

# **Transitional Arrangements for the Cashless Debit Card**

Department of Social Services  
Services Australia

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Canberra ACT  
26 June 2024

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 Social Services and Services Australia. The report is titled *Transitional Arrangements for the Cashless Debit Card*. I present the report of this audit to the Parliament.

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

Yours sincerely

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

Rona Mellor PSM  
Acting 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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# Contents

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Summary and recommendations.....	7
Background .....	7
Conclusion .....	9
Supporting findings.....	9
Recommendations.....	11
Summary of entity response.....	12
Key messages from this audit for all Australian Government entities .....	13
<b>Audit findings.....</b>	<b>15</b>
1. Background .....	16
Introduction.....	16
Income management programs .....	20
Rationale for undertaking the audit .....	22
Audit approach .....	23
2. Oversight of the transition .....	25
Were appropriate governance arrangements established and maintained throughout the transition?.....	26
Were fit for purpose arrangements established to identify and manage risks during the transition?.....	35
3. Program design .....	41
Was the Enhanced Income Management program design informed by audit recommendations, evaluations and lessons learned from the Cashless Debit Card program and any other relevant programs? .....	42
Are effective performance measurement and monitoring processes in place for the Enhanced Income Management program? .....	45
4. Procurement .....	52
Were the procurement activities conducted appropriately, including identifying and managing any conflict of interest and other probity risks?.....	52
Was the advice provided to decision makers sufficiently detailed and were decisions appropriately documented?.....	57
Did the procurement activities demonstrate achievement of value for money? .....	60
<b>Appendices .....</b>	<b>65</b>
Appendix 1     Entity responses .....	66
Appendix 2     Improvements observed by the ANAO .....	69
Appendix 3     Timeline of the transition.....	70
Appendix 4     Findings from internal audit.....	72



# Audit snapshot

## Auditor-General Report No.48 2023–24

### *Transitional Arrangements for the Cashless Debit Card*



#### Why did we do this audit?

- ▶ The Auditor-General presented two performance audit reports into the Cashless Debit Card (CDC) program that identified deficiencies in the Department of Social Services' (the department) monitoring and evaluation of the program.
- ▶ The CDC program has attracted parliamentary scrutiny particularly in relation to the impact on individuals and communities.
- ▶ This audit provides assurance to Parliament on the effectiveness of the management of the transition from the CDC program to the Enhanced Income Management program.



#### What did we find?

- ▶ The transitional arrangements for the CDC program to the Enhanced Income Management program were largely effective.
- ▶ The Department of Social Services' (the department) oversight of the transition arrangements was largely effective.
- ▶ The design of the Enhanced Income Management program was largely based on appropriate advice and evidence. Monitoring and performance measurement is not sufficiently robust to inform future policy design.
- ▶ Services Australia's limited tender procurement was largely compliant with the Commonwealth Procurement Rules.



#### Key facts

- ▶ The Enhanced Income Management program commenced on 6 March 2023.
- ▶ The Enhanced Income Management program uses the same technology as the CDC program.
- ▶ The Enhanced Income Management program is voluntary for some participants.



#### What did we recommend?

- ▶ There was one recommendation to both entities and three recommendations to the department.
- ▶ The department and Services Australia agreed to all.

4,039

The number of CDC participants that transferred to the Enhanced Income Management program as at 10 March 2023.

4.5%

The proportion of CDC participants that voluntarily transferred to the Enhanced Income Management program as at 10 March 2023.

10,498

The number of participants on the Enhanced Income Management program as at 1 March 2024.

