benefit reconciliation	Where a debt arises due to an increase in a customer's estimated income and/or maintenance income for the purpose of receiving Family Tax Benefit (FTB), it should be finalised as no debt. A debt will be determined only when there is a reconciliation of the actual and/or maintenance income. This does not include debts that arise due to adding a partner income estimate as part of a relationship status change.
Manual date of event	Incorrect coding may result in a debt activity. Correcting the coding may show that there is no debt. This can include: <ul style="list-style-type: none"> income incorrectly recorded, for example, coding \$600 instead of \$60, when corrected a legal debt will no longer exist as there is no overpayment; and not using the correct workflow or procedure may result in an incorrect assessment of the customer record, when corrected a legal debt will no longer exist as there is no overpayment.
Payment restored	Incorrectly cancelling or suspending a payment that generates a debt. After restoring the payment, finalise as no debt.
Bulk reassessment	The debt is due to an incorrect bulk reassessment error. This can include an error occurring during a bulk: <ul style="list-style-type: none"> Consumer Price Index update causing debts to generate on records incorrectly; or foreign pension exchange rate generating debts instead of arrears.
Notification handler (NOHL) date of event	The NOHL incorrectly applies a date in the past. The system may still create a debt where an event is advised and actioned within the notification period. In these cases, refer to the rules on the notification requirements for the specific customer (statement or notification reporter).
Direct credit recall	A direct credit recall (including third parties and deceased customers) returns a payment.
Excess payment	When an excess payment exists but there is no legislation which will allow for the raising and recovery of the debt.

Circumstance	Finalise as no debt where
Excess or incorrect payments that cannot be determined as a recoverable debt	
Pension Bonus Scheme	Excess payments are not a debt where the customer was entitled to the Pension Bonus Scheme at the time of payment. A debt is due where Pension Bonus Scheme payments were incorrect at the date of grant due to administrative or computer error or were due to fraud or misrepresentation.
Incentive Allowance ^a	An excess payment of Incentive Allowance is not a debt where the customer participated in a qualifying activity and then transfers to Disability Support Pension. There is no debt because the customer was not told they needed to notify Services Australia of changes in their Incentive Allowance status.
Special Benefit Payment	Excess payments made to minors are not a debt where there is no correspondence nominee. No debt exists because the customer (the child) was not told to notify Services Australia about their parents' income.
Crisis Payments	Excess payments are not a debt, except where the excess payment arises due to the customer falsely claiming (misrepresenting their circumstances) or the customer was covered by an Assurance of Support. ^b
Youth Allowance	Excess payments are not a debt where payment is made based upon a parental income estimate.
ABSTUDY	Where payments are cancelled due to system restrictions, this is not a debt.

Note a: Incentive Allowance is a saved payment made to Disability Support Pension customers to encourage them to participate in sheltered workshop employment.

Note b: An Assurance of Support is a legal agreement an Assurer makes with Services Australia to help someone get a visa to live in Australia (the Assuree, Services Australia's customer). It is the Assurer's promise to pay Services Australia back for any income support given to the Assuree. An Assuree may claim an income support payment when the Assurer is no longer able to support them. In these cases, Services Australia will raise for recovery an Assurance of Support debt for the Assurer.

Source: Services Australia, Finalised "no debt" (FND) or "zeroing" debts that are not legally recoverable, 107-05110010, 4 March 2022, and Raising Pension Bonus Scheme (PBS) debts, 107-04020180, 19 December 2021.

