

Settlement Engagement and Transition Support Program

Department of Home Affairs

Department of Social Services

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Canberra ACT

1 April 2026

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 the Department of Home Affairs and the Department of Social Services. The report is titled *Settlement Engagement and Transition Support Program*. 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



Dr Caralee McLiesh PSM
Auditor-General

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

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Audit snapshot

Auditor-General Report No.28 2025–26

Settlement Engagement and Transition Support Program



Why did we do this audit?

- ▶ The Settlement Engagement and Transition Support (SETS) program is an early intervention program intended to contribute to humanitarian entrants and other eligible vulnerable migrants and communities.
- ▶ The Department of Home Affairs (Home Affairs) is responsible for significant grant programs. SETS is a long standing and high value grant program for the department.
- ▶ The audit provides assurance to Parliament over the effectiveness of the management of the grants in achieving the program objectives.



What did we find?

- ▶ The management of funding under the SETS program has been partly effective.
- ▶ The grant agreements do not include the key performance indicators that were set out in the program guidelines, and do not directly link payments to provider performance.
- ▶ Management of agreements has not ensured that service providers consistently meet the requirements of the grant agreements.
- ▶ Program performance has been mixed in a number of areas including improving client independence, participation in Australian society and wellbeing.



Key facts

- ▶ Two funding rounds have been conducted with 205 grants awarded to service providers.
- ▶ Funding under the first round was awarded for the period January 2019 to June 2022, later extended to June 2024. Funding under the second round is for the period July 2024 to June 2027.
- ▶ Most providers who have received SETS grants have a long history with the program.



What did we recommend?

- ▶ There were ten recommendations to improve the grant agreements, departmental management of those agreements and the extent to which the program is demonstrably providing services to humanitarian entrants and vulnerable migrants.
- ▶ Home Affairs and DSS agreed to the recommendations directed to each of them.

\$579m

in grants awarded across the two SETS funding rounds.

102

current SETS service providers.

192,618

SETS Client Services and SETS Round 2 program clients.

Summary and recommendations

Background

1. The Settlement Engagement and Transition Support (SETS) program is an early intervention program intended to contribute to humanitarian entrants and other eligible vulnerable migrants and communities achieving full participation in Australian society as soon as possible, reducing the chance of long-term welfare dependency and isolation. The objectives of the SETS program are to:

- equip and empower humanitarian entrants and other vulnerable migrants with the tools to address their settlement needs and improve social and economic participation, and community integration;
- build the capacity of small and/or ethno-specific organisations to better support their local communities; and
- foster a whole-of-community approach to achieve settlement and integration outcomes.

2. SETS commenced on 1 January 2019 as a revised version of the Settlements Grants program. The Settlement Grants program had commenced on 1 July 2006.

3. Funding has been awarded to SETS service providers primarily through two funding rounds, with 205 grants awarded worth \$579 million across the two rounds.

4. Most providers who have received SETS grants have a long history with the program (see paragraph 1.3). Continuing providers have received a greater share of the available funding than new providers both in the transition to SETS and comparing the second and first SETS funding rounds.

Rationale for undertaking the audit

5. The Home Affairs portfolio is responsible for significant grants programs. Reflecting this, grants administration is an area of ANAO audit focus for the portfolio. SETS is a long standing and high value grant program for the department. The audit provides assurance to Parliament over the effectiveness of the management of the grants in achieving the objectives of the SETS program.

Audit objective and criteria

6. The objective of the audit was to assess whether the management of funding under the Settlement Engagement and Transition Support program was effective in achieving the program objectives and consistent with the Commonwealth Grant Rules and Principles (CGRPs).¹

7. To form a conclusion against the objective, the following high-level audit criteria were applied.

- Are appropriate grant agreements in place?

¹ The CGRPs are issued by the Finance Minister under section 105C of the *Public Governance, Performance and Accountability Act 2013*. On 1 October 2024, the CGRPs replaced the *Commonwealth Grants Rules and Guidelines*.

- Has there been active management to support effective delivery of the grant agreements?
- Are the services being provided to humanitarian entrants and vulnerable migrants?

Conclusion

8. The management of funding under the SETS program has been partly effective in achieving program objectives and partly consistent with the Commonwealth Grant Rules and Principles. The management of grant funding awarded under the SETS program has not placed Home Affairs in a sound position to assure itself that the program has been effective in assisting humanitarian entrants and vulnerable migrants to achieve full participation in Australian society as soon as possible, thereby reducing the chance of long-term welfare dependency and isolation. With the next round of program funding due to commence in July 2027, there is an opportunity to improve the design and administration of the program in pursuit of its objectives.

9. Grant agreements are in place for each grant that was awarded and accepted by the applicant. The signed grant agreements are not appropriate, as they do not:

- include each of the key performance indicators (KPIs) that the grant opportunity guidelines stated would be used to assess service provider performance; and
- clearly and directly link grant payments to the progress with, and performance of, the funded grant activity by each service provider.

10. Variations to the agreements, particularly the variation to extend first round funding by two years, did not adequately address how value for money would be achieved.

11. The approach to managing grant agreements has not been effective in ensuring that service providers consistently meet the requirements of the grant agreements.

- A consistent feature of program administration has been late reporting and data quality issues with reports when they are received. For example, for 11 or more of the 13 reporting periods to date, performance reports submitted by the majority of providers either failed to meet the reporting requirements or required follow up to address service delivery and data quality issues.
- 94 per cent of critical incidents are not reported to Home Affairs, including circumstances where SETS clients have died. Critical incident reporting identifies possible program issues and is a risk management measure which supports the achievement of program outcomes. Home Affairs' approach has given insufficient weight to the insights that can come from a robust approach to critical incident reporting, instead focussing on reputational risks relating to critical incidents being associated with the program.
- Rollover of annual funding amounts has been common, with less than 35 per cent of service providers reporting that they had fully spent grant funding to provide services to clients each year. In addition, \$1.1 million of unspent first round funding was rolled over to the 2024–25 financial year for 28 providers (36 per cent), following which \$4.44 million was then rolled over from 2024–25 to 2025–26 for 42 providers (41 per cent). Rollover processes did not seek to identify opportunities to redistribute funding to providers who were fully spending their grant with the potential to then assist further clients.
- 55 per cent of planned assurance visits to providers did not occur. This included visits not occurring for providers identified as having recurring issues with their reporting, and/or as

high risk. Where they have been conducted, the visits do not often result in action items being directed to service providers to improve performance. No action items have been directed to any service provider since 2021–22.

12. Services are being provided across Australia, with individual clients primarily located in major cities. Program data indicates that the program has become less successful at targeting recent humanitarian entrants and other vulnerable migrants. There has been mixed performance in aggregate for the program, and within service providers, in relation to key program metrics relating to the clients being assisted and the events/services being provided for the grant funding that was awarded. Performance has also been mixed in terms of the extent to which the data demonstrates the program is improving client independence, participation in Australian society and wellbeing.

Supporting findings

Grant agreements

13. Grant agreements are in place for each grant that was awarded and accepted by the applicant. There were delays in having grant agreements in place for each round. The amount of grant funding specified in the grant agreements varies considerably, with a small number of large providers (or lead entities in a consortium arrangement) receiving a significant proportion of the grant funding. In the first funding round administered by DSS, the obligation to report to the Finance Minister a decision by the Minister to award funding to a not recommended application was not met. (See paragraphs 2.1 to 2.16)

14. Grant agreements have not included a fit-for-purpose framework of measurable deliverables and performance indicators. The approach taken provided benefits for DSS in terms of ease of management of the grant agreements. It was not consistent with the grant opportunity guidelines and does not place Home Affairs, as program owner, in a sound position to assess whether service providers are performing satisfactorily and, consequently, whether program objectives are being met and intended outcomes are being achieved.

15. Under the terms of the grant agreement, an Activity Work Plan (AWP) is to be agreed to identify how the grant activity will be delivered and to measure the success and outcomes achieved for the funded grant program. For the second round, 33 per cent of AWP's were identified by Home Affairs to be missing important information relating to deliverables and timeframes for services to be provided. There have also been delays in AWP's being finalised. (See paragraphs 2.17 to 2.29)

16. Appropriate payment arrangements have not been established. The approach taken does not clearly and directly link grant payments to the progress with, and performance of, the funded grant activity by each service provider. As a result, it does not support proper use and management of relevant money. (See paragraphs 2.31 to 2.44)

17. Value with relevant money was not appropriately addressed in considering and approving grant agreement variations. (See paragraphs 2.45 to 2.62)

Management of grant agreements

18. Grant administration is not ensuring that the grant recipients have met, and are meeting, their reporting obligations.

- **Performance reports:** Most performance reports (on average 80 per cent) submitted by the grant recipients are incomplete, and/or reveal service delivery or data quality issues. In the 13 reporting periods to date across both rounds, no more than 10 per cent of performance reports have been assessed as receiving a pass. For five of the 13 reporting periods, more providers failed to meet their reporting obligations than were assessed to have met them. Issues have persisted, highlighting that follow up action has been ineffective.
- **Milestone reports:** Reports are consistently late. For example, 27 per cent of Activity Work Plans (AWPs) have been provided late and 37 per cent of AWP progress reports have been late.
- **Critical incident reporting:** This reporting was introduced in the first SETS round following a review of the predecessor program. The design of the reporting obligation, and its administration, for that round undermined the intent of, and value from, this reporting. For the second round, the grant agreements did not include a requirement to report critical incidents. Most (94 per cent) critical incidents are not reported to Home Affairs, including circumstances where SETS clients have died. (See paragraphs 3.1 to 3.33)

19. Administration of payments has not been in line with the grant agreements. The most significant issue relates to the rollover of unspent grant funds, with less than 35 per cent of service providers reporting that they had fully spent grant funding for each financial year of the term of the agreement. Rollovers are common across each year covered by the grant agreements for the two rounds. In addition, and at odds with the published grant opportunity guidelines for the second round, Home Affairs allowed \$4.44 million of unspent first round funding to be rolled over to the 2025–26 financial year for 42 providers. (See paragraphs 3.34 to 3.55)

20. The arrangements in place provide inadequate assurance over the accuracy and completeness of performance data reported by grant recipients. Following a 2020 internal audit, an April 2021 strategy to address identified data quality issues was not fully and effectively implemented, with data quality issues continuing to be identified in a 2023 evaluation commissioned by Home Affairs and in the ANAO's Performance Statements Audit work.

21. A key assurance activity for each round was to be a program of site visits to providers. More than 55 per cent of site visits that should have been conducted between 2019–20 and 2024–25 have not been conducted. The planned but not conducted site visits include those to providers where the departments have identified 'serious governance/service delivery issues' and some with a history of low quality/late reports. Where they have been conducted, the engagements do not often result in action items being directed to service providers to improve performance. No action items have been directed to any service providers in 2022–23, 2023–24 or 2024–25. (See paragraphs 3.56 to 3.73)

Provision of services to humanitarian entrants and vulnerable migrants

22. The grant agreements included the service locations to be covered by each service provider, with service providers engaged to provide coverage planned for all states and

territories. Service provider reporting indicates that services are being provided across Australia, with individual clients primarily located in major cities. Rather than specifying the type and quantum of services to be provided, program design involved the departments identifying key indicators against which service provider performance would be assessed by benchmarking each provider's performance against other similar providers. Data reported by service providers indicates that over the six years to June 2025, one million individual sessions and nearly 202,000 group sessions were provided to 192,618 clients through 651 service provider outlets. (See paragraphs 4.2 to 4.9)

23. The data reported by grant recipients reveals mixed performance against the performance indicators specified in their grant agreements. It also shows considerable variability in the extent to which service providers, and the program more broadly, appear to have assisted humanitarian entrants and other vulnerable migrants to participate in Australian society. (See paragraphs 4.10 to 4.54)

Recommendations

Recommendation no. 1
Paragraph 2.28 To demonstrably achieve value for money in the use of grant funding, the Department of Home Affairs work with the Department of Social Services and service providers to implement arrangements to benchmark provider performance in accordance with the performance framework established in the grant opportunity guidelines and reflected in the terms of the signed funding agreements.

Department of Home Affairs response: *Agreed.*

Department of Social Services response: *Agreed.*

Recommendation no. 2
Paragraph 2.43 When designing and managing the next round of settlement grants program funding, the Department of Home Affairs clearly and directly align the payment of funds to progress with, and performance of, the funded grant activity by service providers.

Department of Home Affairs response: *Agreed.*

Recommendation no. 3
Paragraph 2.61 The Department of Home Affairs, when considering and approving grant agreement variations:

- (a) undertakes robust and up-to-date analysis that demonstrates how value with relevant money will be achieved; and
- (b) provides the decision-maker with comprehensive advice that includes all relevant information, good and bad, on the merits of the proposals.

Department of Home Affairs response: *Agreed.*

**Recommendation no. 4
Paragraph 3.32** The Department of Home Affairs implement effective arrangements to obtain timely, accurate and reliable reports from service providers that address grant agreement milestone requirements, performance in the delivery of services and the occurrence of, and responses to, any critical incidents.

Department of Home Affairs response: *Agreed.*

**Recommendation no. 5
Paragraph 3.54** The Department of Home Affairs promote the proper use of resources, and the achievement of program objectives, by amending its processes for considering the potential rollover of grant funding each year and between funding rounds so that it assesses the merits of reallocating funds not spent by a provider to other providers.

Department of Home Affairs response: *Agreed.*

**Recommendation no. 6
Paragraph 3.72** The Department of Home Affairs implement a systematic, documented, risk-based approach to quality assurance activities based on service provider performance and other risk information known to the department.

Department of Home Affairs response: *Agreed.*

**Recommendation no. 7
Paragraph 4.26** To inform the administration of the current program and inform the design of future settlement grant programs, the Department of Home Affairs analyse the available data to:

- (a) understand and address any relationship between the cost per client for each service provider and data on whether clients are achieving their settlement goals and/or achieving improved independence, participation and wellbeing;
- (b) understand and address any relationship between the number and nature of events and services being provided with program funding and data on whether clients are achieving their settlement goals and/or achieving improved independence, participation and wellbeing; and
- (c) identify opportunities to improve the extent to which program participants are from priority groups.

Department of Home Affairs response: *Agreed.*

**Recommendation no. 8
Paragraph 4.42** The Department of Home Affairs adopt a more robust approach to reporting on the extent to which program clients are achieving their goals and improving their circumstances as a result of the services that have been delivered with grant funding.

Department of Home Affairs response: *Agreed.*

**Recommendation no. 9
Paragraph 4.50** The Department of Home Affairs develop, and report against, more robust and comprehensive performance indicators for the Settlement Engagement and Transition Support program that address whether the program is achieving its objectives, with a particular emphasis on whether clients are achieving their goals and improving their circumstances.

Department of Home Affairs response: *Agreed.*

**Recommendation no. 10
Paragraph 4.52** In preparing for the next funding round for the Settlement Engagement and Transition Support program, the Departments of Home Affairs and Social Services engage with representative bodies for program recipients as well as service providers so that the award and ongoing administration of grant funding is informed by co-design principles.

Department of Home Affairs response: *Agreed.*

Department of Social Services response: *Agreed.*

Summary of entity response

24. The proposed audit report was provided to the Department of Home Affairs and the Department of Social Services. The departments' summary responses to the report are provided below. Appendix 1 includes the full responses. Changes to program administration that Home Affairs advised the ANAO it had made during the course of the audit are at Appendix 2.

Department of Home Affairs

The Department of Home Affairs agrees with the recommendations of the Australian National Audit Office (ANAO) and welcomes the assurance and insights provided through this audit. The Settlement Engagement and Transition Support (SETS) program has provided critical early-intervention support to more than 200,000 refugees and vulnerable migrants since 2019. A number of enhancements have been implemented as part of the second round of SETS funding which commenced in 2024, including embedding the Refugee and Humanitarian Entrant Settlement and Integration Outcomes Framework, addressing findings from the 2023 evaluation, and streamlining program administration.

In 2025, the Department strengthened data quality through a new attestation process for the Data Exchange (DEX) system and increased engagement with providers through the national Community of Practice to drive consistent, best-practice service delivery. Work is underway to implement the 2026-27 Settlement Grants Quality Assurance Strategy, which will enhance oversight of provider performance and align grant management with the *Commonwealth Grants Rules and Principles 2024*. The Department is also considering how to embed the audit's findings into broader grants administration processes.

The Department will continue to work closely with DSS Community Grants Hub to ensure full implementation of all recommendations and continuous improvement in program stewardship.

Department of Social Services

The Department of Social Services (the department) welcomes the insights and opportunities for improvement outlined in the Australian National Audit Office (ANAO) report on the Settlement Engagement and Transition Support (SETS) Program.

The department acknowledges the ANAO's conclusion that the management of funding under the SETS program has been partly effective, with lessons for the department in strengthening program design and in how best to ensure there is a robust performance framework in grant agreements to support measurement of program objectives.

The department agrees with the two recommendations relevant to it and will take steps to address the suggested opportunities for improvement.

Key messages from this audit for all Australian Government entities

25. 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.

Program design

- Particularly for longstanding programs, program owners should make use of the full range of available data on program performance, along with appropriate consultation with program stakeholders, to adopt an evidence-based approach to program design.

Grants

- Entities should ensure that the performance framework established in grant agreements aligns with the expected outcomes of the specific grant opportunity and includes service deliverables and performance indicators that are clear and measurable.

Audit findings

1. Background

Introduction

1.1 The Settlement Engagement and Transition Support (SETS) program is an early intervention program intended to contribute to humanitarian entrants and other eligible vulnerable migrants and communities achieving full participation in Australian society as soon as possible, reducing the chance of long-term welfare dependency and isolation. The objectives of the SETS program are to:

- equip and empower humanitarian entrants and other vulnerable migrants with the tools to address their settlement needs and improve social and economic participation, and community integration;
- build the capacity of small and/or ethno-specific organisations to better support their local communities; and
- foster a whole-of-community approach to achieve settlement and integration outcomes.

1.2 SETS commenced on 1 January 2019 as a revised version of the Settlements Grants program. The Settlement Grants program had commenced on 1 July 2006.² Funding of \$579 million has been awarded to 129 SETS service providers through two funding rounds, with additional grants awarded through an ‘innovation fund’ (the original award of funding is set out in Table 1.1, noting that later variations increased the funding amounts).

1.3 Most organisations who have received SETS grants to provide low to medium intensity casework, referral support and group sessions have a long history with the program. Continuing providers have received a greater share of the available funding than new providers both in the transition to SETS and comparing the second and first SETS funding rounds, with 91 per cent of providers awarded funding in 2019 receiving funding under the Settlement Grants program³ and 83 per cent of grants under the second SETS round awarded to providers that had received funding under the first SETS round.

Administrative responsibilities

1.4 The Department of Social Services (DSS) had policy and delivery responsibility for the SETS program until 30 June 2019. Under the Administrative Arrangements Order of 29 May 2019, responsibility for settlement programs moved to the Department of Home Affairs (Home Affairs) from 1 July 2019.

1.5 DSS, through the Community Grants Hub, continues to administer the grant opportunity on behalf of Home Affairs. Since taking responsibility for the SETS program and up to October 2025, Home Affairs has paid DSS over \$4.4 million to administer those parts of SETS examined in this audit. A further \$1.5 million is expected to be paid until the planned end of the second round in June 2027. Accordingly, the average annual amount paid by Home Affairs to DSS for program administration is \$738,830.

2 The effectiveness of the management of the Settlement Grants program was examined in Auditor-General Report No. 36 2008–09 *Settlement Grants Program*, available from <https://www.anao.gov.au/work/performance-audit/settlement-grants-program>.

3 The Settlement Grants program was introduced on 1 July 2006, replacing the Community Settlement Services Scheme as well as core funding to Migrant Resource Centres and Migrant Service Agencies. The aim of the program was to deliver services that assist eligible clients to become self-reliant and participate equitably in Australian society as soon as possible after arrival.

Table 1.1: Original award of Settlement Engagement and Transition Support grant funding

Selection process	Selection method	Purpose	Duration of the grant (original)	Funding awarded (original)
SETS Round 1 - Client Services (2019–2022) (including sub-activity gap funding)	Open competitive	To equip humanitarian entrants and other vulnerable migrants in their first five years in Australia with the knowledge and skills to identify, understand and take action to address their identified settlement needs.	January 2019 to June 2022	\$152.4 million to 76 grant recipients
	Closed non-competitive	Conducted subsequently to address service gaps that DSS identified in the assessment process for the main funding round. Two organisations were invited to submit applications.	February 2020 to June 2022	\$0.8 million to 2 grant recipients
SETS Round 1 - Community Capacity Building	Open competitive	To empower new and emerging community groups and organisations to support their specific communities	July 2019 to June 2022	\$10.6 million to 24 grant recipients
SETS Innovation Fund (2020–21)	Ad hoc/invite only	Funding was intended for innovative projects that link employment and English language acquisition to improve vulnerable migrants' employment outcomes.	January 2021 to December 2021	\$0.9 million to 5 grant recipients
SETS Round 2 (2024–2027)	Open competitive	<p>To equip and empower humanitarian entrants, other vulnerable migrants and their communities, with the knowledge and tools to address their settlement needs in order to improve social and economic participation, and community connectedness.</p> <p>The objectives of the program are to:</p> <ul style="list-style-type: none"> • assist eligible clients to integrate into society • build the capacity of small and/or ethno-specific organisations to better support their local communities • foster a whole-of-community approach to achieve settlement and integration outcomes. 	July 2024 to June 2027	\$225.9 million to 103 grant recipients

Note: Funding awarded values are GST exclusive.

Source: ANAO analysis of departmental records.

Program evaluation

1.6 In November 2022, Home Affairs contracted Deloitte Touche Tohmatsu at a cost of \$219,613 to undertake an evaluation of the effectiveness, cost, funding, and design elements of the first SETS funding round.⁴ The findings of the August 2023 evaluation report included that:

- the program ‘appears capable’ of enabling improved settlement outcomes for clients. While clients were found to tend to record positive experiences, the positive nature of the reported outcomes could be overrepresented as providers were only required to collect outcomes data for 50 per cent to 60 per cent of all clients;
- effective SETS practices were grounded in an established and strong connection to the community and place-based delivery approaches, supported by a workforce with lived experience and capacity to build trust. The inability of providers to deliver effectively can be influenced by factors which are often out of their control, including workforce shortages and unexpected settlement or secondary migration in a region;
- the amount of SETS funding granted to providers, often less than the amount applied for, was ‘universally cited by providers as a barrier to effective service delivery’. Budget constraints often limited providers ability to recruit bicultural/bilingual staff — a delivery feature seen as best practice across the sector — retain skilled staff, and respond to clients presenting with more complex needs; and
- data limitations associated with the Data Exchange (DEX) system used by DSS make it challenging for providers and Home Affairs to understand and track activities and outcomes. The evaluation found these limitations limit the ‘completeness, objectivity and representativeness’ of the data reported and affect the strength of DEX data as an evidence source. It considered that there was an opportunity for departments to work with SETS providers to improve the quality of the data collected, including investment in an alternative to DEX that would be more closely aligned to delivery of SETS services.