# Summary and recommendations

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## Background

1. Income management is a key activity listed in the Department of Social Services' (the department's) Corporate Plan 2022–23.<sup>1</sup> Income management<sup>2</sup> is a 'tool that helps people budget their welfare payments and ensures they are getting the basic essentials of life, such as food, housing, electricity and education'.<sup>3</sup>
2. On 23 May 2021, the Australian Labor Party made an election commitment to abolish the Cashless Debit Card (CDC) program if it were elected to govern. The CDC program facilitated a portion of a participant's income support payment being allocated to a restricted bank account, accessed by a debit card which did not allow cash withdrawals, or the purchase of alcohol, gambling or cash-like products. The proportion of income was prescribed by legislation. The CDC program had a legislated end date of 31 December 2022.<sup>4</sup> On 3 June 2022, the Minister for Social Services issued a press release stating she had held discussions with the department on the cessation of the CDC program.<sup>5</sup> The Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Bill 2022 (the Bill) contained legislative amendments to abolish the CDC and implement a new form of income management, the Enhanced Income Management program, on 6 March 2023. The Bill was passed on 28 September 2022 and the relevant provisions establishing the Income Management Program came into effect on 1 October 2022.<sup>6</sup>
3. CDC participants from the Northern Territory, Cape York and Doomadgee regions were required by legislation to transfer to the Enhanced Income Management program. Participants from Bundaberg, Hervey Bay, the Goldfields, Ceduna and East Kimberley regions were exited from the CDC program and could voluntarily become a participant of Enhanced Income Management.
4. As at 30 September 2022 the department recorded there were 16,616 participants on the CDC program. The department recorded that 4,039 participants were transferred from the CDC

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1 Department of Social Services, *Corporate Plan 2022–23*, DSS, Canberra, 2022, available from <https://www.dss.gov.au/publications-articles-corporate-publications-department-of-social-services-corporate-plans/department-of-social-services-corporate-plan-2022-23> [accessed 15 April 2024].

2 As at April 2024, forms of income management include the BasicsCard Income Management program for participants who entered that program prior to 4 September 2023 (see paragraph 1.8) and the Enhanced Income Management program which commenced on 6 March 2023 (see paragraph 1.6). The Cashless Debt Card program formed part of the Australian Government's approach to income management until 5 March 2023 (see paragraph 2.5). A summary of the features of each of the income management programs is set out in Table 1.1.

3 Department of Social Services, *Income Management*, DSS, Canberra, 2024, available from [www.dss.gov.au/our-responsibilities/families-and-children/programs-services/family-finance/income-management](http://www.dss.gov.au/our-responsibilities/families-and-children/programs-services/family-finance/income-management) [accessed 15 April 2024].

4 *Social Security (Administration) Act 1999 (Cth)* Subdivision 124PF, as repealed by *Social Security (Administration) Amendment (Repeal of Cashless Debit Credit Card and Other Measures) Act 2022 (Cth)* schedule 1 item 32.

5 Minister for Social Services, 'Abolishing the Cashless Debit Card', media release, Parliament House, Canberra, 3 June 2022, available from <https://ministers.dss.gov.au/media-releases/8251> [accessed 15 April 2024].

6 Parliament of Australia, *Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Act 2022*, available from <https://www.legislation.gov.au/C2022A00039/asmade/text> [accessed 15 April 2024].

program to the Enhanced Income Management program as at 10 March 2023, with 181 of these participants (4.5 per cent) voluntarily choosing to participate in the program. The CDC participants who were not mandated to transfer to the Enhanced Income Management program or who did not volunteer to transfer, did not continue with any form of income management.

5. Services Australia was allocated funding in the October 2022–23 Federal Budget to support the cessation of the CDC program, including the procurement and supply of the new card and the banking and telephony services to support the transition from the CDC program to Enhanced Income Management.

6. Appendix 3 sets out the timeline of key dates for the cessation of the CDC program and the introduction of Enhanced Income Management.

### **Rationale for undertaking the audit**

7. This audit provides assurance to the Parliament on the effectiveness of the management of the transition from the CDC program to the Enhanced Income Management program.

8. The ANAO undertook two previous performance audits of the CDC program. Auditor-General Report No.1 2018–19 *The Implementation and Performance of the Cashless Debit Card Trial* examined the department’s implementation and evaluation of the CDC trial.<sup>7</sup> The audit found that while the department largely established appropriate arrangements to implement the CDC trial, its approach to monitoring and evaluation was inadequate. It was therefore difficult to conclude if the CDC trial was effective in achieving its objective of reducing social harm and whether the card was a lower cost welfare quarantining approach.