Appendix 4 Debt waiver reasons and delegations

1. Debt waiver reasons are summarised in Table A.2.

Table A.2: Debt waiver reasons

Reason	Description
Administrative error waivers	A wide range of circumstances may make up an administrative error for the purposes of considering waiver.
Small debt waivers	Delegated Services Australia officers and automated processes within Debt Management Information System (DMIS) may waive small debts where it is not cost effective to pursue recovery.
Special and unusual circumstance waivers	Waiving of a debt may occur under special and unusual circumstances.
Discount	When a part-payment has been accepted as full payment of a debt. The balance remaining after the agreed payment has been made must be waived.
Settlements	When an agreement has been reached to a settlement for less than the full value of the debt due to civil action or proceedings before the Administrative Appeals Tribunal (AAT).
Longer sentence	Waive the debt where: <ul style="list-style-type: none"> the customer has been convicted of an offence that gave rise to a proportion of the debt; and the court has indicated in sentencing the customer, that it imposed a longer custodial sentence on them due to their inability, or unwillingness to repay the debt.
Further debt waivers reasons — Further identification and application of specific debt waivers	
Class of debt	Waive a debt if it is a class of debt specified by the Minister. This applies to debts under the <i>Social Security Act 1991</i> , the <i>Family Assistance (Administration) Act 1999</i> and the <i>Paid Parental Leave Act 2010</i> . For example, instances of where a class of debts has been waived to date include: Social Security (Waiver of Debts — Bereavement Period) Specification 2017; and Child Care Benefit transitional waiver, Family Tax Benefit transitional waiver.
Underestimate of property value	Waive a debt, or portion of a debt due to an underestimate, where the: <ul style="list-style-type: none"> customer or their partner underestimated the value of a particular property (owned by the customer or their partner); the estimate was in good faith; and the property's value could not be easily worked out.
Offset of unclaimed family payment (or allowance) or parenting allowance or unclaimed entitlement to parenting allowance or parenting payment	Waive an amount equal to unclaimed Parenting Allowance or Parenting Payment or basic Family Payment where a person would have been entitled where: <ul style="list-style-type: none"> the amount would have been payable for a period when the overpayment was made; and for Parenting Allowance or Parenting Payment: <ul style="list-style-type: none"> the debt did not result in any part from a false statement or misrepresentation or failure to comply with the Act; and the unclaimed amount is for an overpayment period not more than three years before the overpayment end date.

Reason	Description
Parental Income Test Linking waiver	Apply a one-off waiver to certain debts raised following a determination process because of the Parental Income Test Linking initiative. A Disallowable Instrument signed in 2004 specifies which debts were eligible for waiver.
Waiver of debts resulting from the assessment of lump sum arrears of a reversionary income stream	From 9 May 2018, a debt waiver can occur where the assessment of lump sum arrears results in a debt during the bereavement period for the surviving spouse. The waiver is under the legislative instrument Social Security (Waiver of Debts — Bereavement Period) Specification 2017 made under subsection 1237AB(1) of the <i>Social Security Act 1991</i> .
<i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act) waivers	<p>PGPA Act replaced the <i>Financial Management and Accountability Act 1997</i> (FMA) from 1 July 2014.</p> <p>Waiver decisions requested under section 63 of the PGPA are determined by:</p> <ul style="list-style-type: none"> the Finance Minister and Parliamentary Secretary; or delegates within the Department of Finance. <p>Finance can request a waiver of debts raised for recovery under:</p> <ul style="list-style-type: none"> <i>Social Security (Administration) Act 1999</i>; <i>A New Tax System (Family Assistance) (Administration) Act 1999</i>; <i>Paid Parental Leave Act 2010</i>; <i>Student Assistance Act 1973</i>; and FMA and PGPA Acts.
Waivers that apply to a specific period	
Child Care Benefit transitional waiver, Family Tax Benefit transitional waiver	Apply a one-off waiver for the first \$1000 of either or both eligible Child Care Benefit Family Tax Benefit overpayments for the 2000–01 income year only. The Australian Government introduced the waiver to assist families to adjust to the new family tax system.
Waiver of age pension, carer pension or disability support pension	<p>Waiver of age pension, carer pension or disability support pension debt regarding a person who received a service pension, disability pension and an income support supplement from the Department of Veterans' Affairs during the period beginning 1 December 2005 and ending 28 February 2006.</p> <p>A Disallowable Instrument signed in 2007 specifies which debts were eligible for waiver.</p> <p>Note: this waiver exemption does not apply to a debt arising from a payment that was made to a person if they knowingly:</p> <ul style="list-style-type: none"> made a false or misleading statement; or gave false information, to the Commonwealth.

Source: Services Australia, *Waiving Centrelink debts*, 107–05120000, Resources, pages 8 to 11.