1.7 The findings of this ANAO performance audit indicate that effective action was not taken to address a number of the findings of the program evaluation. For example, data limitations remain an ongoing issue and, while some providers report fully spending the grant amount each year providing services to clients, others are being permitted to rollover their funding across years and/or across funding rounds.

Rationale for undertaking the audit

1.8 The Home Affairs portfolio is responsible for significant grant programs. Reflecting this, grants administration is an area of ANAO audit focus for the portfolio. SETS is a long standing and high value grant program for the department, with 205 grants awarded worth \$579 million across the two funding rounds. The audit provides assurance to Parliament over the effectiveness of the management of the grants in achieving the objectives of the SETS program.

⁴ AusTender contract notice CN3930265. The procurement approach involved inviting ten firms on a panel to quote for the engagement. Five responses were received and evaluated (four were evaluated initially and the results presented in an evaluation report; a fifth response was identified later and then evaluated).

Audit approach

Audit objective, criteria and scope

1.9 The objective of the audit was to assess whether the management of funding under the Settlement Engagement and Transition Support program was effective in achieving the program objectives and consistent with the Commonwealth Grant Rules and Principles (CGRPs).⁵

1.10 To form a conclusion against the objective, the following high-level audit criteria were applied.

- Are appropriate grant agreements in place?
- Has there been active management to support effective delivery of the grant agreements?
- Are the services being provided to humanitarian entrants and vulnerable migrants?

1.11 The audit examined the management of funding awarded under the Settlement Engagement and Transition Support program in relation to grant agreements awarded under the:

- Client Services component of the first funding round that commenced on 1 January 2019 (agreements under the lower value Community Capacity Building component were not examined); and
- second round of funding that commenced on 1 July 2024.

Audit methodology

1.12 The audit methodology included:

- examination and analysis of Home Affairs and DSS records;
- engagement with relevant Home Affairs and DSS staff;
- direct engagement with a number of service providers; and
- consideration of the citizens contributions to the audit that were received.⁶

1.13 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$652,000.

1.14 The team members for this audit were Sean Neubeck, Lauren Abbey, Lachlan Miles and Brian Boyd.

5 The CGRPs are issued by the Finance Minister under section 105C of the *Public Governance, Performance and Accountability Act 2013*. On 1 October 2024, the CGRPs replaced the *Commonwealth Grants Rules and Guidelines*.

6 Of the 14 contributions received by the ANAO through the citizen's contribution facility for this audit, 13 identified shortcomings with administration of the program that are consistent with ANAO findings. Contributions were received from a number of peak bodies as well as from SETS service providers.

2. Grant agreements

Areas examined

The ANAO examined whether appropriate grant agreements have been put in place.

Conclusion

Grant agreements are in place for each grant that was awarded and accepted by the applicant. The grant agreements are not appropriate, as they do not:

- include each of the key performance indicators (KPIs) that the grant opportunity guidelines stated would be used to assess service provider performance; and
- clearly and directly link grant payments to the progress with, and performance of, the funded grant activity by each service provider.

Variations to the agreements, particularly the variation to extend first round funding by two years, did not adequately address how value for money would be achieved.

Areas for improvement

The ANAO made three recommendations aimed at improving the grant recipient performance framework set out in the grant agreements, the approach to grant payments and having value for money considerations inform decisions about any grant agreement variations. The ANAO also identified an opportunity for improved planning so that the next funding round is completed and new agreements signed before the existing agreements expire.

2.1 The *Commonwealth Grants Rules and Principles* (CGRPs), and prior to October 2024, the *Commonwealth Grants Rules and Guidelines* (CGRGs), establish the overarching Commonwealth grants policy framework and articulate the expectations for all non-corporate Commonwealth entities in relation to grants administration. The CGRPs require that there be an appropriate agreement for each grant that is well designed and is fit for purpose. A well-drafted agreement is identified as one that provides for:

- a clear understanding between the parties on required outcomes and well-defined grant activity deliverables, prior to commencing payment of the grant;
- appropriate accountability for relevant money, informed by risk analysis, including appropriate scheduling of payments (according to progress/performance);
- agreed terms and conditions in regard to the use of the grant, including any access requirements as well as specifying any reporting and acquittal procedures; and
- the performance information and other data that the grantee may be required to collect as well as the criteria that will be used to evaluate the grant, the grantee's compliance and performance.⁷

7 Paragraphs 14.8 and 14.10.

Are agreements in place for each grant awarded?

Grant agreements are in place for each grant that was awarded and accepted by the applicant. There were delays in having grant agreements in place for each round, with 13 grant agreements with Round 2 providers signed after the offer period expired. The amount of grant funding specified in the grant agreements varies considerably, with a small number of large providers (or lead entities in a consortium arrangement) receiving a significant proportion of the grant funding. In the first funding round administered by DSS, the obligation to report to the Finance Minister a decision by the Minister to award funding to a not recommended application was not met.

2.2 The Department of Finance (Finance) issues grant agreement templates to assist entities. Grant agreements for Settlement Engagement Transition and Support (SETS) Client Services in the first round were based on Finance's *Commonwealth Simple Grant Agreement — Version 3* template of July 2018. For the second round of funding, the grant agreements were based on Finance's *Commonwealth Standard Grant Agreement 2022*.

Settlement Engagement and Transition Support Round 1 - Client Services (2019–2022)

2.3 Funding to SETS Client Services providers was originally awarded to 78 organisations, at which time SETS was the responsibility of the Department of Social Services (DSS) (up to 1 July 2019).

2.4 Although the grant opportunity guidelines identified that the department would assess and make decisions about the award of grants, DSS' approach meant that the minister was the decision-maker. In one instance, the minister awarded funding to an applicant assessed by the department as not suitable and that had not been recommended for funding. This decision was required to be reported to the Finance Minister. A report was not provided to the Finance Minister.

2.5 The minister also approved DSS's proposal to fund, outside the SETS assessment process, two additional organisations from 1 January 2019 to 30 June 2022, involving an extension of their existing Settlement Grants agreements until 30 June 2019 and a direct source selection process for new agreements under SETS Client Services to commence 1 July 2019.⁸ The two organisations had submitted applications after the specified closing time for the SETS Client Services funding round and were not assessed by DSS.⁹

2.6 Most of the 76 successful applicants¹⁰ of the main, open competitive funding round had agreements in place prior to the commencement of services on 1 January 2019. There were delays ranging between two and 78 days in signing four agreements. The longest delay involved a grant agreement not being signed by both parties until 20 March 2019. The guidelines had stated that 'If

8 Funding for the extension period 1 July 2019 to 31 January 2020 of \$112,000 (GST exclusive) for the Pilbara Community Legal Service and \$58,333 (GST exclusive) for the Iranian Community Organisation, was provided, based on 7/12 of the 2019–20 allocation set out in the grant opportunity guidelines.

9 DSS advised the minister that 'It has been determined by the Expert Panel that there are no other SETS applicants that would be in a position to fill these gaps and a failure to fund these organisations could result in a critical gap in services'.

10 Of the 76 successful applicants, 65 were standalone and 11 were consortia applicants.

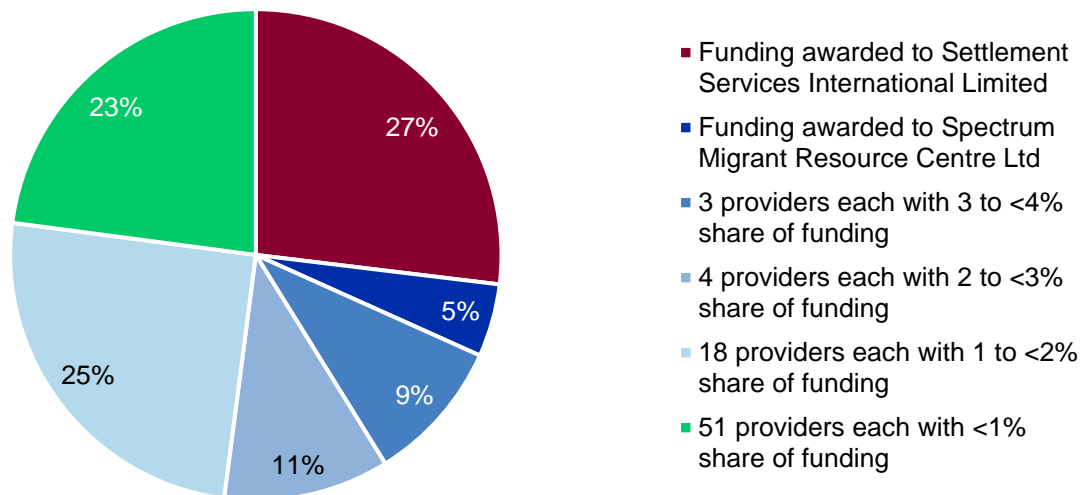
there are unreasonable delays in finalising a grant agreement, the grant offer may be withdrawn and the grant may be awarded to a different applicant’.

2.7 There were also delays in concluding the closed non-competitive process to select the only two eligible applicants. While originally expected to be in place prior to 1 July 2019 for services to commence, grant agreements with the two organisations were not signed until 14 and 17 February 2020, after the revised 1 February 2020 commencement date.

2.8 Funding awarded to providers varied significantly, ranging from \$199,507 to \$45,172,621 for the original term of the grant.¹¹

2.9 The highest value was awarded to Settlement Services International Limited (SSI), which engaged 21 delivery organisations to deliver services across NSW on its behalf. After grant agreements were varied to increase the scope, value and duration of the grant, SSI was awarded a total of \$79,211,564.¹² SSI was a continuing provider from the Settlement Grants program, for which it was awarded \$51.6 million over 3.75 years. Figure 2.1 shows that SSI received a 27 per cent share of the total funding awarded, while almost half (48 per cent) of the funding was awarded to 69 of the 78 providers, each receiving less than two per cent of the total funding. SSI also continued to be a provider under the second round of SETS.¹³

Figure 2.1: Allocation of grant funding to Settlement Engagement and Transition Support Client Services providers



Source: ANAO analysis of data reported on GrantConnect.

11 The grant award values are inclusive of GST, as originally reported on GrantConnect.

12 Most SETS Client Services grant agreements were varied on four occasions, including a two-year extension. See paragraph 2.46.

13 SSI has also received grants for other SETS and settlement grants programs. It is also contracted by Home Affairs to deliver the related Humanitarian Settlement Program at a value of \$413.3 million over nine years, as reported on AusTender. More broadly, SSI has been awarded: since 2012, contracts with Commonwealth entities valued at more than \$1.3 billion; and since 2018, grants from Commonwealth entities valued at \$331.4 million.

2.10 Grant agreements with two service providers were the subject of novation. One of these deeds was undated and while it included an ‘effective date’ of 10 December 2020, it was not until May 2022, 17 months later, that the Department of Home Affairs (Home Affairs) confirmed the effective date and approved the draft Deed of Novation for signature. This meant that the date at which the novation was in effect preceded a Deed of Variation signed on 26 August 2021 to the original agreement with the original party (which was no longer the appropriate legal entity). DSS became aware of the change in legal entity in April 2022 and sought confirmation from the organisation, following which it advised Home Affairs that a novation was required.

Settlement Engagement and Transition Support Round 2 (2024–2027)

2.11 For the second round of SETS funding, a total of 104 applicants, consisting of 90 standalone and 14 consortia applicants, were recommended and approved for funding on 8 April 2024 for services to commence on 1 July 2024. Home Affairs advised the minister of the outcomes of the grant selection process before exercising its delegation to approve the funding.¹⁴ Unlike the first round, there was no change to the approved grants as a result of the advice provided to the minister.

2.12 Successful applicants were notified of the outcome on 22 April 2024¹⁵, and were later issued letters of offer with grant agreements for signature on 13 May 2024. Consistent with the program guidelines, the successful applicants were provided 20 business days in which to sign and return the grant agreement attached to the letter of offer. Difficulties complying with any part of the agreement would need to be resolved by the applicant before signing.

2.13 There were 13 service providers that signed their grant agreements after the offer period expired. Delays ranged from two to 23 business days.

2.14 Negotiations with the successful applicants resulted in one organisation declining the offer, and others negotiating a reduction in the number of service areas with no change to funding levels. Two applicants, both continuing providers from SETS Client Services, benefitted from Home Affairs’ redistribution of the \$1,706,838 available after the decline of funding by one of the successful applicants. Each received additional funding along with a reduction in the number of service areas.

2.15 Grant agreements with 101 of the providers were signed prior to the commencement date of 1 July 2024. There were delays of four and nine days in signing the remaining two agreements.

14 As highlighted in AGS’s Legal Briefing 112 on ‘Delegations, authorisations and the Carltona principle’, Section 34A of the *Acts Interpretation Act 1901* ‘expresses the fundamental effect of a delegation of a power made under an express power of delegation’, namely that, ‘a person to whom is delegated under an express power must exercise the delegated power by applying their own discretion’.

15 DSS notified unsuccessful applicants on 19 April 2024. Home Affairs requested that both successful and unsuccessful be notified on 19 April to coincide with the Minister for Home Affairs announcement. However, the notifications to successful applicants were not sent due to an ‘error’.

2.16 As with the first round, funding awarded to the 103 providers¹⁶ varied significantly, ranging from \$165,000 to \$18,210,616. Of the \$248.4 million originally awarded:

- Sydwest Multicultural Services Limited¹⁷ (the lead organisation of a consortium that included three other member organisations), received the highest amount, which was 66 per cent more than the next highest, \$10,974,732, received by SSI (as a standalone applicant for Round 2);
- one other provider was awarded more than \$10 million, Multicultural Australia Ltd with \$10,779,177;
- three organisations were awarded less than \$200,000;
- 84 providers each received less than \$4 million, a total of \$113.9 million; and
- the remaining 19 providers each received more than \$4 million, a total of \$134.5 million.

Did the grant agreements establish clear and measurable service deliverables and performance indicators?

Grant agreements have not included a fit-for-purpose framework of measurable deliverables and performance indicators. The approach taken provided benefits for DSS in terms of ease of management of the grant agreements. It was not consistent with the grant opportunity guidelines and does not place Home Affairs, as program owner, in a sound position to assess whether service providers are performing satisfactorily and, consequently, whether program objectives are being met and intended outcomes are being achieved.

Under the terms of the grant agreement, an Activity Work Plan (AWP) is to be agreed to identify how the grant activity will be delivered and to measure the success and outcomes achieved for the funded grant program. For the second round, 33 per cent of AWP's were identified by Home Affairs to be missing important information relating to deliverables and timeframes for services to be provided. There have also been delays in AWP's being finalised.

2.17 The design of SETS, as reflected in the grant opportunity guidelines, involved identifying the type of deliverables the program would fund (including: intake and triage; case management; and group sessions) without specifying the quantum of services. This was because, as set out in the guidelines for the second round:

Providers are not expected to deliver all activities described because services will be tailored to client issues which may vary and change across locations, cohorts and during each client's settlement journey. Applicants must attach a Service Delivery Plan to their application, outlining the proposed services that will be provided in the nominated service area.¹⁸

2.18 Grant agreements, when signed, for both rounds included only the generic activities of the program guidelines. They did not include any services tailored to client issues, nor the quantum of services, to be provided in the specified service areas that reflected service delivery plans included

16 Home Affairs advised the ANAO in March 2026 that there are now 102 current SETS service providers after one provider discontinued its operations in 2025 due to financial issues.

17 Sydwest Multicultural Services Limited is a continuing provider that was subcontracted by SSI for the first round.

18 Similarly, the grant opportunity guidelines for the first round set out a non-exhaustive list of expected activities and deliverables (including intake, case management, and group sessions) that may be included.

in the successful grant applications. Home Affairs advised the ANAO in December 2025 that ‘The number and type of activities are detailed in the SETS providers Activity Work Plan [AWP] which forms part of the SETS Agreement’. DSS advice to the ANAO in December 2025 was that AWP:

are used to further define a grantees [*sic*] Service Delivery Plan (as set out in their application for funding) into their legal requirement to deliver services ... The opportunity to construct an Activity Work Plan on commencement of the grant agreement will further define how a grantee will deliver services and outline the quantum of services.

Once approved, an AWP forms part of the grant agreement (in practice this is finalised very soon after Execution of the grant agreement). AWP are used to report how a grant activity will be delivered and to measure the success and outcomes achieved for the funded grant program. Grant recipients are required to describe the activities and deliverables over a time period (generally every 12 months) and then report against the performance indicators each year of the funding agreement. This provides additional information in regards to performance delivery and outcomes over and above the required DEX information.

2.19 Evidence on implementation of the AWP framework indicates a lack of timeliness and completeness.

- As outlined in paragraphs 3.15 and 3.16, 51 per cent of Round 1 providers and 25 per cent of Round 2 providers submitted late AWPs.
- Non-compliance with contracted timeframes for AWP progress reports was also an issue for some providers (see paragraph 3.17).
- In October 2024, Home Affairs identified that 34 of the AWPs for the second round (33 per cent) finalised by DSS were missing required information relating to deliverables and timeframes for services to be provided.¹⁹ Home Affairs requested DSS to follow up with providers and provide it with copies of the updated AWPs. As of January 2026, no AWPs have been updated.²⁰

19 As a first point of negotiations, AWP templates with pre-populated details were issued to Round 2 service providers for completion by early August 2024. Following DSS review of the providers’ submissions, meetings were to be arranged, if required, to finalise negotiations or address provider concerns. It was not evident from DSS or Home Affairs records how many meetings were required to negotiate the AWPs.

20 DSS advised the ANAO in March 2026 that:

Following the AWP review and approval process completed in late 2024, CGH [DSS’s Community Grants Hub] and Home Affairs agreed in formal scheduled meetings that any missing information or required amendments would be incorporated in the next reporting cycle, when AWP Reports were due on 15 August 2025. As two grant variations were underway at the time, this approach avoided requesting providers to revise their initial AWPs and ensured updates were captured through the existing reporting template as part of a continuous “living document” process. Providers were therefore not asked to resubmit amended AWPs after October 2024, with all updates instead reflected in their approved AWP Reports.

The approach of requesting providers to report progress against the requirements missing from the AWP means that those grant agreements do not reflect the requirements, including the number, timing and type of all activities expected to be provided, as well as the measures of success and outcomes to be achieved of those activities.

2.20 Also established in the grant opportunity guidelines were the priority clients expected to be targeted by providers from within the categories of eligible clients.²¹ Priority clients for the first round were youth (or newly arrived young people) and the most vulnerable clients, including women, people with a disability and the elderly. The second round's priority clients were expanded to reflect changes to the program²² and to include additional vulnerable clients, including people requiring urgent assistance and/or one-off or short-term support with a significant life change or event, and people with prolonged issues of low literacy and English language proficiency.

2.21 It was through the assessment of performance against contracted key performance indicators that decisions would be made about whether:

- sufficient services were being provided by each service provider in their contracted delivery locations;
- whether a sufficient proportion of those receiving services were from priority target groups; and
- whether acceptable results were being achieved in terms of the percentage of clients:
 - achieving individual goals related to independence, participation and wellbeing; and
 - improved independence, participation and wellbeing.

2.22 In drafting the grant agreements for the first round of SETS funding, DSS did not apply the key performance indicators which had been advised to applicants in the published grant opportunity guidelines. DSS advised the ANAO in August 2025 that the 'bespoke KPIs' included in the guidelines were 'not supported' by DSS's reporting system, the Data Exchange. Home Affairs was aware of the disconnect between the grant opportunity guidelines and the grant agreements. Action was not taken to require that DSS align the approach in the grant agreements with the grant opportunity guidelines.

2.23 Similarly, the program guidelines for the current SETS 2024–2027 funding round include performance indicators that DSS advised the ANAO are 'unsupported' by the Data Exchange. Reflecting that a key change to the SETS program from the first to the second round was to combine the Client Services and Community Capacity Building components into a single grant, the program guidelines included performance indicators related to community organisations and their capacity. DSS advice to the ANAO in August 2025 about why these indicators were not included in the grant agreements was that they are incompatible with Data Exchange reporting. While further DSS advice

21 In a contribution submitted to the Citizens Contribution facility for the audit, a service provider advised the ANAO that:

A permanent visa subclass that is not included on the eligibility list in its entirety is the Resolution of Status (RoS) visa (subclass 851). Eligibility for the SETS program is only applicable to RoS visa holders "if the visa was granted to Ukrainian nationals due to the crisis in Ukraine", which is a small proportion of all RoS visa holders. These RoS visas have predominantly been issued to people who arrived to Australia by boat seeking asylum ... As people who were previously on temporary visas, they are highly vulnerable and would have for long periods of time had no access to Centrelink social security support or payments, and depending on the conditions of the visa granted, they may not have had eligibility for Medicare, nor the right to study or the right to work.

22 Changes to the program included the combination of the Client Services and Community Capacity Building components into a single grant, and legislative amendments to expand eligibility to clients who have been in Australia longer than five years. Clients who arrived in Australia within the previous five years have remained a priority group for SETS.

to the ANAO in December 2025 was that one of those indicators, which related to community outcomes, was compatible for the second funding round, it was not included in the grant agreements.²³

2.24 Benchmarking of provider performance against 'similar service providers delivering comparable services' was to be a key component of the grant agreement performance framework.²⁴ There have been no arrangements put in place for benchmarking of performance. The benchmarking identified in the program design and in the signed grant agreements is, according to DSS July 2025 advice to the ANAO, 'impractical given the diversity of organisations delivering services'. December 2025 advice to the ANAO from DSS was that 'The department considers benchmarking can create perverse incentives'. As with the agreements for the first round, although Home Affairs was aware of the disconnect between the grant opportunity guidelines and grant agreements it did not require DSS to align the approach in the agreements with the guidelines.

2.25 Changes to the CGRPs in 2024 included making consistency with the grant opportunity guidelines a principle for Australian Government grant administration. Home Affairs and DSS will be in breach of the CGRPs if there is a disconnect between the service provider performance indicators included in the grant opportunity guidelines and the signed grant agreements for the next round (agreements for that round are due to commence in July 2027).

2.26 Home Affairs advised the ANAO in December 2025 that it 'will investigate whether it is desirable or possible to adjust the performance indicators in the SETS agreements to address feedback from the ANAO' and that 'Having standardised reporting in DEX supports consistency in reporting on grants across Commonwealth agencies under the DSS Streamlined Grant agreement'.

2.27 Contributions from SETS service providers received by the ANAO to the Citizens Contribution facility for the audit were critical of the Data Exchange reporting, in particular its capacity to capture client outcomes and the impact of services on those outcomes using the Standard Client/Community Outcomes Reporting (SCORE). Concerns raised related to whether the data collected by SCORE is reliable as a measure, its utility as a performance indicator of a service provider's achievement and for comparison 'against similar service providers delivering comparable services', and whether it can achieve its purpose of capturing outcomes consistently. One provider highlighted the different sources for the input of SCORE data adversely impacting the consistency of reporting outcomes. As discussed in paragraph 4.40, SCORE data is collected by service providers using a method 'that best suits their delivery context', including self-assessment by the client, assessment by a support person, and practitioner assessment with or without the client present.²⁵

23 DSS advice to the ANAO in December 2025 was:

For the SETS 2024-2027 funding the Data Exchange does include SCORE assessments to measure outcomes in the 'Community' domain... Data Exchange reporting is required under the SETS funding agreement all of which supports the effective management of provider performance/measuring outcomes.