9. Auditor-General Report No.29 2021–22 *Implementation and Performance of the Cashless Debit Card Trail — Follow-on* examined the effectiveness of the department’s administration of the CDC program.<sup>8</sup> The audit found that the department’s administrative oversight of the CDC program was largely effective, however the department had not demonstrated that the CDC program was meeting its intended objectives.

### **Audit objective and criteria**

10. The objective of the audit was to assess the effectiveness of the transitional arrangements from the CDC program to the Enhanced Income Management program.

11. To form a conclusion against the objective, the following high level criteria were applied:

- Did the department have effective oversight of the transition arrangements?
- Was the design of the Enhanced Income Management program based on appropriate advice and evidence?
- Did Services Australia undertake the procurement process for the Enhanced Income Management program in accordance with the Commonwealth Procurement Rules?

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7 Auditor-General Report No.1 2018–19 *Implementation and Performance of the Cashless Debit Card Trial*, ANAO, Canberra, 2018, available from <https://www.anao.gov.au/work/performance-audit/implementation-and-performance-cashless-debit-card-trial> [accessed 16 April 2024].

8 Auditor-General Report No.29 2021–22 *Implementation and Performance of the Cashless Debit Card Trail — Follow-on*, ANAO, Canberra, 2022, available from <https://www.anao.gov.au/work/performance-audit/implementation-and-performance-the-cashless-debit-card-trial-follow> [accessed 15 April 2024].



## Conclusion

12. The transitional arrangements from the Cashless Debit Card program to the Enhanced Income Management program were largely effective. Robust program monitoring and performance measurement to inform future policy design has not been implemented and no evaluation plan has been developed for the Enhanced Income Management program.

13. The department had largely effective oversight of the transition arrangements.

14. The department established an internal branch to deliver the transition activities and coordinate activities across the Australian Government and utilised the existing joint steering committee with Services Australia, established under the bilateral arrangements, to oversee the transition. The governance arrangements would have been enhanced with appropriate record keeping practices and defined reporting responsibilities. There was regular reporting on operational matters and participation rates to the executives of the department and Services Australia. There was no evidence that shared risks rated 'high' on the joint risk register with Services Australia were escalated in accordance with the department's Risk Management Framework.

15. The department design of the Enhanced Income Management program was largely based on appropriate advice and evidence. There was no evidence the design was informed by ANAO performance audit reports on the Cashless Debit Card (CDC) program, or evaluations and lessons learned from the CDC program. The department's program monitoring and performance measurement is not sufficiently robust to inform future policy design. No evaluation plan has been developed for the Enhanced Income Management program.

16. Services Australia's limited tender procurement for the Enhanced Income Management program was largely compliant with the Commonwealth Procurement Rules (CPRs). Probity and conflicts of interest were managed largely in accordance with the CPRs and policy requirements. Services Australia's engagement with Indue Limited (Indue) during the response period for the request for quote was not consistently documented. Advice to decision-makers was sufficiently detailed and largely documented appropriately. The evaluation committee's assessment of value for money was informed by expert advice and provided to the delegate. The benchmarking activity due to be undertaken in June 2023, that was a significant factor in Services Australia achieving a value for money outcome, commenced seven months later than the timeframe set out in the contract with Indue.