2. The level of delegated official varied considerably by circumstance and financial limits for waiver decisions. For example, under the *Social Security Act 1991* eight sections were delegated (and for some sections more than one subsection was delegated), and for each section or subsection one of 10 combinations of delegated official level and financial limit was applied to the delegation. Generally, the legislation supports the Secretary (and their delegated officials)

waiving a debt in specific circumstances.⁸⁸ Circumstances leading to waivers consistently listed in legislation included:

- (b) the debt is arising from error;
- (c) the debt relating to an offence;
- (d) a small debt;
- (e) amounts in excess of debts agreed following a settlement in a civil action;
- (f) in special circumstances (such as, the debtor unintentionally providing incomplete information); or
- (g) particular classes of debt, for example, where the Minister has listed the class of debt in a legislative instrument.

88 Relevant legislation includes *Social Security Act 1991* (sections 1237A, 1237AA, 1237AAA to 1237AAE, 1237AB), *A New Tax System (Family Assistance) (Administration) Act 1999* (sections 97 to 102), *Paid Parental Leave Act 2010* (sections 194 to 200) and *Student Assistance Act 1973* (sections 43A to 43F).

Appendix 5 Circumstances where a debt is not recovered

1. In some circumstances a determined debt is not recovered or there is not a current payment arrangement. These circumstances are where a payment arrangement has not been agreed, or a debt has been parked, held, quarantined, written-off or referred to an external collection agent (see Table A.3 for descriptions of these circumstances).

Table A.3: Circumstances where a debt is not recovered or in a payment arrangement

Circumstance (debt status)	Description
No payment arrangement	A customer may not have a payment arrangement in place as the debt due date has not been reached or they have defaulted on a payment arrangement. When a debt is not under arrangement, the customer will continue to receive contact letters from Services Australia in the form of overdue accounts.
Held or parked ^a	Where Services Australia is awaiting transaction information from another entity, such as the Australian Taxation Office (ATO), the debt status is considered to be parked or held. ^b A debt may also be classified as held where a debt has been determined, but no recovery plan has been put in place and no accounts payable letter has been issued. The debt status remains as held until Services Australia takes further action.
Quarantined	Where certain undetermined or written-off debts need to be moved from the debt recovery process (generally debts that required intervention around Returned Payments), they are assigned a quarantined status. This status allows a debt to remain in the Debt Management Information System (DMIS), without any impact on the customer, while providing Services Australia the opportunity to consider and address any issues related to the debt. A quarantine period ends when a debt is determined over-recovered, finalised or at the quarantine period end date.
Temporary or permanent write-offs	Write-offs stop debt recovery action for a defined or undefined period ^c , and can be reversed where circumstances change. In the case of temporary write-offs, there is an intention to restart recovery at a later date. The reasons for temporarily writing-off a debt include where the customer is: waiting for the outcome of bankruptcy proceedings or a review or appeal; in a disaster area or receiving a disaster payment (this includes pauses for the COVID-19 pandemic); in prison; assessed as being in short term hardship; overseas; or a deceased person whose estate total is yet to be determined. A debt may also be written-off when the customer's whereabouts is unknown, it is not cost effective to recover, or the debt has been excluded from tax garnishee processes. Reasons why a debt may be permanently written-off include: the deceased estate is insufficient to pay the debt; or the customer has a bankruptcy or insolvency discharged and there is no fraud.
Referred to a collection agent	A debt can be transferred to an external collection agent for recovery when it meets the criteria for referral. A debt cannot be referred to an external collection agent until it is 56 or more days old for customers. The debt is transferred for a period of 56 days. This period is extended for a further 56 days if the external collection agent receives a customer payment before the end of the referral period.

Note a: Undetermined debts are automatically held by the system when a policy decision has been made to pause the debt, such as in response to a natural disaster. Exceptions to this are Family Tax Benefit auto-determined debts and compliance review debts, which will not automatically be held.