DSS did not advise why the performance indicator was excluded from grant agreements.

24 Five of the six performance indicators in the grant agreements for the second SETS round stated that benchmarking would be employed.

25 In its contribution to the audit, a service provider advised the ANAO that:

People with limited or no proficiency in English, are unable to complete the SCORE assessment independently. There are no standardised translations of the SCORE assessment in different languages.

Recommendation no. 1

2.28 To demonstrably achieve value for money in the use of grant funding, the Department of Home Affairs work with the Department of Social Services and service providers to implement arrangements to benchmark provider performance in accordance with the performance framework established in the grant opportunity guidelines and reflected in the terms of the signed funding agreements.

Department of Home Affairs response: *Agreed.*

2.29 *The Department will work with DSS to investigate the feasibility of implementing benchmarking of provider performance in accordance with the performance framework in the grant opportunity guidelines and grant agreements.*

Department of Social Services response: *Agreed.*

2.30 *In preparing for the next funding round, the department will work with the Department of Home Affairs to implement arrangements for provider performance that better reflect Grant Opportunity Guidelines and the executed funding agreements.*

Were appropriate payment arrangements established?

Appropriate payment arrangements have not been established. The approach taken does not clearly and directly link grant payments to the progress with, and performance of, the funded grant activity by each service provider. As a result, it does not support proper use and management of relevant money.

2.31 The CGRPs state that officials should monitor payments to provide assurance that relevant money allocated to grantees has been spent for its intended purpose.²⁶

2.32 As stated in paragraph 2.2, the SETS grant agreements were based on Department of Finance templates. The templates set out some of the items relevant to payment of the grant that should be included when drafting grant agreements. These include the grant amount, whether GST is payable, and the timing of payments. They also include other factors that should be considered. For example, the Finance guidance outlines that, if the grant is to be paid in instalments, these should be linked to the milestones or stages used in the description of the grant activity.²⁷

2.33 Lesson 7 'Achieving value for money requires active monitoring' of the ANAO's *Insights: Audit Lessons Grants Administration* highlights that, in monitoring progress of grant activities against grant objectives, entities should ensure:

- payments are based on the achievement of established milestones; and

26 Department of Finance, *Commonwealth Grants Rules and Principles*, Finance, Canberra, July 2024, paragraph 14.12, available from <https://www.legislation.gov.au/F2024L00854/latest/versions> [accessed 12 May 2025].

27 Examples of relevant milestone events provided in the template are: 'on signature of agreement or acceptance of progress report'.

- where a report from a provider serves as a payment milestone, information in the report is verified before accepting the report and making the payment.²⁸

2.34 Grant opportunity guidelines for both rounds set out how the grants were to be paid, the activities for which the grant money could and could not be used²⁹, and arrangements for monitoring payments.

2.35 For the first funding round, the guidelines stated that grant funding would be paid six-monthly as the grant recipient achieved agreed deliverables. This was to involve an initial payment on execution of the grant agreement and subsequent payments made progressively based on the progress reports submitted by providers. Monitoring arrangements outlined in the guidelines included assessing provider reports, conducting site visits to confirm details of those reports and, where needed to re-examine claims, seeking further information or requesting an independent audit of claims and payments.

2.36 For the second round, the payment arrangements outlined in the guidelines similarly involved six-monthly payments in accordance with an agreed schedule set out in the grant agreement, subject to satisfactory progress on the grant activity. As with the first round, the monitoring arrangements included site visits (called ‘compliance visits’ in the guidelines). In addition, the guidelines set out that in acquitting the grant, recipients would be asked to provide a financial declaration to certify that funds were spent for the intended purpose and to declare any unspent funds, which ‘must be returned to the Department of Home Affairs’.

2.37 Inconsistent with the grant opportunity guidelines, the payments arrangements established in the grant agreements were not based on the achievement of agreed deliverables or satisfactory progress on the grant activity. Nor were the agreements, with one exception, constructed to link the progress of grant activities against grant objectives with the payment of grant instalments.³⁰ Instead, the grants were to be ‘paid in instalments by the Commonwealth in accordance with the agreed Milestones, and compliance [*sic*] by the Grantee with its obligations under [the] Agreement’.

28 Australian National Audit Office, *Insights: Audit Lessons Grants Administration*, ANAO, Canberra, June 2024, available from <https://www.anao.gov.au/work/insights/grants-administration> [accessed 9 January 2026].

29 Eligible activities included: staff salaries and on-costs directly attributable to SETS; relevant employee training; and operating and administration expenses directly related to the delivery of services.

Ineligible activities included: purchases of land; major capital expenditure; and services such as those provided to Australian citizens or those that duplicate services funded through other Commonwealth, state or territory government programs; and specialist counselling.

30 Home Affairs advice to the ANAO in January 2026 was that the ‘Department of Finance does not mandate that grant agreements have to link payments and milestones together’ and cited the Finance *Commonwealth Standard Grant Agreement Template User Guide*, which states that:

Where the Grant is being paid in instalments, the timing of submission of reports **can be** [Home Affairs emphasis] aligned with the payment of the Grant to assist with management of the Agreement.

In emphasising the non-mandatory nature of this guidance Home Affairs has not recognised that the guidance reflects better practice ‘to assist with the management of grant agreements’.

The 'agreed milestones' were the payment description, the anticipated date and amount to be paid. For most of the grant agreements³¹, the instalments were half-yearly payments³².

2.38 The exception is a grant agreement with one provider for the second round, which sets out that the grant is to be paid in six-monthly instalments in accordance with the *submission* and *acceptance* of non-audited financial acquittal reports by the specified due dates. For the remaining agreements, payments are not subject to the submission and acceptance of financial acquittal reports, which were due after the payment milestones.³³ Financial acquittal reports, for both rounds, comprise a financial declaration certifying that the funds were spent for the purpose provided in the grant agreement and in which unspent funds are declared.

Rollover of grant funding

2.39 Unexpended funds are identified through the acquittal assessment process when a grant recipient has not fully spent grant funds during the financial year, or when grant funds are not spent on the approved purpose. While the grant opportunity guidelines for Round 2 stated that 'Underspent funding must be returned to the Department of Home Affairs', Home Affairs included a rollover clause in grant agreements with 66 continuing providers that allowed those providers to retain a total of \$1,060,673 in unspent funds awarded under the previous round.

2.40 Legal advice provided to Home Affairs in March 2024 was that, provided the department is satisfied the activities under the new grant agreement are the same or similar to the activities under the current agreement³⁴, the department can give providers written approval to retain all or any part of the surplus funds from their current agreement and treat those as part of the grant funded under the new agreement. Further, the legal advice recommended that the new agreements include an additional condition in which the precise amount of the surplus funds is acknowledged and both parties expressly agree that the surplus funds are to be treated as part of the new grant. The grant agreements did not include this additional condition with specified amounts.

2.41 Home Affairs was not able to specify the amount of funding to be rolled over for each continuing provider until 31 October 2024 — almost four months after the commencement of the second SETS round. This meant Home Affairs could not include the clause recommended in its legal advice.

2.42 As part of the agreement between Home Affairs and DSS, DSS was responsible for managing the grant payments system, including the acquittals process. Notwithstanding the inclusion of debt recovery in the purchased service, in November 2019, 11 months into the first funding round for

31 The payment milestones for the two organisations awarded funding through the separate closed round for SETS Client Services included two 'half-yearly' payments of 2019–20 funds in February and March of 2020, and from July 2020, quarterly payments (some of which were called 'yearly payments' in error).

32 The payment milestones are set out in a table with the timing and specified amounts for each instalment, including any applicable GST and, for the first round, any Social, Community, Home Care and Disability Services Industry Award 2010 Supplementation (SACS) for those organisations entitled to it.

33 For the first round agreements, the due date was 31 October each year, and for the second round, 31 July.

34 While Home Affairs had advised the minister that the guidelines for the second round 'substantially reflect a continuation of the existing SETS program settings', it also advised of 'key changes', including combining the Client Services and Community Capacity Building streams into a single grant opportunity and removing the five-year maximum duration for client eligibility.

SETS Client Services, Home Affairs advised DSS it had ‘taken a decision that Home Affairs will manage any grant debt recovery internally’.

Recommendation no. 2

2.43 When designing and managing the next round of settlement grants program funding, the Department of Home Affairs clearly and directly align the payment of funds to progress with, and performance of, the funded grant activity by service providers.

Department of Home Affairs response: *Agreed.*

2.44 *In the next round of settlement grants program funding, the Department will ensure that payment of funds is directly linked to progress with, and performance of, the funded grant activity by service providers.*

Was value with relevant money addressed in considering and approving any grant agreement variations?

Value with relevant money was not appropriately addressed in considering and approving grant agreement variations.

2.45 Achieving value with relevant money is a key principle, established in the CGRPs, that ‘should be a prime consideration in all phases of grants administration’. This includes when decisions are made about whether to approve variations to grant agreements.

2.46 Most grant agreements for SETS Client Services were subject to four significant variations between April 2019 and June 2023. Value with relevant money was not appropriately addressed in considering and approving the variations.³⁵ The ANAO’s analysis was that no assessments to address the achievement of value with relevant money were conducted in relation to three of the four variations to grant agreements.

- **Language services:** DSS did not address the key principle of achieving value with relevant money when it sought the Minister for Families and Social Services’ approval for reallocation of funding to SETS providers using a ‘pro rata formula’. Nor was value with relevant money addressed when a subsequent approval from the Secretary of DSS was sought.
- **Extension to SETS Client Services grant agreements:** Home Affairs did not conduct an assessment to support the achievement of value with relevant money via an extension to the grant agreements. Instead, in its advice to the delegate in April 2022, Home Affairs relied on ‘timeliness’ as a justification for why a new open competitive process would be neither feasible nor value for money, given the existing grant agreements were due to

³⁵ The first variation, for additional funding to procure language services, was approved by the Minister for Families and Social Services in April 2019, prior to the Administrative Arrangements Order of 29 May 2019 which moved settlement programs, including SETS, to Home Affairs from 1 July 2019.

expire on 30 June 2022 and an extension would allow for results of an anticipated review of settlement services to inform new program arrangements.³⁶

- **Wage Cost Index (WCI) and Pacific Engagement Visa (PEV):** Home Affairs did not address the key principle of achieving value with relevant money in its advice to the minister when it sought approval to disburse WCI funding to SETS providers.³⁷ In subsequent advice to the departmental delegate, Home Affairs relied on the basis of the original funding decision that followed the open competitive process to award SETS funding five years earlier. In doing so, it did not address value for money for the additional grant expenditure provided in WCI and PEV variations (see also paragraph 4.5).

2.47 In a contribution to the audit, a settlement peak body advised the ANAO that ‘the language in the deeds of variation have been much less clear than the SETS agreements. The lack of detail has caused confusion around expectations and deliverables.’

2.48 In considering the unplanned two-year extension to the SETS Client Services grant agreements, Home Affairs recorded that ‘The ANAO has previously raised concerns about departments extending grants continually rather than re-testing the market — this comment is across Government, not directed at Home Affairs specifically.’ Although ‘timeliness’ was used to justify an extension rather than re-testing the market, Home Affairs had begun considering options in April 2021 for the continuation of SETS funding, via either an extension of the existing agreements or commencement of a new grant funding round. This was 14 months before the existing grants expired on 30 June 2022, providing sufficient time for the market to have been re-tested.³⁸

2.49 Home Affairs also considered ‘environmental uncertainties’, such as future client numbers, to be detrimental to the allocation of future funding in an open competitive grant round. Extending the grant agreements beyond the contracted term meant that the original funding allocations were based on out-of-date information. In March 2023 correspondence to the Minister for Immigration, Citizenship and Multicultural Affairs, a peak body representing agencies that provide settlement services, advised that

Some providers are in locations with substantially larger numbers of new arrivals. In several regions, the ABS data of 2016 (on which funding allocations were based), is no longer current. Such providers had anticipated new contracts would have accounted for the 2021 Census data, however the extension of the current contracts until 2024 has made it more difficult to continue to service the needs of expanding communities in the interim period.

36 This advice is inconsistent with the CGRPs, which state that officials should ‘**undertake evaluation of a grant opportunity before** initiating further grant opportunities **or extending existing grant agreements** [ANAO emphasis]’.

37 The additional funding for PEV client services was not addressed in the submission to the minister. Expenditure for the WCI and PEV variations was approved subsequently by a departmental delegate.

38 Contributions received by the ANAO for this audit indicate that the experience of service providers is that a planned approach based on longer timeframes for grant agreements, rather than extensions to existing grant agreements resulting from the department’s poor planning, would be of benefit to the provision of services to clients. A peak body contribution to the audit highlighted that the scheduled program duration of three years is ‘short for a program of its complexity’ and presents challenges for ‘long-term planning, staff retention, workforce development, and sustained community capacity building’. The lack of employment stability, for example, resulting from ‘impending scheduled conclusions to the SETS grant program occurring on a regular shortened basis’, can lead to the loss of experienced, trained and skilled staff from organisations providing settlement services.

2.50 The approach of using variations as an alternative to appropriate planning for a new grant opportunity is inconsistent with the CGRPs.³⁹

Opportunity for improvement

2.51 The Department of Home Affairs applies the principles of the Commonwealth Grant Rules and Principles to the current and any future SETS funding rounds by undertaking appropriate planning for a new grant opportunity so that grant agreements can be in place at the expiry of existing agreements.

2.52 In relation to the remaining variation, to provide Domestic and Family Violence (DFV) funding supplementation, an assessment process was undertaken by Home Affairs after:

- the departmental delegate approved expenditure on 1 June 2021; and
- Home Affairs received advice from the Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs, through their office, that ‘they would like to discuss the allocation of this funding’ on 2 June 2021.

2.53 A process to increase funding for providers with proposals to use the additional funding ‘in line with its specific purpose’ was instigated by the minister, and developed by Home Affairs in consultation with the minister’s office. The Home Affairs delegate approved grant expenditure of \$8.55 million on 23 July 2021. Home Affairs’ approach was not consistent with the instruction from its minister to make provider funding conditional on an acceptable proposal. Home Affairs:

- did not advise the departmental delegate that it had changed the outcomes of the value for money assessment for some proposals;
- did not advise the departmental delegate that it had changed the outcomes of assessment of key indicators for some proposals;
- incorrectly advised the departmental delegate that all 77 proposals⁴⁰ set out services meeting the mandatory component for funding; and
- advised the departmental delegate that organisations ‘have generally met all reporting milestones and obligations’, when Home Affairs had been made aware of issues including substandard provider reporting⁴¹, and continuing service provision to ineligible clients.

39 Finance, *Commonwealth Grants Rules and Principles*, paragraphs 5.4, 14.13 to 14.16, and footnote 51. See also Department of Finance, *Variations to grants*, Finance, Canberra, October 2024, <https://www.finance.gov.au/government/commonwealth-grants/changes-commonwealth-grants-framework-2024/variations-grants> [accessed 10 September 2025].

40 One service provider declined to participate in the measure on the basis that, consistent with the expected activities of the SETS grant agreements, its ‘SETS model and staffing is configured to support low/medium intensity work with clients’ and that ‘DFV is a “high intensity” specialised practice as specified in the *draft National Workforce Competencies for Settlement Practitioners*.’ Home Affairs did not include the provider’s feedback in advice to the delegate on the service provider’s decision to decline the funding.

41 In a submission to the ANAO Citizens Contribution Facility for this audit, a peak body stated that ‘DEX reporting is limited and is not always able to convey nuanced instances where services have been successfully delivered ... Providers are not given the opportunity to rectify DEX reporting input errors when these are identified by their grant managers.’

2.54 As of November 2025, the current grant agreements for SETS providers have been varied on two occasions. Both variations have increased the funding and the scope of services expected to be provided by grant recipients:

- On 18 September 2024, the Home Affairs delegate approved \$8,932,620 for variations to include DFV supplementation, PEV/Falepili Union settlement support, and, for two grant recipients, Afghan settlement support.
- On 29 April 2025, the Home Affairs delegate approved \$6,834,839 for variations to include Israel, Occupied Palestinian Territories and Ukraine settlement support.

2.55 The key principle of value with relevant money was based on an appropriate assessment, in part, for only one of the two variations. While funding was distributed to SETS providers on a pro rata basis, according to their current funding levels, for the DFV and PEV/Falepili Union components of the variations approved on 18 September 2024, funding for the Afghan settlement support component was targeted to two grant recipients to provide services where a need was identified. However, Home Affairs considered a variation to the existing grants to be an appropriate process, achieving value for money, on the basis that the providers had been funded originally through an open competitive process.

2.56 For the Israel, Occupied Palestinian Territories and Ukraine settlement support variations, Home Affairs allocated:

- 50 per cent to all 103 SETS providers on a pro rata basis; and
- 50 per cent to 29 SETS providers on a pro rata basis.

2.57 Home Affairs advised the delegate responsible for approving the variations that 'Identifying settlement locations and targeting funding to SETS providers is complex and there is currently insufficient data to support a 100 per cent targeted funding approach for a range of reasons'.

2.58 One of those reasons was that 'There are limitations of SETS DEX data, including that it is self-reported and two of the 103 service providers failed to enter their data for the July to December 2024 period'. Home Affairs advised the ANAO in December 2024 that a further two providers 'experienced data quality issues, however did enter some data after follow up.' Home Affairs decision to rely on the flawed information reported through the Data Exchange to identify settlement locations diminished its ability to target variation funding.⁴² This meant it was unable to appropriately consider value for money.

2.59 The 29 organisations to receive 50 per cent of the overall funding (in addition to their portion of the remaining 50 per cent) were selected as having been identified by Home Affairs as providing SETS services to five or more Ukrainian and Palestinian clients in the most recent reporting period (1 July 2024 to 31 December 2024).⁴³ This includes:

- six organisations that provided support to Palestinians;
- 18 organisations that supported Ukrainians; and

42 In the Annual Performance Statements Audit issued to Home Affairs in October 2025, the ANAO found that, for the SETS program, Home Affairs had not obtained adequate assurance over the accuracy and completeness of third-party reported data.

43 In a contribution to the audit, a service provider advised the ANAO that at times, they are asked, and given funding to, 'provide support to additional groups ... i.e. DFV, PEV, Palestinian cohorts ... quite far into the year (which makes spending the funding appropriately very difficult).'

- five organisations that supported both Palestinians and Ukrainians.

2.60 In a contribution to the audit, a settlement peak body advised the ANAO that, while supplementary funding through deeds of variation 'have been very welcome and important ... The lack of detail has caused confusion around expectations and deliverables.'

Recommendation no. 3

2.61 The Department of Home Affairs, when considering and approving grant agreement variations:

- (a) undertakes robust and up-to-date analysis that demonstrates how value with relevant money will be achieved; and
- (b) provides the decision-maker with comprehensive advice that includes all relevant information on the merits and risks of the proposals.

Department of Home Affairs response: *Agreed.*

2.62 *The Department will ensure that grant agreement variations are underpinned by robust and up-to-date analysis that demonstrates how value for money is achieved, and that the delegate has all relevant information to inform decision making.*

3. Management of grant agreements

Areas examined

The ANAO examined whether there has been active management to support effective delivery of the grant agreements.

Conclusion

The approach to managing grant agreements has not been effective in ensuring that service providers consistently meet the requirements of the grant agreements.

- A consistent feature of program administration has been late reporting and data quality issues with reports when they are received. For example, for 11 or more of the 13 reporting periods to date, performance reports submitted by the majority of providers either failed to meet the reporting requirements or required follow up to address service delivery and data quality issues.
- 94 per cent of critical incidents are not reported to the Department of Home Affairs (Home Affairs), including circumstances where SETS clients have died. Critical incident reporting identifies possible program issues and is a risk management measure which supports the achievement of program outcomes. Home Affairs' approach has given insufficient weight to the insights that can come from a robust approach to critical incident reporting, instead focussing on reputational risks relating to critical incidents being associated with the program.
- Rollover of annual funding amounts has been common, with less than 35 per cent of service providers reporting that they had fully spent grant funding to provide services to clients each year. In addition, \$1.1 million of unspent first round funding was rolled over to the 2024–25 financial year for 28 providers (36 per cent), following which \$4.44 million was then rolled over from 2024–25 to 2025–26 for 42 providers (41 per cent). Rollover processes did not seek to identify opportunities to redistribute funding to providers who were fully spending their grant with the potential to then assist further clients.
- 55 per cent of planned assurance visits to providers did not occur. This included visits not occurring for providers identified as having recurring issues with their reporting, and/or as high risk. Where they have been conducted, the visits do not often result in action items being directed to service providers to improve performance. No action items have been directed to any service provider since 2021–22.

Areas for improvement

The ANAO made three recommendations relating to improved administration of grant reporting requirements, stronger assurance activities over service provider performance and an improved approach to considering whether to allow providers to rollover unspent funds that incorporates examining the merits of reallocating unspent funds to other providers.

3.1 To ensure the objectives of the grant activity are met, the *Commonwealth Grants Rules and Principles* (CGRPs) state that a well-drafted grant agreement should be supported by active grants management and performance and financial monitoring requirements, which are proportionate to the risks involved. The CGRPs also outline that:

- monitoring payments and progress are integral to good governance and risk management, and provides a measure of assurance that money allocated to grantees has been spent for its intended purposes; and
- adequate and well-documented arrangements to ensure financial accountability are the basis of effective grant acquittal. Reliable, timely and adequate evidence is required to demonstrate that the grant has been expended in accordance with the terms and conditions of the grant agreement.⁴⁴

Is grant administration ensuring the grant recipients have met, and are meeting, their reporting obligations?

Grant administration is not ensuring that the grant recipients have met, and are meeting, their reporting obligations.

- **Performance reports:** Most performance reports (on average 80 per cent) submitted by the grant recipients are incomplete, and/or reveal service delivery or data quality issues. In the 13 reporting periods to date across both rounds, no more than 10 per cent of performance reports have been assessed as receiving a pass. For five of the 13 reporting periods, more providers failed to meet their reporting obligations than were assessed to have met them. Issues have persisted, highlighting that follow up action has been ineffective.
- **Milestone reports:** Reports are consistently late. For example, 27 per cent of Activity Work Plans (AWPs) have been provided late and 37 per cent of AWP progress reports have been late.
- **Critical incident reporting:** This reporting was introduced in the first SETS round following a review of the predecessor program. The design of the reporting obligation, and its administration, for that round undermined the intent of, and value from, this reporting. For the second round, the grant agreements did not include a requirement to report critical incidents. Most (94 per cent) critical incidents are not reported to Home Affairs, including circumstances where SETS clients have died.