## Supporting findings

### **Did the Department of Social Services have effective oversight of the transition arrangements?**

17. The department established an internal branch, known as the Taskforce, to coordinate activities between the department, Services Australia and the National Indigenous Australians Agency (NIAA), during the transition period. The effectiveness of the Taskforce's activities would have been enhanced by appropriate record keeping practices. The department utilised an existing joint steering committee with Services Australia, established under the bilateral arrangements, to oversee the transition. The department established a joint risk register to manage shared risks with Services Australia which was reported to the joint steering committee. There was no

evidence the joint steering committee monitored progress against the department's strategy or project management plan for the transition. The Taskforce provided regular reporting on operational matters and participation rates to the department's and Services Australia's executives. (See paragraphs 2.3 to 2.42)

18. The department and Services Australia developed a joint risk register for shared risks relating the transition. Each identified risk was accompanied by a risk assessment. The review, amendment and approval of the joint risk registers was not consistently documented. Risks relating to the application of product level blocking technology to the Enhanced Income Management program were not documented in the joint risk register between June 2022 to June 2023. There was no evidence that any of the eight risks rated 'high' were escalated in accordance with the department's Risk Management Framework (RMF). (See paragraph 2.43 to 2.64)

### **Was the design of the Enhanced Income Management program based on appropriate advice and evidence?**

19. The department advised the Australian Government that the Enhanced Income Management program was designed to address community concerns about the proposed legislation to abolish the CDC program, particularly in relation to participants returning to use the older technology offered for the BasicsCard Income Management program. The department provided risk based advice on the date for implementation of the transition to the Enhanced Income Management program. There is no evidence that the design of the Enhanced Income Management program was informed by ANAO audit recommendations, evaluations or lessons learned from the CDC program or other relevant programs. (See paragraphs 3.3 to 3.17)

20. The department's Corporate Plan contains a performance measure related to participants using their account following the transition from the CDC program to the Enhanced Income Management program. No additional key performance indicators or performance measures have been established. The department regularly monitors data on participant numbers and geographical location and Services Australia produces monthly reporting on the product level blocking used to prevent the sale of restricted items. Services Australia's reporting does not include all merchants operating product level blocking technology. No evaluation plan was developed for the Enhanced Income Management program. (See paragraphs 3.18 to 3.44)

### **Did Services Australia undertake the procurement process for the Enhanced Income Management program in accordance with the Commonwealth Procurement Rules?**

21. Approval from the Deputy Chief Executive Officer (Deputy CEO) and Services Australia's Executive Committee for the limited tender issued was appropriately documented. Services Australia engaged a probity advisor and established a probity protocol to support the limited tender process. A conflicts of interest register was established. An assessment of the two declared potential conflicts was not documented. The delegate did not complete a conflict of interest declaration for the procurement activity. Services Australia did not document all interactions with the tenderer during the request for quote response period. (See paragraphs 4.4 to 4.28)

22. The tender evaluation report documented the committee's assessment of the response to the request for quotation. The spending proposal provided to the delegate summarised the

outcomes of the contract negotiations and the reasons for the recommendation to award the contract. (See paragraphs 4.29 to 4.44)

23. The evaluation committee documented its technical, pricing and risk assessment of Indue's response to the request for quotation and how the outcome of the contract negotiations demonstrated achievement of value for money. The evaluation committee's assessment was informed by the technical analysis undertaken by a pricing expert who compared Indue's proposal with the similar services provided under the contract with the Department of Social Services. Services Australia commenced the benchmarking review seven months later than stated in the contract with Indue. (See paragraphs 4.45 to 4.60)

## Recommendations

**Recommendation no. 1** The Department of Social Services and Services Australia:

**Paragraph 2.26**

- (a) ensure the terms of reference for all oversight and governance committees and bodies related to income management programs clearly define their reporting structure and responsibilities and, where applicable, refer to the governance arrangements set out in the bilateral agreement or supporting protocols and service agreements; and
- (b) implement mechanisms to gain assurance that all oversight and governance committees and bodies are operating in accordance with the terms of reference.

**Department of Social Services response:** *Agreed.*

**Services Australia response:** *Agreed.*

**Recommendation no. 2** The Department of Social Services implement controls to gain assurance that risks rated 'high' or 'extreme' are escalated to the Deputy Secretary and the Executive Management Group consistent with the department's risk management policy.

**Paragraph 2.57**

**Department of Social Services response:** *Agreed.*

**Recommendation no. 3** The Department of Social Services establish appropriate program monitoring to gain assurance that controls implemented for the Enhanced Income Management program, including product blocking technology, are working effectively to achieve the policy intent of the program.