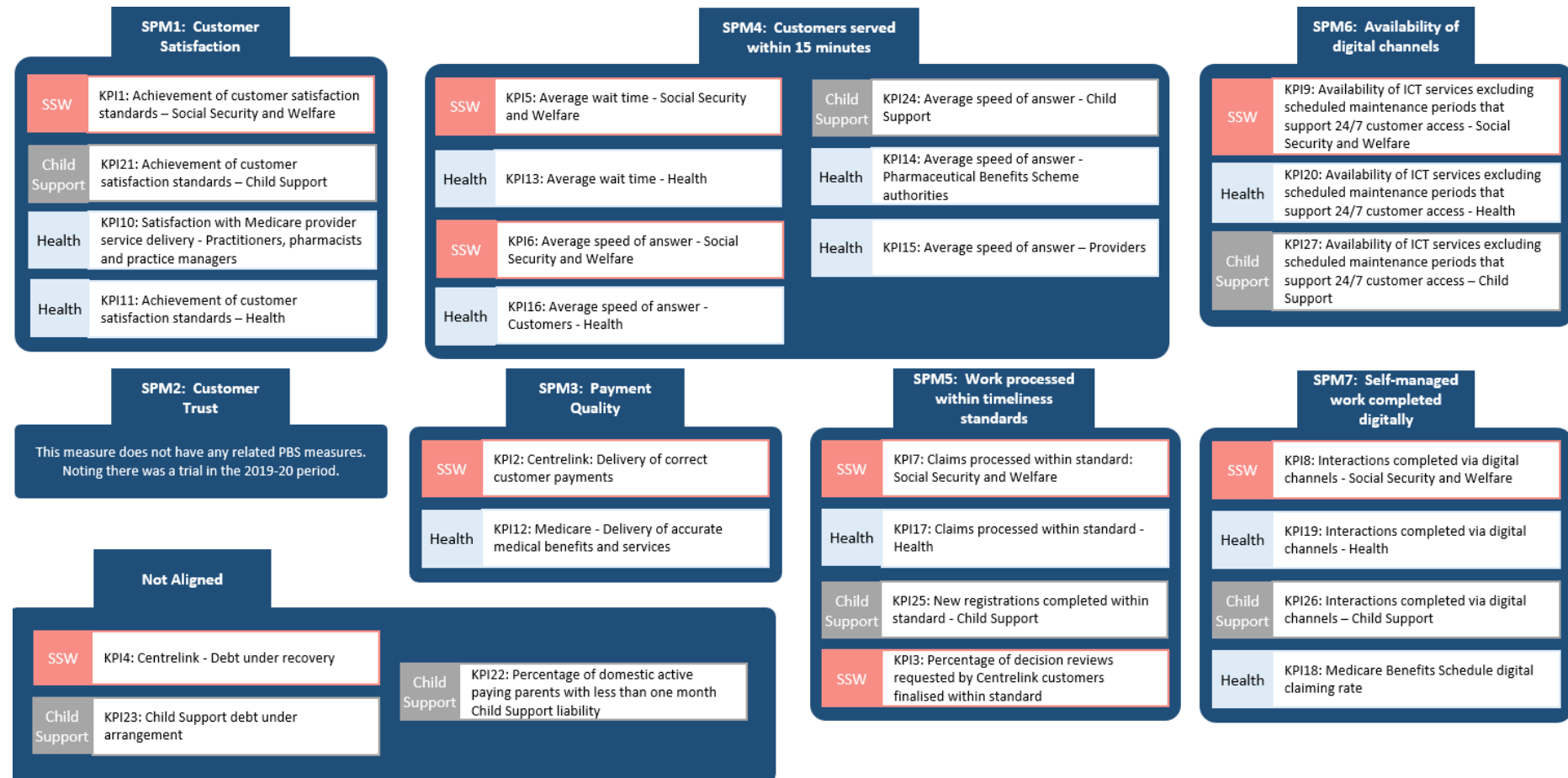
Note b: For example, when family assistance payments are reconciled, information about arrears or debts for the relevant financial year and outstanding Family Tax Benefit and Child Care Subsidy debt amounts for prior financial years are reported to the ATO. The reconciliation result will remain parked until an ATO response transaction is received.

Note c: Family assistance offsetting may still apply to some written-off debts.

Source: ANAO analysis of Services Australia's debt policy and procedures.

Appendix 6 Aligning Services Australia's 27 performance measures from 2020–21 with the seven high-level measures for 2021–22

Figure A.1: Relationship between new and old performance measures for Services Australia



Source: Services Australia, Overview of Services Australia's performance measures 2021–22, p. 5.