3.2 Grant agreements for both funding rounds established the specific reports required of grant recipients and the dates on which they were due. Those reports are: performance reports; Activity Work Plans (AWPs) and progress reports; and financial acquittal reports. Additional obligations included in the first round agreements were the provision of critical incident reports within 48 hours of the event, and the requirement to inform the department of significant changes to governance arrangements within two weeks of the event. For Round 2, reporting obligations in relation to critical incidents and significant changes to service provider governance arrangements were included in AWP instead of the signed grant agreements.

Performance reporting

3.3 The Department of Social Services (DSS) Data Exchange has two standardised six-monthly performance reporting periods which run from 1 July to 31 December and 1 January to 30 June each year. Following each reporting period there is a 30-day close off period, after which no further

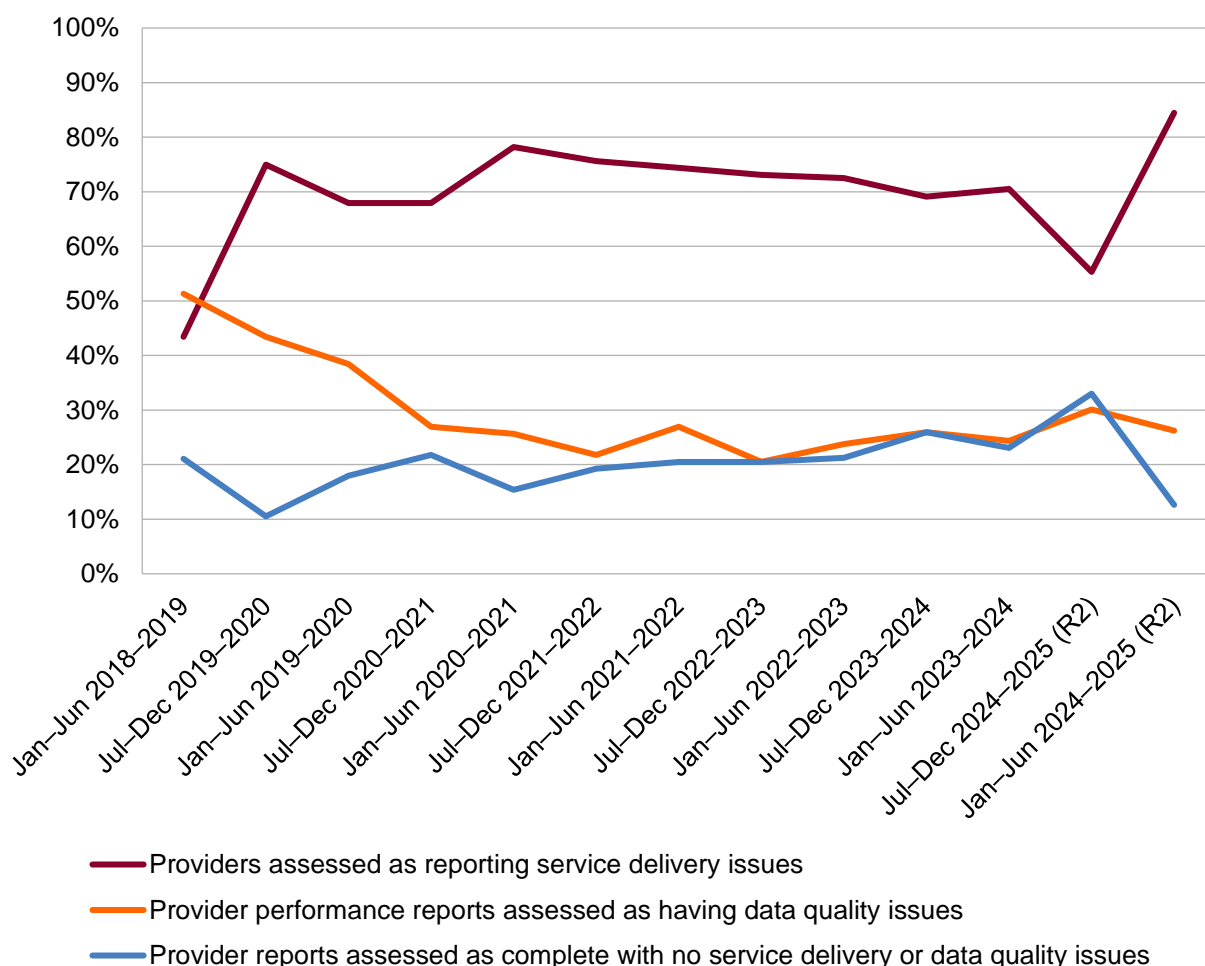
44 Department of Finance (Finance), *Commonwealth Grant Rules and Principles*, paragraph 14.12.

changes can be made to the data. Performance reports are based on data submitted by providers to the Data Exchange for each six-month reporting period. Performance data includes client-level and service delivery data, such as the number of clients assisted, sessions delivered, demographic data, and the Standard Client/Community Outcome Reporting (SCORE) information from clients. Reporting this data is a requirement of funding for SETS service providers.

3.4 DSS is responsible for reviewing provider compliance with the performance reporting requirements and assessing the quality of the data and service delivery information reported in the performance reports. As stated in paragraph 2.24, the performance framework established in the grant agreements was not applied for Round 1, and is not being applied for Round 2.⁴⁵

3.5 Figure 3.1 illustrates the results of DSS’s assessment.

Figure 3.1: Department of Social Services assessment of performance reports

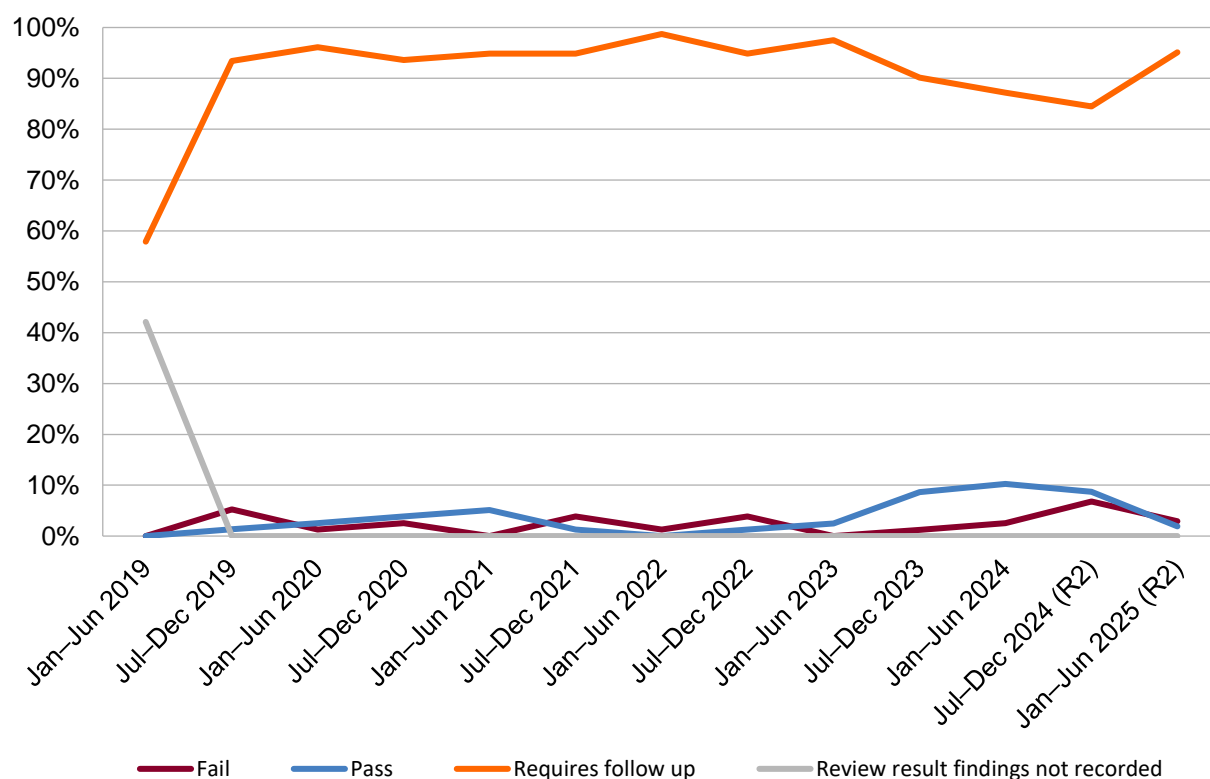


Source: ANAO analysis of DSS records.

45 In June 2021, DSS advised Home Affairs that the assessment of performance data would be ‘paired back [sic]’ for the January to June 2021 reporting period. This was due to DSS ‘undertaking a review of the current KPIs listed in the Grant Agreement template with a view of developing a set of KPIs that can be measured and reported back to service providers’. DSS stated that it had received feedback from providers that they had not received transparent and clearly communicated expectations. Despite this advice, no changes were made to grant agreements in relation to performance indicators and how performance would be measured (see paragraphs 2.21 to 2.28 on the approach to performance measurement).

3.6 Performance reviews result in the provider receiving a pass, fail or ‘requires follow up’.⁴⁶ Figure 3.2 illustrates that in the 13 reporting periods across both rounds, no more than 10 per cent of performance reports have been assessed as receiving a pass and that for five of the 13 reporting periods, more providers failed to meet their reporting obligations than passed. The majority of performance reports that did not pass were assessed as requiring follow-up with the provider to address the issues identified.⁴⁷

Figure 3.2: Settlement Engagement and Transition Support provider performance report assessment results^a



Note a: To enhance accuracy, the ANAO adjusted results where DSS recorded review results that were inconsistent with the review findings in relation to the first three reporting periods. For the January to June 2019 reporting period, 28 of 76 reviews recorded as a pass were inconsistent with the review findings that follow up was required and 32 of 76 recorded as a pass with review findings not recorded; for July to December 2019, 67 of 76 recorded as a pass were inconsistent with the review findings that follow up was required; and for January to June 2020, 40 of 78 recorded as a pass were inconsistent with the review findings that follow up was required.

Source: ANAO analysis of DSS records.

46 In January 2026, Home Affairs advised the ANAO that

The words 'pass' and 'fail' are not directly linked to the final assessment of whether providers have met their reporting obligations. Rather, these terms are used in the system-generated report from DSS to provide a provisional assessment of service delivery and data quality in DEX.

Home Affairs also noted that 'the number of service delivery and data quality issues ... does not correctly or fully reflect whether the providers have met their obligations.'

47 In December 2025, DSS advised the ANAO that 'a performance review result of "requires follow up" does not indicate a failure to meet grant agreement obligations. In many cases, flags appear simply due to changes from the previous reporting period ... Many flags also arise from limitations of the DEX system itself, making it difficult for providers to avoid flags altogether'.

3.7 It is evident that DSS's follow up activities with providers have not led to improvements in reporting. The ANAO's analysis of DSS's assessment results across the 13 completed reporting periods from January 2019 to June 2025 identified that there were 36 providers assessed as having 20 or more service delivery and data quality issues. Of the 36, 31 are current providers.

3.8 For 11 or more of the 13 reporting periods to date, performance reports submitted by 19 of the 31 providers either failed to meet the reporting requirements or required follow up to address the identified service delivery and data quality issues. One of those providers failed to meet the reporting requirements on four occasions and required follow up on eight.⁴⁸

3.9 An assurance process available to Home Affairs to confirm information from reports and/or review provider compliance with the obligations of the grant agreement was through the conduct of 'site visits' or 'compliance visits' (see paragraphs 3.60 to 3.66).⁴⁹ DSS did not conduct any site visits of 18 of the 36 continuing and non-continuing providers that it assessed as having 20 or more data quality and service delivery issues during the first round of funding. This includes four providers that had 40 or more issues, one of which had 58 issues. The provider that received the most funding for the first round, and was assessed as 'high risk', had no site visits between March 2022 and November 2025.

3.10 While site visits of 18 of the 36 providers were conducted, eight of which received multiple visits, these were not an effective means of addressing the issues identified. This is evident by the persistence of the issues identified by DSS in its assessment of performance reports. DSS advice to the ANAO in December 2025 was that:

where reporting is the focus of a site visit, the aim is to work with the organisation to improve data quality and strive to address deficiencies in their reporting, but there is a limit to what can be achieved ... No amount of site visits can rectify the persistence of these issues.

3.11 The ANAO's analysis, as discussed at paragraph 3.66, is that a key reason that site visits are not improving the situation is that no action items were directed to service providers following the visit for any of the visits conducted in 2022–23, 2023–24 or 2024–25. More broadly, notwithstanding that grant recipients are required to provide client level data and service delivery information from all clients in accordance with the Data Exchange protocols, administration of the program has not ensured this requirement has been met.

3.12 Contributions from SETS service providers received by the ANAO to the Citizens Contribution facility for the audit raised concerns that performance reporting through the Data Exchange does not capture 'nuanced challenges' of data collection and that it would be 'inaccurate to rely on ... for the evaluation of programs and service providers because there is insufficient rigour'. In its contribution to the audit, a settlement peak body advised that:

There is also a widespread perception that SETS providers spend a lot of time and effort on DEX reporting, but do not see much data in return. Reports or data pulls that SETS providers have done

48 In December 2025, DSS advised the ANAO that 'The organisation ultimately is responsible for the collection and entry of their data, and if they believed there was an error within the system they were responsible to contact the DEX helpdesk or evaluate their systems to rectify this'.

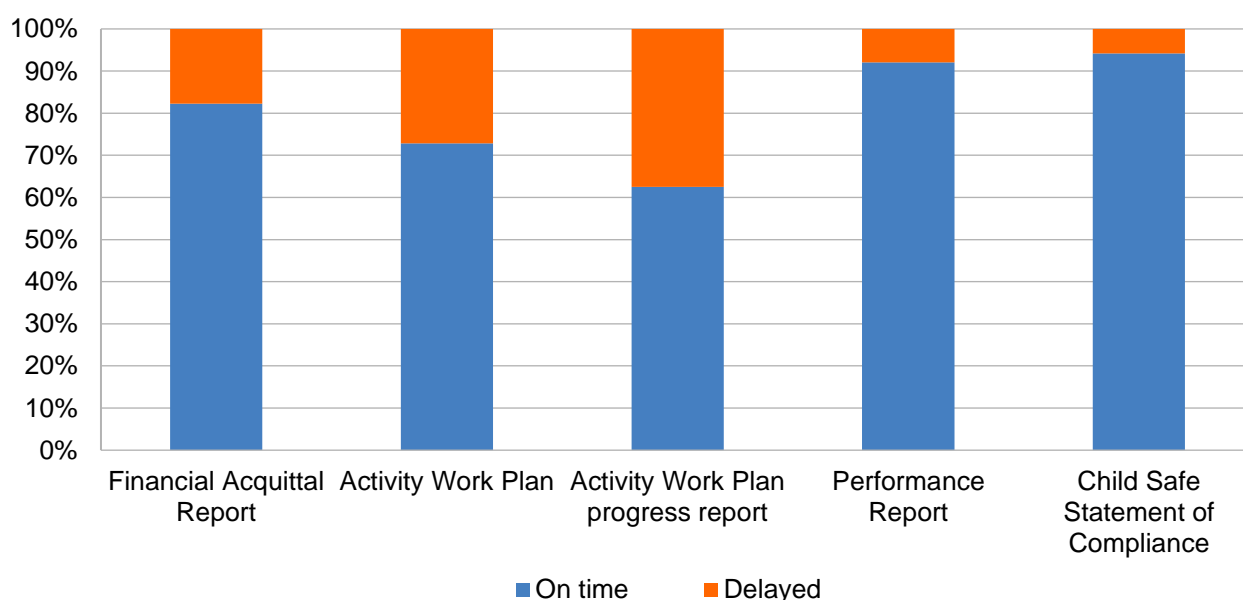
49 The grant opportunity guidelines for Round 1 set out that the department would monitor provider progress through the conduct of 'site visits'. For Round 2 the guidelines set out that the department may review provider compliance with the obligations of the grant agreement through 'compliance visits'. In practice, very few of these stakeholder engagements were conducted on site, a concern raised in a number of submissions by providers and peak bodies to the ANAO Contributions Facility for this audit.

usually fail to support organisations in their own understanding of their programs, organisational reports, assessment of organisational program performance, and support in SETS program planning.

Milestones

3.13 There have been persistent issues with the timely provision of milestone reports. Figure 3.3 highlights that this was particularly the case with Activity Work Plans (AWPs) and the related progress reports (the important role of the AWP framework was discussed at paragraph 2.18). The ANAO’s analysis was that 27 per cent of AWP progress reports were late, and 37 per cent of AWP progress reports were late.

Figure 3.3: Reporting delays across both funding rounds



Note: Annual Child Safe Statements of Compliance, covering the period of 1 January to 31 December, were introduced as a reporting requirement for the second round of SETS.

Source: ANAO analysis of DSS records.

3.14 AWP progress reports that include output-level details of deliverables, timeframes for delivery and measures of achievement were due, for both rounds, within six weeks of commencement.⁵⁰ No adjustments to due dates were included in those agreements executed after the commencement date for the program (see paragraphs 2.6 and 2.15).

3.15 For the first round, more than half of the providers (51 per cent) submitted late AWP progress reports. Of the 40 in total, 38 had been providers under the previous Settlement Grants program. Delays ranged from one day to 132 days, with 17 providers (22 per cent) submitting AWP progress reports 30 days or more

50 For the first round, Activity Work Plans were due on 12 February 2019 and 13 March 2020 (for the two providers awarded funding after the closed round). Grant agreements stated that the AWP would be negotiated from time to time as agreed by both parties during the term of the agreement. An update to the existing AWP progress reports, relating to the additional activities introduced by the variations for Domestic and Family Violence (DFV) supplementation, was due on 17 September 2021.

For the second round, Activity Work Plans were due on 15 August 2024.

late (including the recipient of the largest amount of funding). Four were more than three months late.

3.16 For the second round, 26 providers (25 per cent) did not meet the AWP submission requirements. Delays in providing the AWPs ranged from one day to 125 days. Of the 26 providers, 24 were continuing providers from the first round, nine of which also failed to meet the requirement in the first round.⁵¹ As noted at paragraph 2.19, in October 2024, Home Affairs identified that 34 of the AWPs for the second round (33 per cent) finalised by DSS were missing required information relating to deliverables and timeframes for services to be provided.

3.17 Non-compliance with AWP progress report timeframes was significantly higher. Of the 116 providers across both rounds, 37 submitted half or more of the required AWP progress reports late. Fourteen of those were continuing providers assessed by DSS as having 20 or more service delivery and data quality issues in relation to their performance reports (see paragraph 3.7). One provider submitted all 10 of its AWP reports late.

3.18 In contributions to the ANAO Citizens Contribution facility for the audit, service providers linked the failure of the Data Exchange to 'accurately represent program performance' with subsequent 'extensive written reporting ... to the Department to ensure accurate representation of service value', and expressed uncertainty that narrative outcomes submitted in written reports are 'adequately captured'. A settlement peak body advised the ANAO in its contribution that Data Exchange reporting 'does not fully align with AWP deliverables.'

Critical Incident Reports

3.19 DSS introduced critical incident reporting obligations in SETS Client Services grant agreements⁵² following the 2017 program review, *Evaluation of Settlement Grants — Final Report prepared by UNSW Sydney*⁵³, and in response to incident reporting issues observed in the Settlement Grants program.⁵⁴ The objective of critical incident reporting is to inform Home Affairs of critical incidents, service provider responses to critical incidents, and 'to help identify possible SETS program issues on a regional or national scale'.

3.20 The Department of Finance Simple Grant Agreement template used by DSS to develop the draft grant agreements, includes a specific section for the grant activity's reporting requirements (Item E: Reporting). Legal advice obtained by DSS also specified that any reports required as a part of the activity should be included in the reporting section of the grant agreements. Inconsistent with legal advice it obtained, DSS included the critical incident reporting requirements in a different

51 In January 2026, Home Affairs advised the ANAO that where AWPs are submitted late this is often within a week of the due date or due to extenuating circumstances (for example, the provider submitting its AWP latest in 2024 advised that this was due to it taking several months for the provider to be able to recruit a SETS worker).

52 Critical incident reporting requirements were developed and implemented by DSS prior to the Administrative Arrangements Order of 29 May 2019 which moved settlement programs, including SETS, to Home Affairs from 1 July 2019 (see paragraph 1.4).

53 Smyth, C., Gendera, S., Giuntoli, G., Hill, T., Katz, I., & Asante, D. (2017). *Evaluation of Settlement Grants Final report* (SPRC Report 12/17). UNSW: Social Policy Research Centre, Sydney, available from <https://immi.homeaffairs.gov.au/settlement-services-subsite/files/evaluation-of-settlement-grants-final-report.pdf>.

54 The creation of SETS Client Services grant agreements occurred prior to the Administrative Arrangements Order of 29 May 2019 which moved settlement programs, including SETS, to Home Affairs from 1 July 2019.

section of the grant agreement template (Item B: Activity). This approach avoided the requirement to include critical incident reports in the Item E milestone table. It meant that, the obligations on grant recipients lacked clarity and limited the recourse available to the department to address non-compliance.

3.21 Critical incidents were defined in grant agreements as:

any manageable or preventable event that happens involving a SETS client that significantly impacts them or:

- has the potential to jeopardise the achievement of individual and program outcomes; or
- has the potential to jeopardise the reputation of settlement programs and/or the Australian Government.

3.22 DSS defined critical incidents more narrowly in the critical incident reporting template. This narrower definition was limited to 'key risk and reputation', with an example provided that 'an older client dying of a heart attack while on the premises probably shouldn't be classed as a critical incident ... noting that it isn't 'preventable'.'

3.23 In January 2026, Home Affairs advised the ANAO that:

In implementing Incident Reporting, based on confusion by providers, it was realised by the department that ... the grant agreement wording was poor and too broad and could result in an unmanageable volume of Incident Reports not relevant to provider performance and that the department does not intend to use.

SETS incident reporting settings are appropriate for a non-custodial program and are applied appropriately given the nature of the program and the services being provided.

3.24 Home Affairs' perspective does not reconcile with the purpose of the program, considering that it is targeted at providing services to refugees and vulnerable migrants. As noted in paragraphs 2.52 and 2.54, in recognition of increased demand for Domestic and Family Violence (DFV) support to people with complex needs, the grant agreements were varied to award additional funding to providers to enable them to better support refugee and other vulnerable migrant women. This is reinforced by a provider's contribution to the audit, which advised the ANAO that 'Community organisations are absorbing complex FDV [Domestic and Family Violence] and Mental Health cases'.