**Paragraph 3.31**

**Department of Social Services response:** *Agreed.*

**Recommendation no. 4** The Department of Social Services develop and implement an evaluation plan for the Enhanced Income Management program that is consistent with the Commonwealth Evaluation Toolkit to inform policy design changes and any other relevant programs.

**Paragraph 3.45**

**Department of Social Services response:** *Agreed.*

## Summary of entity response

24. The proposed audit report was provided to the department and Services Australia. The department and Services Australia's summary responses are reproduced below. The full responses from both entities are at Appendix 1. Improvements observed by the ANAO during the course of this audit are listed in Appendix 2.

### Department of Social Services

The Department of Social Services (the Department) acknowledges the insights and opportunities for improvement outlined in the Australian National Audit Office (ANAO) report on Transitional Arrangements for the Cashless Debit Card (CDC).

The Department welcomes the ANAO's conclusion that the transitional arrangements from the CDC to the enhanced Income Management (IM) program were largely effective. The Department accepts the conclusion relating to the need to strengthen program monitoring and performance measurement to inform future policy design, as well as the need to implement an evaluation plan for the enhanced IM program.

The Department agrees with all four Recommendations and acknowledges the suggested opportunities for improvement and has taken steps to address these matters.

### Services Australia

Services Australia (the Agency) notes the overall finding that the transitional arrangements for the Cashless Debit Card program to the Enhanced Income Management program were largely effective, and that the Agency's limited tender procurement was largely compliant with the Commonwealth Procurement Rules.

The Agency will continue to work with the Department of Social Services to further strengthen our governance and performance monitoring arrangements related to the Enhanced Income Management program.

## 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.

### **Governance and risk management**

- Maintaining complete and accurate governance and risk records supports an entity in providing assurance to the accountable authority on the proper use of public money in administering or delivering the policy or program.

### **Evaluation and monitoring**

- Commonwealth officials must develop and maintain an appropriate evidence base to support advice to the Australian Government on whether policies or programs are delivering the intended objective and inform future design options.

### **Procurement**

- When a procurement process involves an incumbent provider, entities should ensure that specific consideration is given to the risks involved, including conflict of interest, and that detailed probity and risk management plans are in place.



# Audit findings

# 1. Background

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## Introduction

1.1 Income management is a key activity listed in the Department of Social Services' (the department's) Corporate Plan 2022–23.<sup>9</sup> Income management<sup>10</sup> is a 'tool that helps people budget their welfare payments and ensures they are getting the basic essentials of life, such as food, housing, electricity and education'.<sup>11</sup>

1.2 In 2016 the Australian Government introduced the Cashless Debit Card (CDC) trial.<sup>12</sup> A portion of a participant's income support payment was allocated to a restricted bank account, accessed by a debit card which did not allow cash withdrawals or purchase of alcohol, gambling or cash-like products. The proportion of income was prescribed by legislation. The objective of the CDC program was to assist people receiving income support to better manage their finances and to encourage socially responsible behaviour. In 2020, legislation was passed to enable the CDC to be an ongoing program. Section 124PF of the *Social Security (Administration) Amendment (Continuation of Cashless Welfare) Act 2020* provided for the CDC program to end on 31 December 2022, unless the minister made transitional rules, by way of legislative instrument, prior to 1 July 2023.<sup>13</sup>

## Cessation of Cashless Debit Card program

1.3 On 23 May 2021, the Australian Labor Party made an election commitment to abolish the CDC program if it were elected to govern. At that time, the CDC program had a legislated end date of 31 December 2022.<sup>14</sup> On 3 June 2022 the Minister for Social Services issued a press release stating she had held discussions with the department on the cessation of the CDC program.<sup>15</sup>

1.4 The Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Bill 2022 (the Bill) was introduced into Parliament on 27 July 2022, to give effect to the election commitment to abolish the CDC program by 31 December 2022. The Senate Standing

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9 Department of Social Services, *Corporate Plan 2022–23*, DSS, Canberra, 2022, available from <https://www.dss.gov.au/publications-articles-corporate-publications-department-of-social-services-corporate-plans/department-of-social-services-corporate-plan-2022-23> [accessed 15 April 2024].