3.25 Home Affairs required service providers to report critical incidents if they both involved 'a SETS client while they are undertaking SETS activities; and could have been prevented by the service provider'. This meant that Home Affairs did not and could not monitor compliance with the critical incident reporting requirements specified in grant agreements. The result was that Home Affairs considered some incidents to be significant⁵⁵, but not critical, for example:

- One incident, where police executed a search warrant at the premises of a service provider after two SETS Client Services clients were charged with offences including 'Possess a slave', was considered critical by DSS, while not considered to be a critical incident by Home Affairs, who determined it was 'unforeseeable'.
- Another incident, an altercation between two unrelated SETS Client Services clients which resulted in the death of one client, was not considered to be a critical incident by DSS who

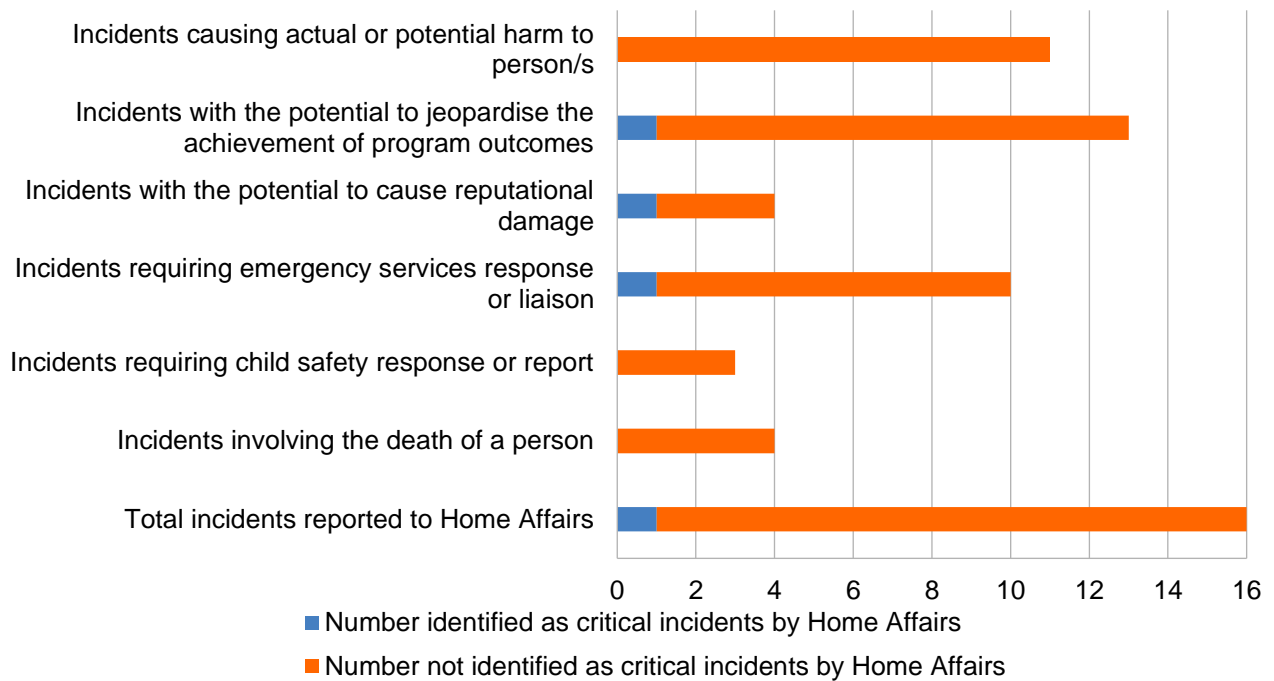
55 Service providers were able to report 'significant non-critical incidents' to Home Affairs annually, through Activity Work Plan Reports.

determined it ‘does not involve a SETS client while they are undertaking SETS program activities, and could not have been prevented by the service provider through appropriate planning, management and operations.’ Home Affairs agreed that the incident did not meet critical incident criteria.

3.26 Grant agreements for SETS Round 2 (2024–2027) did not include a requirement to report critical incidents. Without regular reporting, Home Affairs is not in a position to understand the types of incidents impacting on the recipients of services.

3.27 Using other program records, Figure 3.4 highlights the number and features of incidents that Home Affairs did and did not identify as critical.

Figure 3.4: Incidents identified and not identified as critical by Home Affairs



Note: Home Affairs’ Incident Register did not contain complete information - four incidents located in TRIM files were not included on the register. While critical incident reporting was included as a requirement in grant agreements, the register was only initiated in July 2019 — seven months into SETS Client Services.

Source: ANAO analysis of Home Affairs records.

Oversight of consortium arrangements

3.28 The grant opportunity guidelines for the first round provided for organisations to apply as a consortium to deliver the grant activities and required that a member organisation or a newly created organisation be appointed as the ‘lead organisation’. Applications were required to be submitted by the lead organisation, and all other members of the proposed consortium were to be

identified in the application. Only the lead organisation would enter into a grant agreement with the Commonwealth and would be responsible for the grant.⁵⁶

3.29 SETS Client Services grant agreements did not include consortia details and did not require departmental approval for any changes in consortia arrangements. Nor were recipients required to report changes to the department.⁵⁷

3.30 This lack of oversight meant that there was a risk of grant recipients making changes to their consortium or subcontracting arrangements that are inconsistent with the original funding decision without prior Australian Government approval. This has occurred on at least one occasion.

3.31 Updates to the Commonwealth Standard Grant Conditions included in the current SETS Round 2 (2024–27) agreements, require grant recipients' agreement not to subcontract any part of the performance of the grant activity without the Commonwealth's prior written consent and provide for the Commonwealth to impose any conditions it considers reasonable and appropriate when giving its consent. Consortium arrangements remain unaddressed.

Recommendation no. 4

3.32 The Department of Home Affairs implement effective arrangements to obtain timely, accurate and reliable reports from service providers that address grant agreement milestone requirements, performance in the delivery of services and the occurrence of, and responses to, any critical incidents.

Department of Home Affairs response: *Agreed.*

3.33 *The Department will work with DSS to improve critical incident arrangements in addition to the accuracy and timeliness of provider reporting that addresses grant agreement milestones.*

Have payments been in line with the grant agreements?

Administration of payments has not been in line with the grant agreements. The most significant issue relates to the rollover of unspent grant funds, with less than 35 per cent of service providers reporting that they had fully spent grant funding for each financial year of the term of the agreement. Rollovers are common across each year covered by the grant agreements for the two rounds. In addition, and at odds with the published grant opportunity guidelines for the second round, Home Affairs allowed \$4.44 million of unspent first round funding to be rolled over to the 2025–26 financial year for 42 providers.

56 While not explicitly stated in the Guidelines, DSS advised potential applicants in a Questions and Answers attachment on GrantConnect that

Applicants who determine that service delivery is best achieved through the use of subcontractors, are required to provide the details of each subcontractor in their application form. For the purpose of the SETS - Client Services program, the Department considers sub-contracting arrangements to be managed as per consortium arrangements, as outlined in Section 7.5 of the SETS — Client Services Grant Opportunity Guidelines.

57 In relation to subcontracting arrangements, grant recipients were required to make available to the Commonwealth, upon request, the details of any of its subcontractors engaged to perform grant activities.

3.34 As discussed in paragraph 2.37, the grant agreements set out the payment schedule for each service provider and included the timing and amount for each payment. The payment schedules included payments to service providers as milestones for the payment of grant funding.

3.35 The payment schedule included payments on execution of the grant agreement and, for most providers, subsequent half-yearly payment instalments. Payment structure differed for the two providers awarded funding through the closed round for SETS Client Services (see footnote 31).

3.36 Additional payments were added through variations to the grant agreements (see paragraphs 2.46 and 2.59).

3.37 In March 2021, the grant agreement with one provider was varied to replace payment milestones from 2 December 2020, with quarterly payments for 2021–22, subject to additional quarterly site visits, and to amend the reporting milestones to include an ‘Other Report’ comprising a quarterly income and expenditure statement. The ANAO’s analysis of the quarterly income and expenditure statements was that all four of the statements were delayed by between one and 87 days.

Financial acquittals

3.38 For the 2025–26 year, DSS management of acquittals is forecast to cost \$25,750. For the current SETS round, this would equate to \$250 for each provider acquittal.

3.39 The role of a DSS officer in the acquittals process is primarily checking that provider data was input correctly to the acquittal template, with the DSS grant payment system completing the acquittal review. For financial documentation with no underspend identified, the system automatically generates and sends an outcome email to the grantee. Manual intervention is only required where an underspend is identified.

3.40 From 30 June 2023, there have been 131 acquittals automatically processed as ‘compliant’ submissions without being considered by a DSS officer, representing 28 per cent of financial acquittals recorded by DSS.

3.41 All automatically processed and completed acquittals were assessed as a ‘Pass’. ANAO observed that, while some financial acquittal reports were completed by a DSS officer, ‘where automation could not apply’, others were fully automated, without manual intervention by a DSS officer.

3.42 Three acquittals which a DSS officer assessed as a ‘Pass’, contained contradictory review result findings:

- Two providers were awaiting a decision on a recorded underspend⁵⁸; and
- For the third provider DSS found ‘no outcome email will be sent because termination of the contract is in progress and debt recovery is inclusive of both 2024–25 & 2025–26 years’.

3.43 As noted at paragraph 1.6, the department’s program evaluation made findings about the amount of SETS funding granted to providers. This included that budget constraints limited the

58 In December 2025, DSS advised the ANAO that ‘In the two cases mentioned, they were marked as ‘Pass’ as the acquittal documentation was assessed as compliant; the decision on how to treat underspends does not affect this determination ... compliance assessment and financial recovery decisions are separate processes.’

ability of some providers to recruit and/or retain staff, and respond to clients presenting with more complex needs. Notwithstanding this, when considering whether to allow some providers to rollover unspent funds the department does not have a practice of examining the merits of reallocating unspent funds to other providers.

3.44 Unexpended funds, above a specified threshold based on the percentage of the annual funding amount, identified through the acquittal process, are permitted to be rolled over to the next financial year, subject to approval from Home Affairs. Below that threshold, all underspent funding is managed by DSS. Home Affairs does not require DSS to inform it of underspent funding approval or refusal.⁵⁹ In December 2025, DSS advised the ANAO that governance processes were approved in July 2025 ‘authorising automatic rollovers up to 15 per cent for SETS due to its low-risk profile and efficiency benefits.’

3.45 Notwithstanding the threshold, two organisations were given a blanket approval for the term of their agreement under the first round with no further approvals required each financial year. Blanket approvals were provided as, ‘due to an error during the 2018 Round, these providers received a full year, rather than a half year, funding allocation for 2018–19’ and this was ‘to enable them to ‘smooth’ expenditure across the full grant period’. The ‘error’ was made during the assessment of applications for the first funding round and resulted in an additional six months of funding being awarded to the two organisations and included in their grant agreements.

3.46 The ANAO’s analysis of Home Affairs’ management of underspent funding identified that 27 of the 78 SETS Client Services providers fully expended grant funding for each financial year of the term of the agreement. Of the remaining providers:

- 33 providers, or 42 per cent, had two or more approved rollovers, of which:
 - Three had approved rollovers for every year of the term of the agreement, a total of \$1,934,492; and
 - Nine had approved rollovers for all but one year of the term of the agreement, a total of \$3,036,295.
- Seven service providers had approved rollovers totalling over \$500,000 over the term of the grant agreement, including the provider with the highest funding.
- Four service providers had approved rollovers totalling more than 10 per cent of their total grant funding for SETS Client Services, including two providers who were permitted ‘blanket’ rollovers following incorrect award and payment of funding.

3.47 While 96 rollovers were approved, Home Affairs only identified three underspent amounts to be recovered, with one further partial recovery volunteered by a provider.

3.48 In 2020–21, Home Affairs approved the recovery of underspent funding of \$41,715.18 (GST inclusive)⁶⁰ from one provider based on DSS advice. Home Affairs refused to rollover funding due to ‘concerns about the organisation’s understanding and delivery of the

59 The threshold for underspends requiring Home Affairs approval was set at 10 per cent for the 2019–20 financial year and 20 per cent for the 2020–21 financial year. Underspends accrued between July 2022 and July 2024 were subject to a threshold of 15 per cent.

60 This was a significant proportion of the provider’s funding for the financial year.

services, poor and inaccurate reporting and a lack of information about how the additional funds would be used if the rollover were approved.'

3.49 In January 2024, DSS advised Home Affairs that the funding had not been recovered due to an error, and that the funding had been fully expended in the next financial year. In January 2026, Home Affairs reissued the invoice to the organisation. As of January 2026, the debt has not been recovered.

3.50 As stated in paragraph 2.39, Home Affairs allowed 28 providers to rollover underspent funding valued at \$1,060,673 from SETS Client Services (Round 1) to the second round of SETS. The highest funded SETS Client Services provider was also allowed to rollover underspent grant funding for a different service provider that it had merged with in 2018, and that had adopted its name and logo in 2024. Home Affairs did not require a novation to the grant agreement for either provider for the first round. Instead, the grant agreement for the second SETS round was varied to allow it to retain the additional underspent funding.

3.51 The Grant Opportunity Guidelines for the second round of SETS stipulated that providers must return underspent grant funding to Home Affairs (see paragraph 2.39). While the grant agreements included clauses to allow continuing providers to rollover surplus funds received under the previous funding round, no provisions were included to specifically allow⁶¹ for the rollover of unspent funds within the round. Despite this, \$4,440,746.16 of underspent funding was rolled over to the 2025–26 financial year for 42 providers, of which:

- 24 providers had received 'blanket' approval to rollover underspent funding, resulting in a total of \$1,615,122 being rolled over;
- 10 providers received an 'automatic' rollover totalling \$934,437 due to each underspend being 15 per cent or less of the provider's funding for the financial year; and
- eight providers received approval to rollover a total of \$1,891,188, of underspent funding from Home Affairs.

3.52 There were three providers who had funding rolled over each of the seven years between 2018–19 and 2024–25. The largest single rollover was for 2024–25, where one of these three providers had \$798,787 rolled over, with \$2.598 million reported as spent on providing services. That is, 24 per cent of the funding made available for provision of settlement services was rolled over. Had they been reallocated, those funds could have provided 775 service sessions to 201 clients.

3.53 In its contribution to the audit, one service provider advised the ANAO that:

An area worth exploring could be a payment by outcomes funding approach. It is well known that in some cases providers do not deliver and meet KPIs but this proportional funding on lack of delivery is not recovered and redistributed to the best of our knowledge, which should be an area of enquiry to ensure fairness among providers who exceed KPIs but more so that clients receive the services intended and funded by the Government.

61 March 2026 advice from Home Affairs to the ANAO pointed to a clause in the agreements under the heading 'repayment' that permits funds additional to those required for the activity set out in the grant agreement to be dealt with as directed by the Commonwealth.

Recommendation no. 5

3.54 The Department of Home Affairs promote the proper use of resources, and the achievement of program objectives, by amending its processes for considering the potential rollover of grant funding each year and between funding rounds so that it assesses the merits of reallocating funds not spent by a provider to other providers.

Department of Home Affairs response: *Agreed.*

3.55 *The Department will reassess its processes for potential rollover of grant funding each year and between funding rounds, with any changes contingent on legal, grant and financial requirements and overall feasibility.*

Is there adequate assurance over the accuracy and completeness of performance data reported by grant recipients?

The arrangements in place provide inadequate assurance over the accuracy and completeness of performance data reported by grant recipients. Following a 2020 internal audit, an April 2021 strategy to address identified data quality issues was not fully and effectively implemented, with data quality issues continuing to be identified in a 2023 evaluation commissioned by Home Affairs and in the ANAO's Performance Statements Audit work.

A key assurance activity for each round was to be a program of site visits to providers. More than 55 per cent of site visits that should have been conducted between 2019–20 and 2024–25 have not been conducted. The planned but not conducted site visits include those to providers where the departments have identified 'serious governance/service delivery issues' and some with a history of low quality/late reports. Where they have been conducted, the engagements do not often result in action items being directed to service providers to improve performance. No action items have been directed to any service providers in 2022–23, 2023–24 or 2024–25.

3.56 The Grant Opportunity Guidelines for both SETS Round 1 - Client Services (2019–2022⁶²) and SETS Round 2 (2024–2027) set out that grant recipients must have systems in place to allow them to meet their data collection and reporting obligations outlined in their grant agreement.

3.57 Data quality has been recognised as an issue for SETS for a number of years. The 2017 evaluation report of the 2014 Settlement Grants funding round identified as a key priority 'an improved evidence base for the services provided by the SG [Settlement Grants] program' via an increase in the amount and quality of data, as the data reported by grant recipients was unable to determine what outcomes the program was achieving.

3.58 Similarly, a Home Affairs internal audit of 2020 recommended the department implement improved quality assurance and performance monitoring activities for Home Affairs settlement grants recipients, including SETS. In response, Home Affairs approved a strategy for improved quality assurance of settlement grants programs in April 2021. The strategy involved six activities, four of which involved conducting annual or 'semi-annual' reviews of samples of the provider reports and assessments conducted by DSS. Home Affairs also undertook to: provide stakeholder

62 Extended from 2022 to 2024 via variation to grant agreements.

engagement reports to the department's Settlement Network Operations staff to validate issues; and prepare an annual Health of the Program report for SETS to 'identify trends and program level issues, including risks'.

3.59 Advice to the ANAO from Home Affairs in January 2026 was that:

The Department's quality assurance and performance monitoring activities for all grants, including SETS was only partially implemented ...

In 2025-26, the Department has commenced reviews against the existing Quality Assurance Strategy for settlement grants 2023-25. The Department is also in the process of developing a Settlement Grants Quality Assurance Strategy for 2026-2027. The team has commenced undertaking reviews of a sample of SETS providers... Activities to be completed include:

- Conduct an annual review of a sample of Activity Work Plan Reports submitted by providers to ensure activities in the workplan and grant agreements have been addressed including scope, quality and timeframes.
- In relation to the Hub's DEX assessment process, annually review a sample of the Hub's assessment/comments and feedback provided to settlement grant recipients, to assess the integrity of this process.
- Conduct a semi-annual review of a sample of DEX data reporting by grant recipients, to assess provider compliance and performance.
- Conduct an annual review of the provider level risk assessment undertaken by the Hub, to assess the appropriateness of the rating.
- Provide copies of Stakeholder Engagement Reports prepared by the Hub to Settlement Network Operations staff, in order to validate issues.

Stakeholder engagements

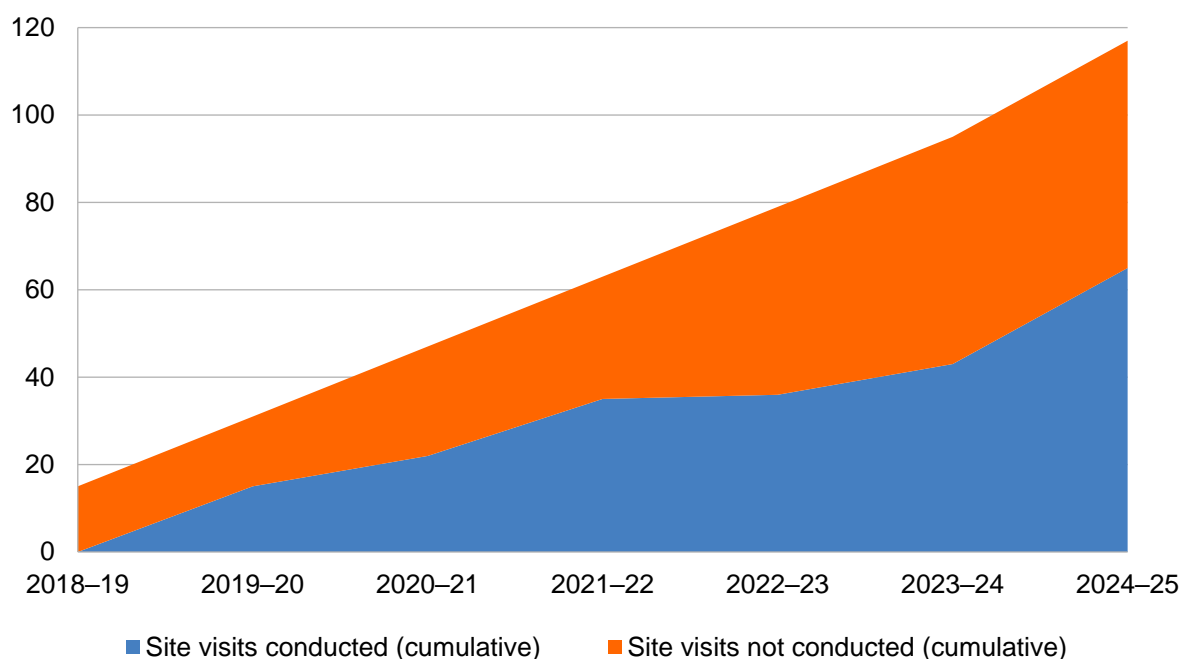
3.60 An assurance process established in the grant opportunity guidelines for both rounds was that the department may visit service providers during the term of the grant agreements to confirm information from reports and/or review compliance with the grant agreement. Home Affairs engaged DSS to conduct site visit engagements for 20 per cent of funding recipients annually.⁶³ At the conclusion of each engagement, DSS was to ensure that the attendees were aware of action items and responsibilities and provide an Engagement Report to Home Affairs. DSS's stakeholder engagement strategy for Home Affairs' grants programs set out that engagements with organisations not in South Australia were to be via Teleconference or Videoconference, and that for engagements of a sensitive nature, it may be necessary for Home Affairs to be involved.

3.61 Except for the period of January to June 2019, the first financial year of funding when no engagements were conducted, DSS and Home Affairs developed annual engagement plans for the conduct of site visit engagements. Although the engagement plans involved site visits of 20 per cent of service providers annually, the ANAO's analysis of engagement reports held by Home Affairs identified that this was not achieved in any single year for the duration of the first round of funding and that very few engagements were conducted at service providers' premises. Figure 3.5 highlights

63 Prior to July 2020, site visits were a part of the DSS grants administration service purchased by Home Affairs. In December 2025, DSS advised ANAO that from the 2020-21 financial year, site visits 'were charged on a fee for service basis'.

that of the 95 site visits expected in total, based on the 20 per cent target, 52 (55 per cent) were not conducted, either on site or remotely.

Figure 3.5: Stakeholder engagements with Settlement Engagement and Transition Support service providers conducted by Department of Social Services (January 2019 to June 2025)



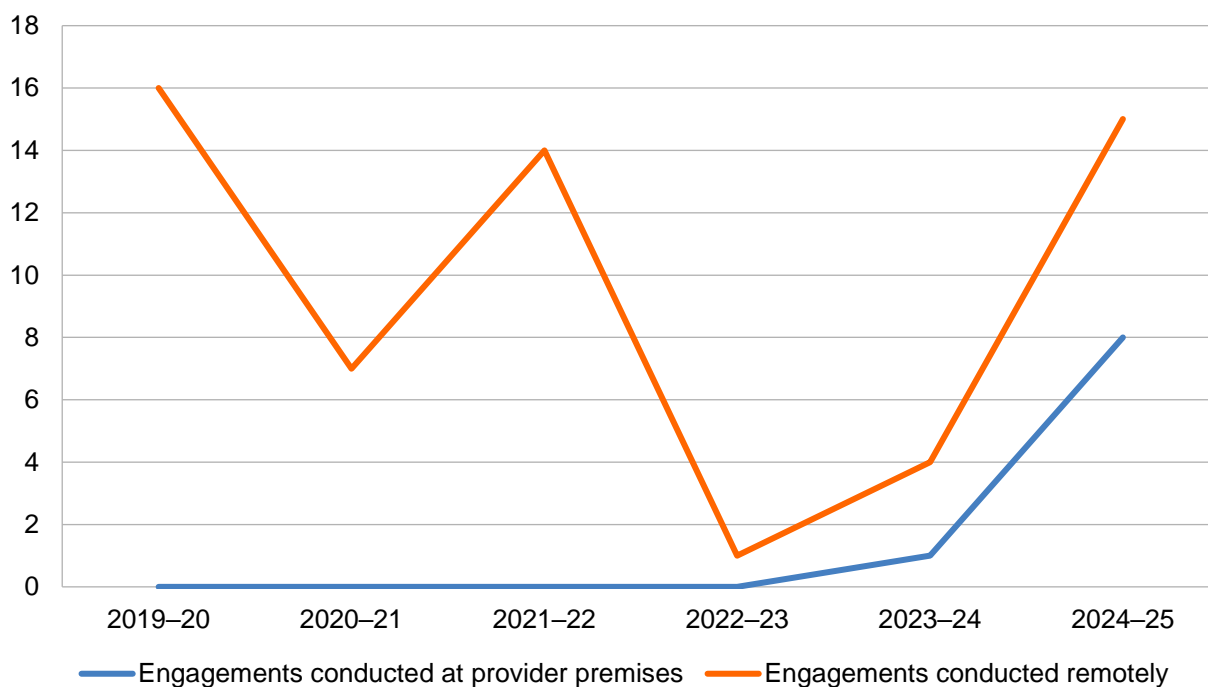
Source: ANAO analysis of Home Affairs' records.

3.62 In relation to the engagements that were planned but not conducted, it was evident that there was no risk-based prioritisation or strategy to inform decisions on whether or not to proceed. For example, in May 2022, Home Affairs requested DSS remove three planned but unscheduled site visits and reschedule another for the next financial year, to mitigate costs to the department. Two of the three providers were selected for inclusion on the engagement plan due to having 'serious governance/service delivery issues'⁶⁴ and being a 'Medium risk provider with a history of low quality/late reports'.

3.63 Figure 3.6 illustrates that since the commencement of SETS, engagements with service providers have primarily occurred remotely via teleconference or videoconference, with no site visits conducted at service provider premises until 2023-24. January 2026 advice to the ANAO from DSS was that 'face to face site visits were not possible in the first few years of the engagement plan due to COVID restrictions and budget constraints'. The ANAO's analysis was that, while there was an increase in 2024-25, 15 of the 23 engagements (68 per cent) were conducted remotely.

64 While stakeholder engagements were conducted with this provider in every year since 2021 'due to governance and reporting issues', seven had been proposed between March 2021 and May 2022, with two of these actually conducted, both by phone.

Figure 3.6: Comparison of engagements conducted on site and remotely



Note: Of the 56 engagements conducted remotely in total, 25 were via videoconference, 20 were via teleconference, and the remaining 11 were conducted from DSS premises with no clear record of the mode used.

Source: ANAO analysis of Home Affairs records.

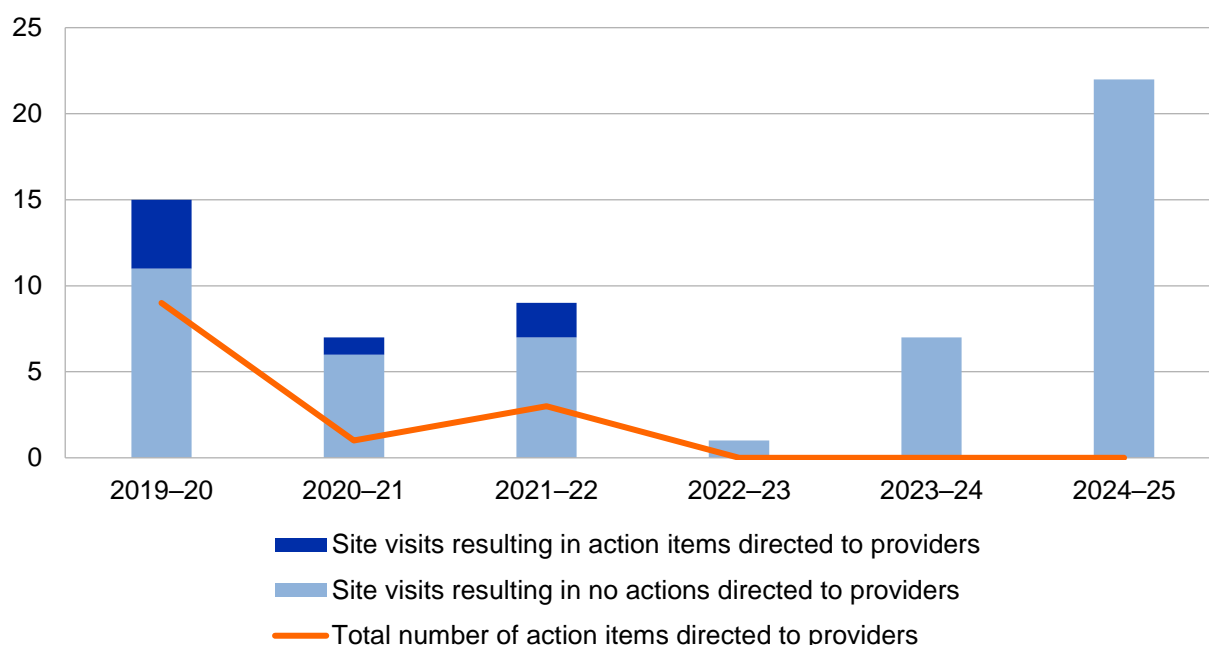
3.64 In a contribution to the Citizens Contribution facility for the audit, one service provider advised, ‘Historically, interactions with contract managers have been limited, primarily occurring through online meetings and email correspondence.’ Similarly, a settlement peak body included in its contribution that:

Since funding arrangement management moved to South Australia, some SETS providers noted that they had never met their FAMs face-to-face after more than five years working on the SETS program, and communications usually consisted of phone meetings during reporting periods.

Providers expressed the need to move beyond written communication, to increased on-site communication and/or more standardised video calls. This would allow for more robust and meaningful discussions in the face of each provider’s unique operating context.

3.65 The Stakeholder Engagement Strategy developed for SETS stated that DSS ‘engagements with organisations not in South Australia will be via Teleconference or Videoconference’.

3.66 Figure 3.7 highlights that very few engagements result in action items being directed to service providers. Although there was an increase in the number of engagements conducted in 2024–25, this did not translate into meaningful actions being communicated to service providers to improve performance.

Figure 3.7: Engagements resulting in actions directed to providers

Source: ANAO analysis of Home Affairs records.

Attestation process

3.67 Home Affairs introduced an additional clause to the current grant agreements intended to ‘increase assurances over DEX data and implement associated QA processes’ as part of the variations approved in September 2024. Upon request from Home Affairs, providers are required to attest to and/or provide evidence of processes and controls used to meet their Data Exchange reporting requirements.

3.68 In July 2025 service providers were requested to submit a Data Exchange reporting attestation for 2024–25 financial year in addition to the performance report for the January to June 2025 reporting period. The request did not require any evidence to be provided in support of the attestation.

3.69 In September 2025, the ANAO requested documentary evidence from 31 continuing service providers of the processes and controls, including for any subcontractors, that were in place for the 2024–25 financial year to meet their reporting obligations and support their reporting attestation. DSS has assessed the 31 providers as reporting a total of 20 or more service delivery and data quality issues since the SETS program commenced, which resulted in the provider either failing to meet the reporting requirements of the grant agreement, or requiring ‘follow-up’ by the Funding Agreement Manager to address those issues. Most, but not all, providers attested to all requirements, with six of the 31 providers examined by the ANAO returning an ‘N/A’ answer to at least one attestation statement.

3.70 While all 103 providers had submitted reporting attestations confirming that they had controls and processes in place to support their compliance with the reporting obligations, only four of the 31 approached by the ANAO were able to provide reasonable evidence in response to the ANAO’s enquires. The majority of providers (18) submitted some evidence, though incomplete, primarily in the form of templates and procedural documents. Two submitted a series of

unsupported assertions. Six did not respond. One provider acknowledged that its approach 'contributed to the ongoing data quality and reporting issues identified by the Department'.

3.71 The ANAO's analysis of the 22 site visit reports of those conducted in 2024–25 was that they did not provide sufficient assurance that the providers had processes and controls in place for the 2024–25 financial year to meet their reporting responsibilities, as are required in the providers' attestations.

Recommendation no. 6

3.72 The Department of Home Affairs implement a systematic, documented, risk-based approach to quality assurance activities based on service provider performance and other risk information known to the department.

Department of Home Affairs response: *Agreed.*

3.73 *The Department will work with DSS to strengthen quality assurance activities to ensure decisions are informed by service provider performance and other risk information known to the Department and DSS.*

4. Provision of services to humanitarian entrants and vulnerable migrants

Areas examined

The ANAO examined the services reported by service providers as being provided to humanitarian entrants and vulnerable migrants.

Conclusion

Services are being provided across Australia, with individual clients primarily located in major cities. Program data indicates that the program has become less successful at targeting recent humanitarian entrants and other vulnerable migrants. There has been mixed performance in aggregate for the program, and within service providers, in relation to key program metrics relating to the clients being assisted and the events/services being provided for the grant funding that was awarded. Performance has also been mixed in terms of the extent to which the data demonstrates the program is improving client independence, participation in Australian society and wellbeing.

Areas for improvement

The ANAO made one recommendation aimed at the Department of Home Affairs (Home Affairs) making greater use of the available data to analyse where the program is performing well, and where improvements are able to be made over remainder of the duration of the current funding agreements and/or in the design of the next funding round. A further two recommendations relate to improvements to the approach taken to obtaining information on the impact the program is having on clients, and the department's approach to measuring and reporting on whether the program is achieving its objectives. The final recommendation relates to the administration of grant funding in future funding rounds being informed by stakeholder experience.

4.1 The objective of grants administration is to promote proper use and management of public resources through collaboration with government and non-government stakeholders to achieve government policy outcomes. As discussed at paragraph 1.1, Settlement Engagement Transition and Support (SETS) is an early intervention program intended to contribute to humanitarian entrants and other eligible vulnerable migrants and communities achieving full participation in Australian society as soon as possible.

Are the services being provided across the areas specified in each grant agreement?

The grant agreements included the service locations to be covered by each service provider, with service providers engaged to provide coverage planned for all states and territories. Service provider reporting indicates that services are being provided across Australia, with individual clients primarily located in major cities. Rather than specifying the type and quantum of services to be provided, program design involved the departments identifying key indicators against which service provider performance would be assessed by benchmarking each provider's performance against other similar providers. Data reported by service providers

indicates that over the six years to June 2025, one million individual sessions and nearly 202,000 group sessions were provided to 192,618 clients through 651 service provider outlets.

4.2 Changes to the settlement grants program with the introduction of SETS included a greater emphasis on the outcomes related to the 3Es — English language proficiency, education and employment — as well as medium-level intensity servicing for the most vulnerable clients, including youth. Mandatory participation by the service providers in DSS’s Data Exchange Partnership Approach, intended to improve the evidence base on the success of the program and the performance of providers, was also introduced.

4.3 There was no change to the approach to service areas. Funding was awarded to successful applicants with diverse geographical service coverage areas, from small/local areas to larger coverage of states. To achieve national coverage in the selection process, consideration was based on settlement location, eligible client and migration trend information, as well as state/location-based cohort specific issues. To address an identified service coverage gap identified in the selection process for the first round, a subsequent closed non-competitive selection process was undertaken to award funding to two providers (see Table 1.1 and paragraphs 2.4 and 2.7).

4.4 While the grant agreements included the service locations to be covered, they did not establish the specific services tailored to address client issues, nor the quantum of those services, that grant recipients were expected to provide in the agreed service locations. Instead, the estimated quantum of services, and the service area locations where services were expected to be delivered, were included in Activity Work Plans (AWPs) (see paragraphs 2.18 and 2.19). The approach to awarding funding to grant recipients without specifying the type and quantum of services to be provided meant that not all services were expected to be provided in all service areas.

4.5 Most of the variations to grant agreements that introduced new services were funded on a pro rata basis to all providers without targeting the funding to areas of specific need (see paragraphs 2.46 to 2.48). Further, the variations to introduce new services to PEV/Falepili Union clients provided funding to providers who were not providing services to those clients.⁶⁵ In advice to service providers, Home Affairs stated that ‘We understand not all organisations will provide services to PEV/Falepili Union clients ... If zero clients are recorded at the end of the grant, you can show how your organisation was prepared to provide services to these clients should they require it’.

4.6 Service provider reporting indicates that services are being provided across Australia. Table 4.1 highlights that service providers and individual clients are primarily located in major cities, while 27 clients from Very Remote Australia have received services from providers located in a different area. There were just over one million individual sessions reported as having been provided, as well as nearly 202,000 group sessions.

65 In contrast to the ‘zero’ clients expected to be serviced by the pro rata funding allocation for some providers, in a submission to the Citizens Contribution facility for the audit, one service provider highlighted a ‘growing service gap relating to PEV and Falepili Union settlers. Although these cohorts are increasingly represented ... they fall outside traditional humanitarian streams and therefore receive limited or no targeted settlement funding under the current SETS program structure.’

Table 4.1: Service provider reporting of remoteness area: July 2019 to June 2025

Remoteness area ^a	Service provider	Outlets	Individual clients
Major Cities of Australia	86	527	162,053
Inner Regional Australia	37	92	21,355
Outer Regional Australia	17	27	8,804
Remote Australia	2	4	370
Very Remote Australia	0	0	27
Unknown	1	1	9
Totals	116 ^b	651	192,618

Note a: The DSS Data Exchange Glossary states that the definition of 'remoteness area' is: 'The ABS 2021 standard for measuring remoteness. Remoteness is calculated according to road network access to urban centres and according to urban centres (Service Centres) population sizes. Major Cities have greater access to urban centres than outer regional, very remote areas have the least access to urban centres'.

Note b: Some providers service multiple areas. The total represents the number of unique service providers.

Source: ANAO analysis of DSS records.

4.7 To perform services in the various areas covered in their grant agreements, some service providers operate out of outlets of other providers.

4.8 In relation to the final reporting period of SETS Client Services for January to June 2024, the ANAO's analysis of delivery organisation outlet addresses from which service sessions were performed was that:

- 54 operated from one outlet address only; and
- 45 operated from two or more outlet addresses across different locations, of which 17 operated from more than five and three operated from 10 or more.

4.9 Similarly, for the most recent reporting period of the second round, January to June 2025, of the 121 delivery organisations providing services:

- 71 operated from one outlet address only; and
- 50 operated from two or more outlet addresses across different locations, of which 19 operated from more than five and six operated from 10 or more.

What does the data reported by grant recipients against the performance indicators show about the extent to which the program has assisted humanitarian entrants and other vulnerable migrants to participate in society?

The data reported by grant recipients reveals mixed performance against the performance indicators specified in their grant agreements. It also shows considerable variability in the extent to which service providers, and the program more broadly, appear to have assisted humanitarian entrants and other vulnerable migrants to participate in Australian society.

4.10 As discussed in paragraph 2.24, DSS and Home Affairs have not established arrangements to enable an assessment of grant recipient performance against the performance indicators specified in the grant agreements. Home Affairs advised the ANAO in July 2025 that 'data is assessed

in relation to KPIs to determine a full picture of service delivery by provider and as a program'. In response to further enquiries, Home Affairs was unable to provide any examples of assessments against the specified performance indicators and advised that 'no assessments have been undertaken to benchmark provider achievement against similar service providers delivering comparable services'.

4.11 Figure 4.1 sets out the performance indicators included in the grant agreements for both rounds. The grant agreements specified six key performance indicators, five of which were to be measured using benchmarking, comparing each service providers' achievement against similar service providers delivering comparable services. In administering the program, Home Affairs has not identified cohorts of similar service providers delivering comparable services, an essential first step to implement the benchmarking set out in the grant agreements. In January 2026, Home Affairs advised the ANAO that:

the Department's settlement grants programs use standardised performance indicators developed by the [DSS] Community Grants Hub across Government agencies who use the Community Grants Hub and report using DEX data. The SETS grant agreements are based on a template provided by Community Grants Hub, with the majority of the text, including the performance indicators unable to be changed by client agencies. We understand that the inclusion of "the benchmark comparison of provider achievement against similar service providers delivering comparable services and using the relevant DEX characteristics for each of the KPIs" is standard wording added to the Community Grants Hub streamlined agreement template. The intention of this was to allow the Commonwealth to compare and benchmark similar programs using DEX data (across the 12 Commonwealth agencies using the Community Grants Hub).⁶⁶

66 In March 2026, DSS advised the ANAO that:

Eight Commonwealth agencies currently access DEX services for reporting:

- Attorney General's Department
- Department of Social Services
- Department of Agriculture, Fisheries and Forestry
- Department of Home Affairs
- Department of Health, Disability and Ageing
- Department of Employment and Workplace Relations
- The Treasury, and
- National Indigenous Australians Agency (NIAA)

The department can confirm that standard KPIs have been used by all agencies except NIAA.

Whilst NIAA utilises the department's Grant Payment System (GPS) to administer its grants, NIAA is responsible for the development of performance indicators for its grant programs and utilises its own set of standardised (mandatory) performance indicators for all activities.

Figure 4.1: Benchmarking performance against key performance indicators

Performance Indicators

The Activity will be measured against the following Performance Indicator/s:

Performance Indicator Description	Measure
Number of clients assisted	Measured using benchmarking, comparing your achievement against similar service providers delivering comparable services, using characteristics defined in the Data Exchange Protocols
Number of events / service instances delivered	Measured using benchmarking, comparing your achievement against similar service providers delivering comparable services, using characteristics defined in the Data Exchange Protocols
Percentage of participants from priority target groups	Measured using benchmarking, comparing your achievement against similar service providers delivering comparable services, using characteristics defined in the Data Exchange Protocols
Percentage of clients achieving individual goals related to independence, participation and well-being	Measured using benchmarking, comparing your achievement against similar service providers delivering comparable services, using characteristics defined in the Data Exchange Protocols
Percentage of clients achieving improved independence, participation and well-being	Measured using benchmarking, comparing your achievement against similar service providers delivering comparable services, using characteristics defined in the Data Exchange Protocols
Activities are completed according to scope, quality, timeframes and budget defined in the Activity Work Plan	The Department and you agree that the Activity Work Plan has been completed as specified or, in case of divergence, to a satisfactory standard

Source: Example grant agreements signed with service providers.

4.12 The contracted key performance indicators were intended to inform an assessment of whether sufficient services were being provided, a sufficient proportion of those receiving services were from priority target groups, and acceptable results were being achieved in terms of the percentage of clients: achieving individual goals related to independence, participation and wellbeing; and improved independence, participation and wellbeing.

4.13 Separate to, and in addition to, the five key performance indicators that were to involve benchmarking of service provider performance, the grant agreements included requirements for service providers to develop, and report against, Activity Work Plans (as discussed by the ANAO in paragraphs 2.18, 2.19, and 3.14 to 3.18). Advice to the ANAO from DSS in December 2025 was that it viewed the benchmarking against key performance indicators specified in the grant agreements as unnecessary because of the Activity Work Plan requirements, although it was ‘open to considering benchmarking to complement the existing performance framework’. As noted at paragraph 2.19, in October 2024, Home Affairs identified that 34 of the AWP’s for the second round (33 per cent) finalised by DSS were missing required information relating to deliverables and timeframes for services to be provided.

KPI 1: number of clients assisted

4.14 Service provider reporting shows that 192,618 individual, and 201,756 group clients, have received services from SETS providers from Round 1 (Client Services) and Round 2 between January 2019 and June 2025. DSS advice to the ANAO in January 2026 was that service providers ‘may choose to not report individual clients where sessions are delivered in group settings’.

4.15 Table 4.2 highlights that, although there are significant variances between the number of clients reported to have received services from each of the providers, the majority of the first-round providers (74 per cent) provided services to fewer than 1500 clients in the five and a half years between January 2019 and June 2024.⁶⁷

Table 4.2: Service provider individual clients (by delivery organisation)

Number of individual clients	SETS Round 1 providers (Client Services)		SETS Round 2 providers	
	Number	%	Number	%
0 to 499	37	32	83	69
500 to 999	36	31	19	16
1,000 to 1,499	13	11	12	10
1,500 to 1,999	8	7	3	2
2,000 to 2,499	5	4	2	2
2,500 to 2,999	2	2	0	0
3,000 to 3,499	4	3	0	0
3,500 to 3,999	2	2	2	2
4,000 to 4,999	6	5	–	–
5,000+	3	3	–	–

Source: ANAO analysis of DSS Data Exchange data.

4.16 Against the background of the benchmarking arrangements specified in the funding agreements not being implemented, ANAO analysis identified variation in the number of clients receiving services for similarly funded providers. According to the DSS Data Exchange Protocols, case records are intended to record details about the service being delivered, the location in which they are delivered, the reason for the client accessing the service, and the client receiving the service.⁶⁸ In one cohort of four similarly funded providers, the provider reporting the most clients reported a greater number of cases than clients and received the least funding of the four service providers.

67 For the second round, 95 per cent of providers have provided services to less than 1,499 clients but this is partly due to data being available for the period of July 2024 to June 2025 only.

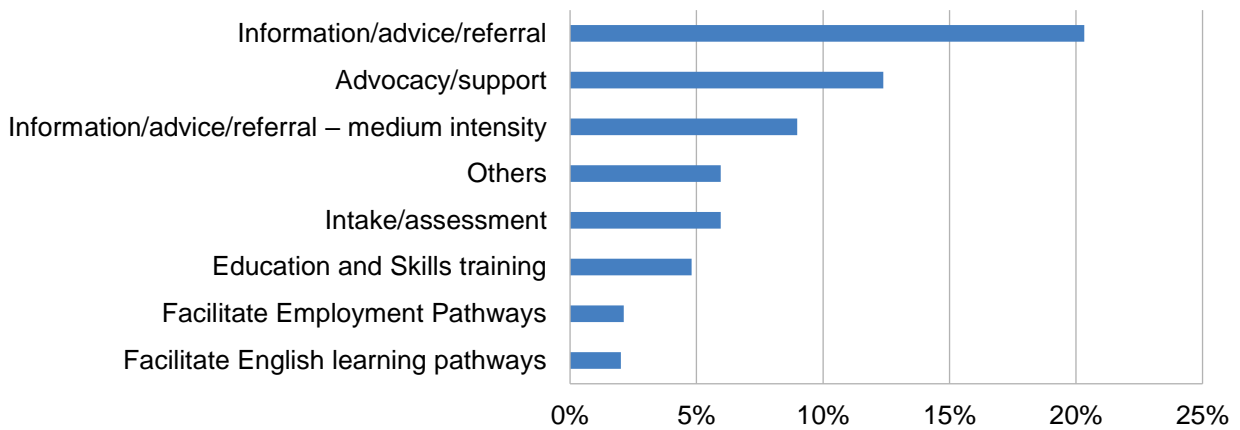
68 While number of clients assisted is a key performance indicator specified in the grant agreements, DSS advice to the ANAO in January 2026 was that the

Number of cases is not a meaningful measure of provider performance and does not indicate the volume of services delivered. Cases group together sessions delivered (and clients serviced) at a particular outlet. However, a provider may choose to create one or multiple cases per outlet, depending on their grouping preferences.

is not surprised by the findings ... comparing different services [sic] types provided over both funding rounds, noting that learning English and establishing pathways into employment and further education takes time. The key focus for SETS providers is to build self-agency and self-efficacy in SETS participants while supporting them to achieve outcomes that align with these domains.

Under the SETS - Client Services grants providers were expected to provide services that address client need in relation to the then Australian Government’s three priority areas of English language proficiency, education and employment (the 3Es), and address issues that arise across the nine priority areas identified in the National Settlement Framework ... The SETS program settings have been strengthened further with the requirement for SETS providers to embed the Refugee and Humanitarian Entrant Settlement and Integration Outcomes Framework (the Framework) into their delivery of the SETS program.

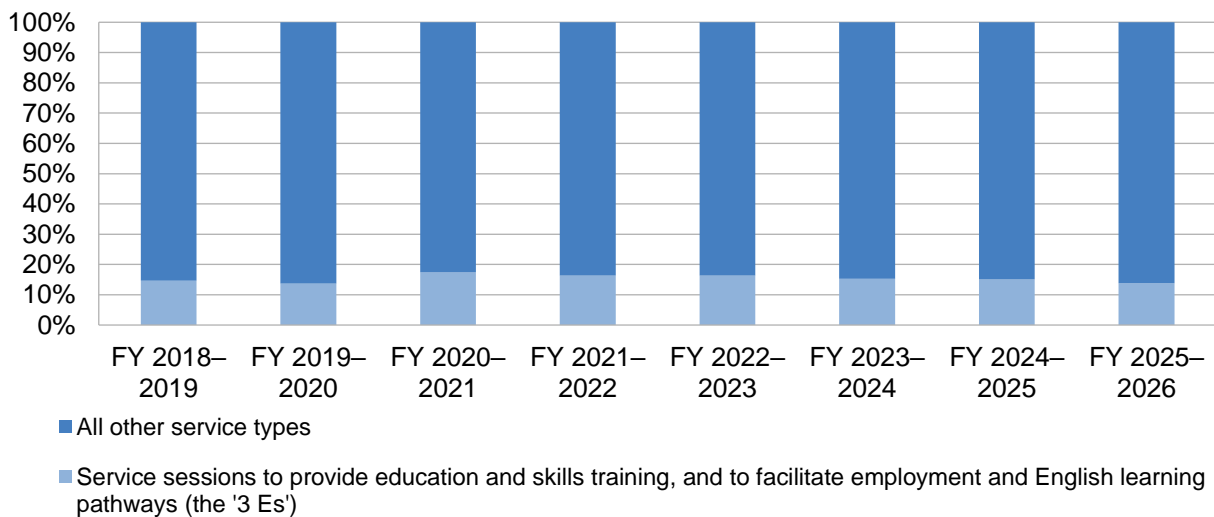
Figure 4.3: Comparison of service types provided



Source: ANAO analysis of DSS Data Exchange data.

4.20 Figure 4.4 compares services relating to the ‘3Es’ priority areas with all other services provided in each financial year since the program commenced.

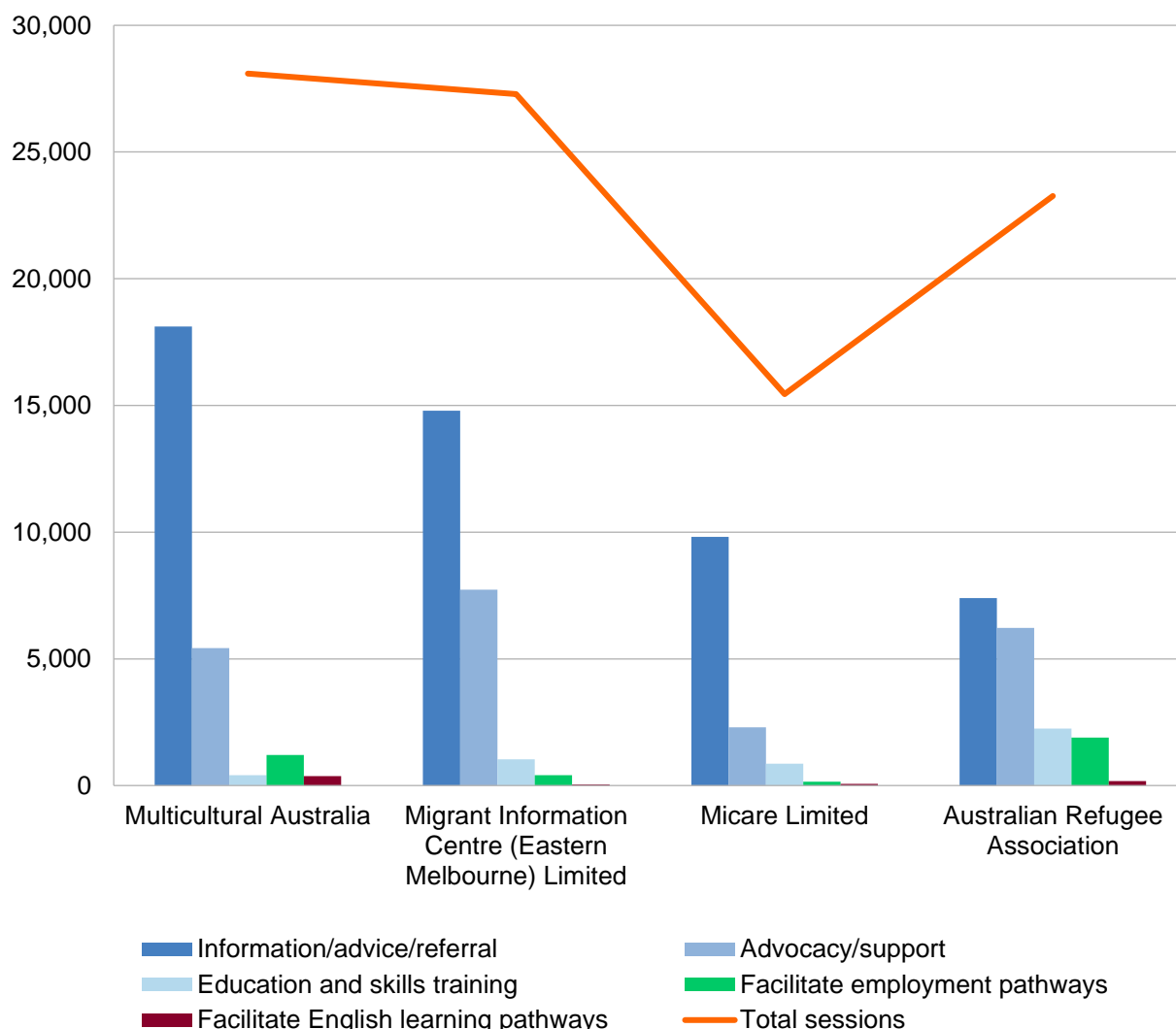
Figure 4.4: Comparison of 3Es priority services with all other services provided per financial year.



Source: ANAO analysis of DSS Data Exchange data.

4.21 Figure 4.5 compares the services relating to the ‘3Es’ priority areas with two of the most commonly provided service types, information/advice/referral and advocacy/support, by similarly funded providers. Compared with advocacy and support services, there are substantially fewer services related to the three priority areas being provided.

Figure 4.5: Comparison of service types provided by similarly funded providers for Settlement Engagement and Transition Support Round 1 - Client Services January 2019 to June 2024

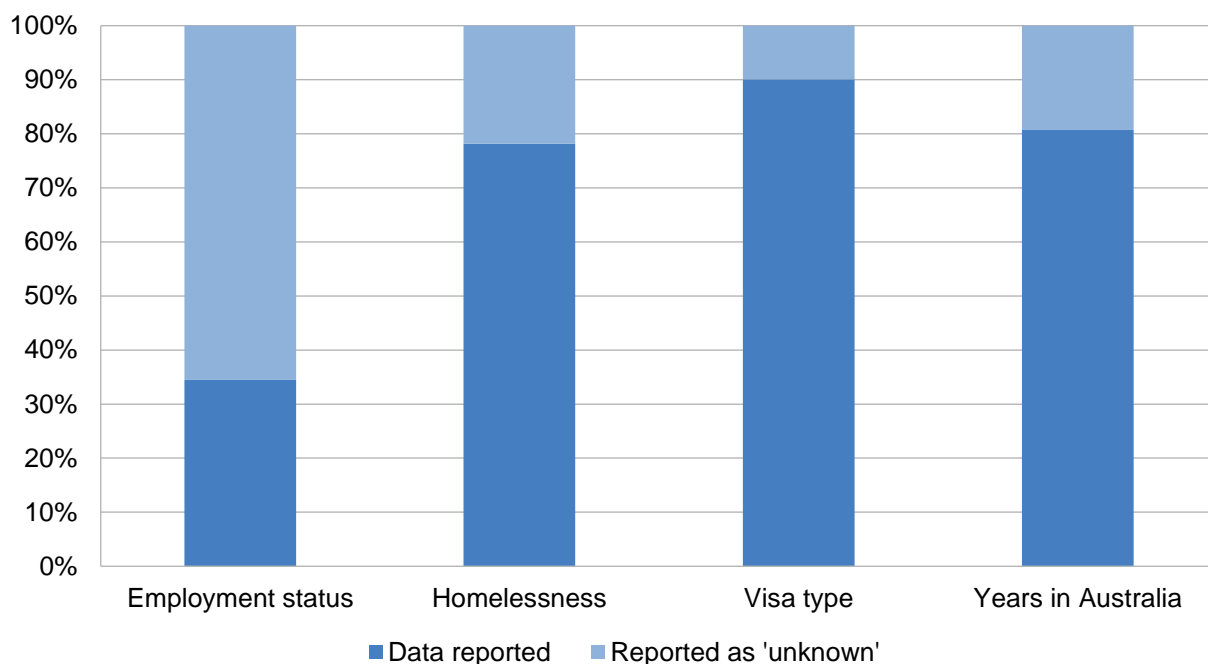


Source: ANAO analysis of DSS Data Exchange data.

KPI 3: percentage of participants from priority target groups

4.22 Figure 4.6 illustrates that there are substantial gaps in reporting of data in relation to categories relevant to the priority groups to be targeted by providers. In response to audit questions about whether sufficient data is being collected from service providers on priority groups, Home Affairs advice to the ANAO in January 2026 was that gaps are ‘expected within the framework established by the SETS Program Specific Guidance for DEX data collection’. And that ‘While employment is an important consideration, it is important to note that many vulnerable clients, particularly women with children, need to prioritise other settlement needs and issues’.

Figure 4.6: Service provider reported data relevant to priority clients



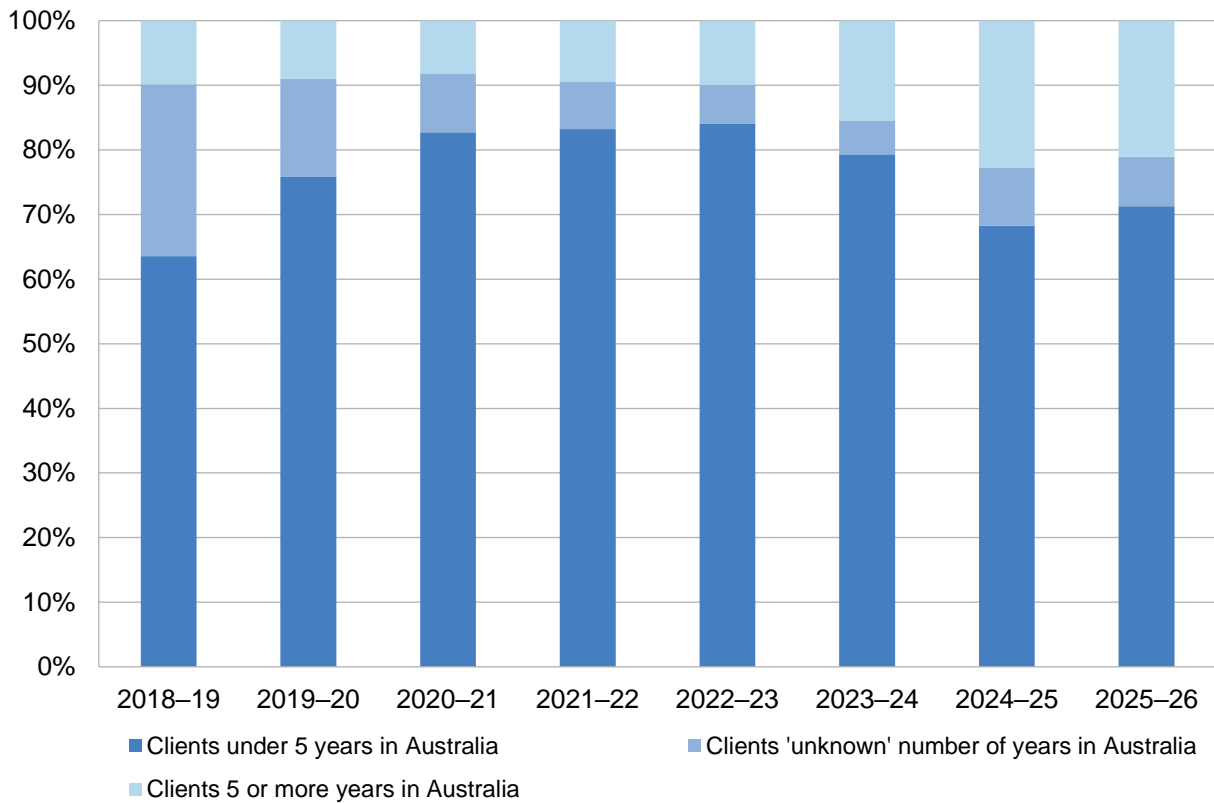
Source: ANAO analysis of DSS Data Exchange data.

4.23 To be eligible to receive services funded by the first round of SETS, humanitarian entrants and other vulnerable migrants needed to be in their first five years of life in Australia. While the restriction was removed for Round 2, people who first arrived in Australia within the prior five years were instead identified as a priority group that providers were expected to target. In its contribution to the audit, a settlement peak body advised the ANAO that ‘removing the five-year limit, without commensurate increases in funding to meet the much higher number of eligible humanitarian entrants and vulnerable migrants, has meant that SETS providers need to triage their clients.’

4.24 Figure 4.7 compares the percentage of those clients receiving services that first arrived within five years and those that did not, who were ineligible under the first round, as well as those clients for whom it was reported as ‘unknown’. It shows that program performance in targeting newer arrivals improved significantly in the early years of the program, remained steady at 83 per cent to 84 per cent between 2020–21 and 2022–23, and has declined overall in the last two years. In 2024–25, the first year in which the more relaxed approach of the program came into effect, 68 per cent of clients were reported to be in their first five years of life in Australia, with nearly one quarter (23 per cent) reported as being in Australia for more than five years (and no data reported for the remaining nine per cent).

4.25 Contributions from SETS service providers received by the ANAO to the Citizens Contribution facility were critical of the removal of youth as a priority client group, as unique settlement cohorts ‘requiring unique and specialist consideration’, in the second round of SETS. One service provider highlighted the limited timeframe for SETS providers to engage with children and youth, noting that ‘Many young people obtain citizenship within their first five years in Australia, often through parent/guardian-initiated citizenship applications, without having fully settled’.

Figure 4.7: Percentage of clients within their first five years of life in Australia



Source: ANAO analysis of DSS Data Exchange data.

Recommendation no. 7

4.26 To inform the administration of the current program and inform the design of future settlement grant programs, the Department of Home Affairs analyse the available data to:

- (a) understand and address any relationship between the cost per client for each service provider and data on whether clients are achieving their settlement goals and/or achieving improved independence, participation and wellbeing;
- (b) understand and address any relationship between the number and nature of events and services being provided with program funding and data on whether clients are achieving their settlement goals and/or achieving improved independence, participation and wellbeing; and
- (c) identify opportunities to improve the extent to which program participants are from priority groups.

Department of Home Affairs response: *Agreed.*

4.27 *The Department will analyse program data on cost per client, priority groups and contribution of services to client outcomes to identify [sic] to inform administration of the current program and design of future settlement grants programs.*

KPIs 4 and 5: percentage of clients achieving individual goals related to independence, participation and wellbeing, and percentage of clients achieving improved independence, participation and wellbeing

4.28 Mandatory participation in the Data Exchange ‘partnership approach’ was one of the changes to the settlement grants program introduced by SETS (see paragraphs 4.2 and 4.3). As part of this approach, SETS providers are required to collect ‘Standard Client/Community Outcome Reporting (SCORE) information for clients’.⁶⁹

4.29 Home Affairs has set an expectation that providers report, where ‘practical’, outcomes data for a range of 50 to 60 per cent of clients receiving their services. Home Affairs advised the ANAO in July 2025 that this expectation is ‘consistent with the DSS standard SCORE minimum of 50% as per the Data Exchange Protocols’ and that it ‘considers that collecting SCORE data for 100% of SETS clients is not reasonable as this places a high administrative burden on SETS providers’. Later (January 2026) advice to the ANAO was that:

The Department considers the collection of SCORE data for more than 60% of clients to present a satisfactory outcome. When providers are able to practically obtain SCORE data for more than 60% of clients, this provides more robust outcomes data.

4.30 While the standard Data Exchange requirement is a threshold of over 50 per cent of clients for the Circumstances and Goals SCOREs, and at least 10 per cent of clients for the Satisfaction SCOREs, it is not mandatory. Home Affairs’ Economic Pathways to Refugee Integration grants program, for example, requires SCORE data for at least 95 per cent of identified clients for Circumstances, Goals and Satisfaction. The SETS reporting threshold of 50 to 60 per cent of clients has previously been identified, by the Deloitte evaluation for example, as a source of potential bias leading to ‘positive’ outcomes being overrepresented in reports.⁷⁰ Moreover, it is designed in a way that can exclude almost half of all clients from potential participation in providing feedback on how successful the program is at assisting clients to achieve the desired outcomes.

4.31 There are four different types of outcomes measured through SCORE, three for individual clients (Circumstances, Goals, and Satisfaction) and one for a group/community (Community). Within each outcome are a varying number of ‘domains’ that are reported against. SCORE is collected against domains chosen at the discretion of the reporting organisation and a rating assigned according to the five-point ratings scale outlined in the Data Exchange Protocols. Two of the outcomes are relevant to the KPIs in the grant agreements, ‘Goals’ (KPI 4) and ‘Circumstances’ (KPI 5). SCORE data is self-reported by delivery organisations and is collected towards the beginning

69 The grant opportunity guidelines for the first round set out that SETS providers would be required to participate in reporting an extended data set under the Data Exchange partnership approach. Consistent with this, the grant agreements also set out the partnership approach as a requirement of funding.

Notwithstanding the requirement, Home Affairs did not ensure that the SETS specific guidance issued in the *Program Specific Guidance for Commonwealth Agencies in the Data Exchange* specified that collecting the extended data for the partnership approach was mandatory until August 2021, when updated guidance was released for the July to December 2021 reporting period.

The updated guidance followed DSS advice to Home Affairs in June 2021 that the information in the Program Specific Guidance was ambiguous — it stated that extended data items were ‘recommended’ — and that, as a consequence, DSS would not ‘formally assess’ the extended data items reported by providers.

70 In January 2026, DSS advised the ANAO that ‘Bias risk is not inherent to the threshold; it depends on provider practices. Strong compliance monitoring and random audits can prevent selective reporting.’ As set out in Chapter 3, strong compliance monitoring including through onsite visits that result in action items for providers to address has not been a feature of SETS program administration.

and end of SETS engagement, and additionally at the discretion of the provider. In a contribution to the Citizens Contribution facility for the audit, a settlement peak body advised that:

The settlement sector has long found limitation with DEX [Data Exchange] reporting. Standard Client/Community Outcomes Reporting (SCORE) struggles to capture the nuances of client and community change, the settlement journey, and outcomes over time.

4.32 DSS's Data Exchange reports on provider performance are based on the pairing of the initial SCORE and the most recent subsequent SCORE reported by delivery organisations to arrive at the percentage of clients with overall positive, neutral, and negative, outcomes. Applying this approach, DSS calculates that for clients across both funding rounds (to December 2025):

- Goals outcomes were positive for 85.4 per cent, neutral for 10.4 per cent, and negative for 4.2 per cent; and
- Circumstances outcomes were positive for 86.6 per cent, neutral for 9.9 per cent, and negative for 3.4 per cent.

4.33 Pairing of SCOREs is not sufficient for assessing performance against the KPIs.

- **KPI 4 — 'percentage of clients achieving individual goals related to independence, participation and wellbeing'** — requires a comparison of clients achieving goals with those that do not. The Data Exchange ratings scale relevant to goals indicate the extent of the client's progress towards achieving their goals, where a rating of '1' indicates 'No progress' and a rating of '5' indicates 'Fully achieved'. Reporting positive changes in paired Goals SCOREs does not demonstrate the achievement of a client's goals to enable an assessment against the KPI.
- **KPI 5 — 'percentage of clients achieving improved independence, participation and wellbeing'**— requires a comparison of clients achieving improvement in their circumstances with those that do not. The relevant Data Exchange ratings for circumstances measure the impact of the client's current circumstances in relation to the relevant domains. While the first two ratings measure the extent of the *negative* impact of a client's circumstances ('significant' to 'moderate'), ratings of '3' to '5', not the difference between paired SCOREs, measure the extent of improvement in client outcomes.⁷¹

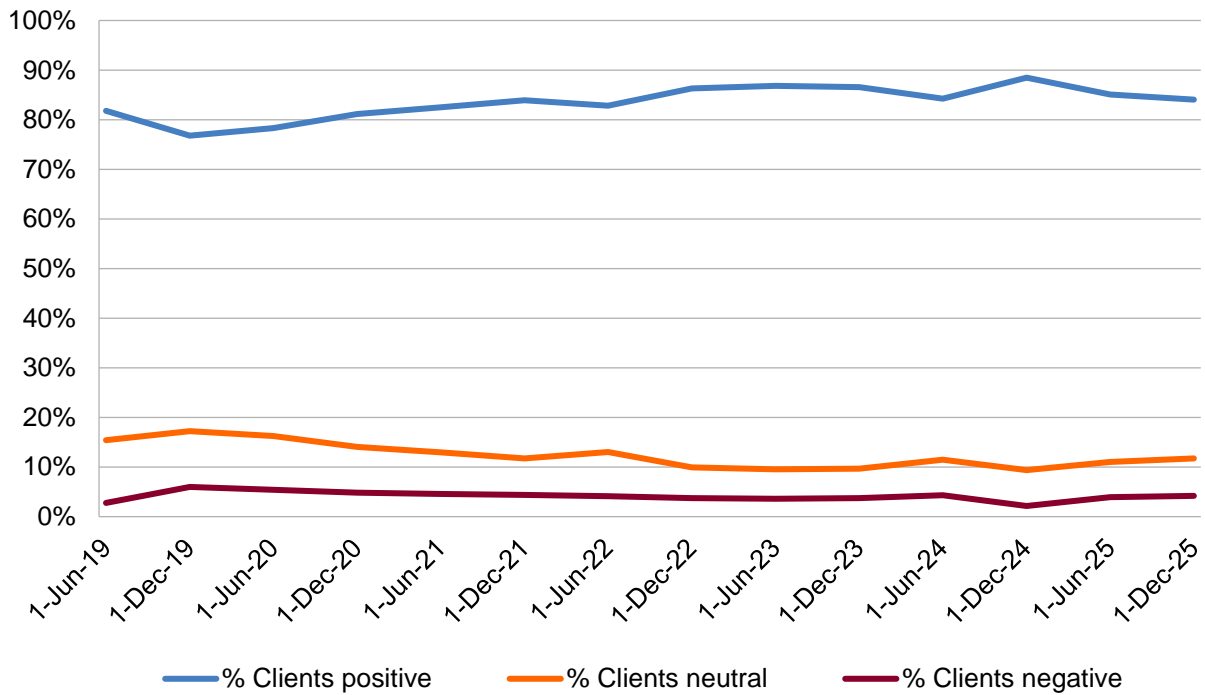
4.34 Figure 4.8 and Figure 4.9 show the overall SCORE results, based on the paired SCORE data, for Goals and Circumstances, respectively, over each reporting period to December 2025.

- The data shows an improving trend in goals SCORE results between 2019 and 2024, which has now turned around. By the end of 2025, the proportion of positive SCORE results for clients had declined in each reporting period, while negative SCORE results almost doubled.
- Similarly, the data shows an improving trend in circumstances SCORE results between 2019 and 2024, which has also now turned around. Similar to the goals SCORE results,

71 A rating of '3' is the 'middle ground', at which point the client is reporting 'progress towards improving' their circumstances to support independence, participation and wellbeing, and ratings of '4' and '5' indicate the client's circumstances are 'Adequate and stable over the short term' and 'Adequate and stable over the medium term', respectively.

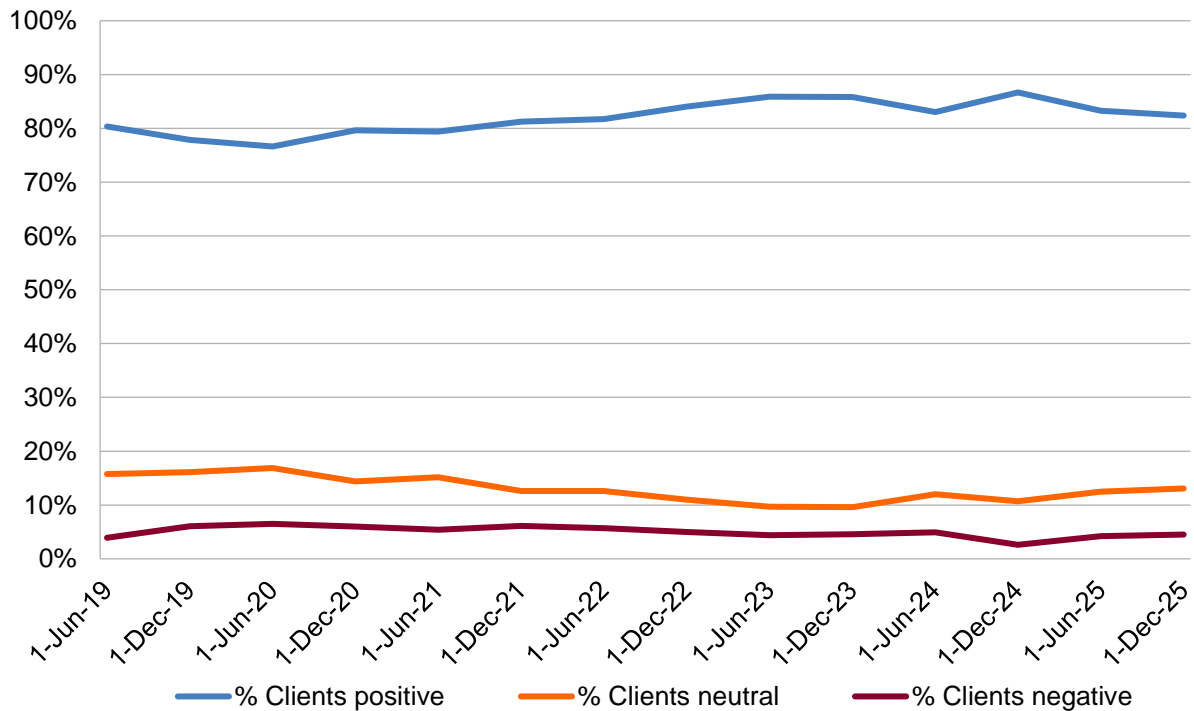
positive and negative SCORE results relating to client circumstances have deteriorated in the two reporting periods of 2025, and are trending to further deteriorate.

Figure 4.8: Changes in Goals SCOREs to December 2025



Source: ANAO analysis of DSS Data Exchange data.

Figure 4.9: Changes in Circumstances SCOREs to December 2025



Source: ANAO analysis of DSS Data Exchange data.

4.35 Reporting SCORE data across the service provider cohort varied significantly.⁷² Not all delivery organisations (which include consortium partners of lead organisations in addition to standalone providers) met the standardised or Home Affairs' 50 per cent threshold. The ANAO's analysis of the data reported by delivery organisations was that:

- 73 reported Goal SCORE data for less than 50 per cent of clients (of which 10 reported it for less than 10 per cent of clients); and
- 71 reported Circumstance SCORE data for less than 50 per cent of clients (of which 12 reported it for less than 10 per cent of their clients);
- 65 reported less than 50 per cent of client SCOREs for both Circumstances and Goals; and
- Eight reported 10 per cent or less of client SCOREs against both Circumstances and Goals.⁷³

4.36 Conversely, there were 50 organisations that reported Goals SCORE data for more than 60 per cent of clients and 48 reported Circumstances SCORE data for more than 60 per cent of clients.

4.37 There were some delivery organisations that did not achieve an overall positive result in relation to Goals and Circumstances outcomes.⁷⁴ Three reported a negative change in Goals SCORE. Four reported a negative change in Circumstance SCORE.

4.38 Results of the reported SCORE data were not consistent across domains, which in themselves were selected at the discretion of the provider, with pronounced differences within the Circumstances outcome⁷⁵:

- Clients reported the least positive and most negative SCORE in the Housing domain — 68.9 per cent positive and 5.9 per cent negative overall, with the remainder neutral.
- Similarly poor outcomes were reported in the Physical Health domain — 69 per cent positive and 5.7 per cent negative, with the remainder neutral.
- The best outcomes were reporting in Community participation & networks domain, 82.5 per cent positive and only 3.7 per cent negative, with the remainder neutral.

4.39 In January 2026, Home Affairs advised the ANAO that:

72 Not all delivery organisations reported Circumstances and Goals SCORE data. Over both SETS funding rounds:

- Five organisations did not report Circumstances SCORE; and
- Four organisations did not report Goals SCORE.

73 In January 2026, DSS advised the ANAO that 'reasons for the low SCORE data provided by SETS Providers include: clients disengaging early ... [and] participants attending group activities flagged as "unidentified clients", which does not allow for SCORE assessments'.

74 Home Affairs advice to the ANAO in January 2026 was that:

The Department does not currently use the DEX standard reporting for "Shift from earliest to latest" (measuring the difference between the average earliest SCORE to the average latest SCORE) as a measure of provider outcomes. There are many reasons that SCORE data may not show an overall positive result measured in this way. This would require further detailed analysis and collaboration with DSS to examine the data and determine its significance (for example, total client numbers, number of domains assessed, types of services offered, frequency of SCORE assessments, and differences across reporting periods).

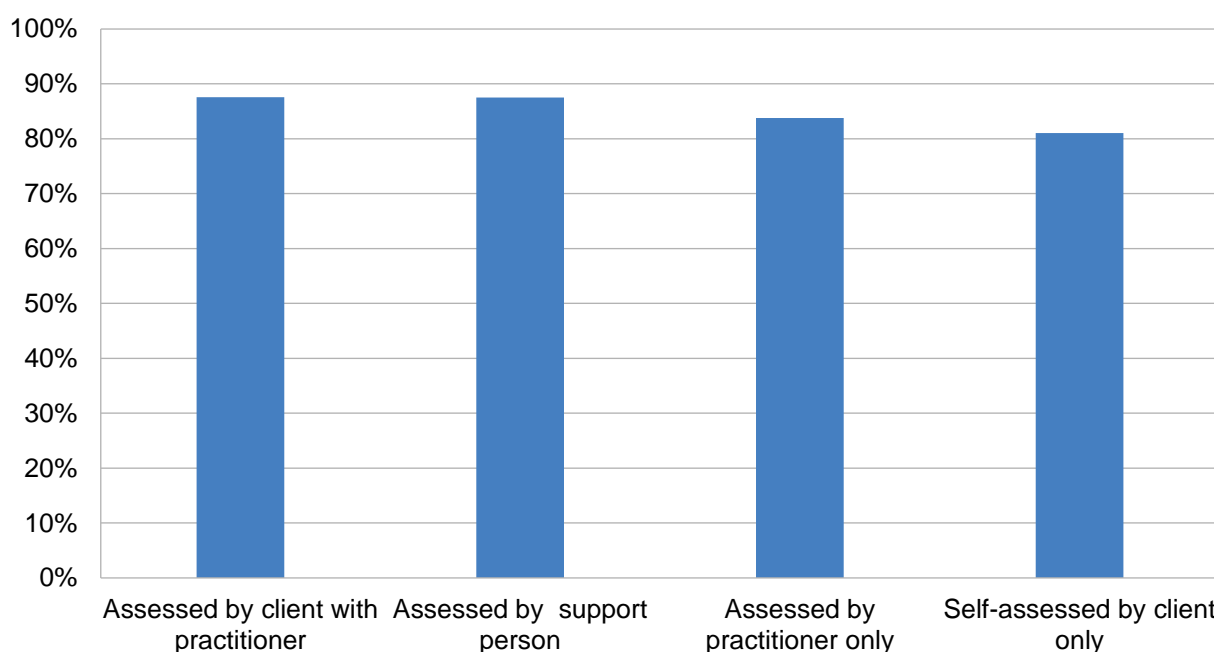
75 Variances across the Goals domains were not as pronounced with the best outcomes reported against 'Changed knowledge and access to information' (84.3 per cent positive and 3.4 per cent negative), and the worst outcomes reported against 'Changed impact of immediate crisis' (78.1 per cent positive and 4.5 per cent negative).

These SCORE outcomes reflect that housing and health are intricate issues that demand structural interventions across multiple sectors. The Rental Affordability Index by SGS Economics and Planning highlights a concerning trend that has persisted over time, particularly impacting the SETS cohort, which faces significant challenges due to intersectional discrimination within the rental system. Additionally, the healthcare services available may be inadequate and not fully equipped to support this cohort effectively. This situation is clearly reflected in SCORE assessments.

The Department also notes that other Commonwealth portfolios have lead responsibility for policies and outcomes in areas covered by some of the outcome domains, including health, employment and housing.

4.40 In relation to how SCORE data is reported, delivery organisations were permitted to collect client SCORE using a method ‘that best suits their delivery context’.⁷⁶ These methods included self-assessment by the client, assessment by the client’s support person⁷⁷, and practitioner assessment with or without the client present. Figure 4.10 shows the difference in the results of positive outcomes by each reporting method.

Figure 4.10: Percentage of positive SCORE outcomes by reporting method



Source: ANAO analysis of DSS Data Exchange data.

4.41 DSS advised the ANAO in January 2026 that:

any change to how Home Affairs measures outcomes using DEX data needs to be considered from a whole of platform perspective. This is because 8 agencies currently report into DEX for over 100 programs. Home Affairs may wish to consider alternative data sources for outcome measurement, beyond DEX.

⁷⁶ In January 2026, DSS advised that ANAO that:

Children aged 0–4 are generally classified as support persons rather than clients. These children accompany their parents, who are the primary clients, and are cared for in creche facilities and other similar services provided by SETS providers while the parents attend program sessions

⁷⁷ In addition to children aged 0 to 4, DSS’ January 2026 advice to the ANAO included ‘a carer’ as an example of a ‘support person’ for Data Exchange reporting purposes.

Recommendation no. 8

4.42 The Department of Home Affairs adopt a more robust approach to reporting on the extent to which program clients are achieving their goals and improving their circumstances as a result of the services that have been delivered with grant funding.

Department of Home Affairs response: *Agreed.*

4.43 *The Department will work with DSS to strengthen reporting and monitoring of performance indicators relating to achievement of goals and improving circumstances.*

Department of Home Affairs reporting on Settlement Engagement and Transition Support performance

4.44 Home Affairs reporting in its Annual Report on the performance of the SETS program is incomplete and does not reflect some key aspects of the program relevant to achieving program objectives.

- Since 2019–20, Home Affairs has reported on the performance of SETS in its annual reports against one of the four SCORE outcomes, ‘Goals’, and, in some years, against two of six ‘domains’ (in 2021–22, ‘knowledge’ and ‘engagement’; and, in 2022–23 and 2023–24, ‘skills’ and ‘knowledge’) within the ‘Goals’ outcome.
- The outcomes that relate to the circumstances of clients, for example, physical health, mental and material wellbeing, employment, education and skills, and housing, are excluded from Home Affairs’ reporting. As are the outcomes ‘Satisfaction’, which measures the extent to which clients are satisfied with the services received, and ‘Community’, which relate to the knowledge and skills, infrastructure, and social cohesion of groups, communities and/or organisations.

4.45 This means that the department’s performance reporting is not addressing key aspects of the purpose of the program.

4.46 Home Affairs has also lowered the target at which it measures success. In its 2019–20 Annual Report, Home Affairs reported that 78.9 per cent of clients receiving SETS services during 2019–20 demonstrated positive progress in achieving individual goals, against a target of 90 per cent. To explain the result falling 11.1 per cent below the target, Home Affairs stated that:

The target was based on the former Settlement Grants Program. It is likely that the changes between the programs and the heightened focus on English, employment and education under SETS means that positive outcomes are more difficult to achieve.

4.47 From 2020–21 to date, Home Affairs has reported against a revised target of 80 per cent. It did not revise the performance measure to reflect the program changes that increased the ‘focus on English, employment and education’.

4.48 In 2024–25 the performance metric was ‘80% of Settlement Engagement and Transition Support (SETS) clients assessed rated three or above (five-point rating scale) as a measure of the achievement of a client’s individual goals required to support their independence, participation and wellbeing’. Home Affairs assessed the metric as ‘met’, as 92.22 per cent of SETS clients assessed by SETS providers rated 3 or above. While Home Affairs stated that ‘a Goal SCORE of 3 demonstrates ‘some progress’ towards a client’s individual goals while a 5 indicates a goal is fully achieved’, this is inconsistent with the descriptions of the SCORE ratings in the Data Exchange Protocols, which states that a score of ‘3’ represents ‘limited progress to date in achieving their individual goals within the selected goal domain but there is strong engagement in addressing the issues they sought’.

4.49 The Auditor-General Report No. 22 of 2025–26 *Performance Statements of Major Australian Government Entities — Outcomes from the 2024–25 Audit Program* included a finding related to ‘Home Affairs’ lack of assurance over the accuracy and completeness of data sets provided by third parties and used for the performance results for the targets on the Humanitarian Settlement Program and Settlement Engagement and Transition Support’. In addition, the findings of this audit relate to a lack of robust and comprehensive performance indicators to evaluate the achievement of program objectives.

Recommendation no. 9

4.50 The Department of Home Affairs develop, and report against, more robust and comprehensive performance indicators for the Settlement Engagement and Transition Support program that address whether the program is achieving its objectives, with a particular emphasis on whether clients are achieving their goals and improving their circumstances.

Department of Home Affairs response: *Agreed.*

4.51 *The Department will examine the appropriateness and completeness of the performance measure and data used for corporate reporting on the outcomes of the SETS program. Measurement of changes associated with circumstances are inherently difficult to measure, noting that outcomes in a range of areas, such as housing and health, will be dependent on external factors.*

Recommendation no. 10

4.52 In preparing for the next funding round for the Settlement Engagement and Transition Support program, the Departments of Home Affairs and Social Services engage with representative bodies for program recipients as well as service providers so that the award and ongoing administration of grant funding is informed by stakeholder experience.

Department of Home Affairs response: *Agreed.*

4.53 *In preparing for the next funding round for the SETS program, the Department will undertake consultation with settlement sector representative bodies as well as service providers to gather information informing the design and administration of the next round, to ensure the SETS program delivers fit for purpose outcomes.*

Department of Social Services response: Agreed.

4.54 *The department will work with Home Affairs and sector representatives to ensure stakeholder experience better informs the next SETS funding round.*



Rona Mellor PSM
Acting Auditor-General

Canberra ACT
19 March 2026

Appendices

Appendix 1 Entity responses

Department of Home Affairs



Australian Government
Department of Home Affairs

SECRETARY

EC26-000905

Dr Caralee McLiesh PSM
Auditor-General
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Dear Dr *Caralee* McLiesh,

Thank you for the opportunity to provide a response to the Section 19 Report on the Settlement Engagement and Transition Support (SETS) program that was provided to the Department of Home Affairs on 18 February 2026.

The Department values the role of the Australian National Audit Office (ANAO) in providing independent assurance over the effectiveness of government programs. The insights from this audit will inform our ongoing program stewardship and contribute to strengthening settlement service delivery for refugees and vulnerable migrants.

SETS is an early intervention, national settlement program that supports humanitarian entrants and other eligible vulnerable migrants to achieve full participation in society by facilitating connections with mainstream services and the broader community, reducing the risk of long-term welfare dependency and isolation. Since its commencement in 2019, SETS has supported more than 200,000 individuals to build the foundations for successful participation in Australian society.

The Department agrees with the ANAO's recommendations. The Department has been undertaking improvements to the program since 2024 some of which have been initiated through the second round of SETS funding. This ongoing work has included embedding the Refugee and Humanitarian Entrant Settlement and Integration Outcomes Framework, addressing evaluation findings, and consolidating program streams to enhance administrative efficiency. Further enhancements were introduced in 2025, including a strengthened attestation process to improve data quality in the Data Exchange (DEX) system and increased Departmental engagement with SETS providers through the national Community of Practice. These improvements are contributing to greater consistency, accountability, and service quality across the provider network.

In partnership with the Department of Social Services (DSS) Community Grants Hub, we continue to refine program oversight and grants management capability. Expanded engagement with providers across jurisdictions has already improved reporting accuracy and alignment with DEX requirements.

The Department has commenced reviewing and updating processes for assessment of value for money for SETS grant variations, in light of the audit findings. The Department will also ensure appropriate planning is in place for new grant opportunities as per the principles of *the Commonwealth Grants Rules and Principles 2024*.

Work is advancing on the Settlement Grants Quality Assurance Strategy for 2026–27, which will reinforce performance oversight, strengthen risk management, and ensure grant administration meets the requirements of the *Public Governance, Performance and Accountability Act 2013* and *the Commonwealth Grants Rules and Principles 2024*.


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The audit findings and recommendations also highlight opportunities for broader changes that can be made across the Department to improve grant management processes in collaboration with DSS. The Department will consider how best to implement these improvements to support best practice grants administration. The Department will continue to work with DSS and representative bodies to ensure that all recommendations are implemented and the program is delivering fit for purpose outcomes.

Please find attached the Department's summary response for inclusion in the audit report (Attachment A) and a detailed response to the recommendations (Attachment B).

The Department appreciates the ANAO's collaborative and constructive approach throughout this audit and looks forward to continued engagement as we implement the agreed improvements.

Yours sincerely,



Stephanie Foster PSM

18 March 2026

Attachments

- A. Summary of entity response
- B. Home Affairs' response to ANAO recommendations



Australian Government
Department of Social Services

Michael Lye
Secretary

Ref: EC26-000357

Dr Caralee McLiesh PSM
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Email: OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au

Dear Dr McLiesh PSM

Department of Social Services' response to the proposed audit report on the *Settlement Engagement and Transition Support (SETS) Program*.

Thank you for providing the Department of Social Services (the department) the opportunity to comment on the proposed Australian National Audit Office (ANAO) audit report on the *Settlement Engagement and Transition Support (SETS) Program*.

The department recognises the importance of ensuring long standing grant programs continue to deliver their program objectives and appreciates the efforts and insights of the independent auditors. The department acknowledges the ANAO's overall conclusion that the management of funding under the SETS program has been partly effective, with lessons for the department in strengthening program design and in how best to ensure there is a robust performance framework in grant agreements to support measurement of program objectives.

The department agrees the identified areas for improvement and recommendations which align with work already underway to support opportunities for streamlined provider performance reporting and ongoing administration informed by stakeholder experience. The department, as a grants administration shared service provider, will also actively work with Home Affairs to support it to address its recommendations.

A summary of the department's response and the editorial matters for proposed corrections of fact that the department wishes to bring to the ANAO's attention are at **Attachment A**.

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Internet relay: www.relayservice.com.au
www.dss.gov.au

If you would like further information regarding this response, please contact Kath Paton, A/g Group Manager, Community Grants Hub at kath.paton@dss.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Paton', written in a cursive style.

17 March 2026

Enclosed:

Attachment A – Summary response, editorial matters for consideration and proposed corrections of fact

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 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. During the course of the audit, the Department of Home Affairs advised the ANAO of a number of changes it had made to program administration:

- varying all SETS grant agreements to implement a new DEX attestation process in 2025;
- implementing a series of grants governance clinic training sessions to train staff on key aspects of grant administration, including Value for Money, Variations and Conflict of Interest (COI);
- presenting to SETS providers in May 2025 through SETS Community of Practice (SETSCOP) on the importance of entering quality data into DEX;
- implementing a new COI Standard Operating Procedure (SOP) and new processes including annual COI declarations by all Settlement Grants staff;
- site visits to a range of SETS providers by the Settlement Grants team to build stakeholder relationships and better understand the realities of SETS services 'on the ground';
- implementing improvements to SETS in the second round by embedding the Refugee and Humanitarian Entrant Settlement and Integration Outcomes Framework, and making changes to address SETS evaluation findings, including by merging SETS Client Services and SETS Community Capacity Building into a single program to streamline reporting and administration;
- provision of DEX training to SETS providers in both round 1 and round 2 in collaboration with DSS. This was most recently delivered in November 2024;
- engaging of Social Policy Group (SPG) to manage the SETSCOP to facilitate best practice amongst SETS providers;

- collaborating with SPG to deliver a series of dedicated webinars for SETS provider staff on how best support new cohorts on Pacific Engagement Visas, how to best support LGBTI+ clients and how best to support clients experiencing Domestic and Family Violence; and
- engaging SPG to support SETS providers with their DEX reporting obligations through the various activities.