10 As at April 2024, forms of income management include the BasicsCard Income Management program for participants who entered that program prior to 4 September 2023 (see paragraph 1.8) and the Enhanced Income Management program which commenced on 6 March 2023 (see paragraph 1.6). The Cashless Debit Card program formed part of the Australian Government's approach to income management until 5 March 2023 (see paragraph 2.5). A summary of the features of each of the income management programs is set out in Table 1.1.

11 Department of Social Services, *Income Management*, DSS, Canberra, 2024, available from [www.dss.gov.au/our-responsibilities/families-and-children/programs-services/family-finance/income-management](http://www.dss.gov.au/our-responsibilities/families-and-children/programs-services/family-finance/income-management) [accessed 15 April 2024].

12 Parliament of Australia, *Social Security Legislation Amendment (Debit Card Trial) Bill 2015*, available from <https://www.legislation.gov.au/bills/C2015B00134> [accessed 15 April 2024].

13 Parliament of Australia, *Social Security (Administration) Amendment (Continuation of Cashless Welfare) Act 2020*, available from <https://www.legislation.gov.au/C2020A00136/latest/text> [accessed 15 April 2024].

14 *Social Security (Administration) Act 1999 (Cth)* subdivision 124PF, as repealed by *Social Security (Administration) Amendment (Repeal of Cashless Debit Credit Card and Other Measures) Act 2022 (Cth)* schedule 1 item 32.

15 Minister for Social Services, 'Abolishing the Cashless Debit Card', media release, Parliament House, Canberra, 3 June 2022, available from <https://ministers.dss.gov.au/media-releases/8251> [accessed 15 April 2024].



Committee on Community Affairs Legislation Committee (the Senate Committee) inquiry into the Bill received 83 submissions and held four public hearings. In its report, the Senate Committee noted the following<sup>16</sup>:

- Support for the abolition of the CDC program due to the lack of evidence that the CDC program met its objectives, and the negative impacts on individuals and communities.
- Support for the CDC program due to the positive impact in communities and questions about the transition.
- Issues specific to the Northern Territory and Cape York, such as concerns that ‘the bill created a framework that allowed the minister to determine that certain NT CDC participants be transitioned onto compulsory Income Management under the Basics Card after the repeal of the program’.
- Impact of the Bill on the work of the Family Responsibilities Commission.<sup>17</sup>
- Concerns about the future of the Income Management approach.

1.5 The Senate Committee recommended that the Bill be passed subject to the Australian Government working with the Queensland Family Responsibilities Commission to address the matters raised during the inquiry.<sup>18</sup>

1.6 The Bill was amended to establish the Enhanced Income Management program for specific categories of participants, to commence on or after 6 March 2023. The Enhanced Income Management program was a new ‘tool that helps participants to manage their welfare payments and prioritise spending on essential goods and services’ with modern bank card technology (see paragraphs 3.9 to 3.12). The Bill was also amended to introduce a closure day for the CDC program of 1 October 2022, meaning no new participants could enter the program from this date, and a repeal date of 30 March 2023. The Bill was passed on 28 September 2022 and the relevant provisions came into effect on 1 October 2022.<sup>19</sup>

1.7 CDC participants from the Northern Territory, Cape York and Doomadgee regions were required by legislation to transfer to the Enhanced Income Management program. Participants from Bundaberg, Hervey Bay, the Goldfields, Ceduna and East Kimberley regions were exited from the CDC program and could voluntarily become a participant of Enhanced Income Management.

1.8 In June 2023 the *Social Security (Administration) Act 1999* was amended to enable participants of the BasicsCard Income Management program to move to the Enhanced Income

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16 Community Affairs Legislation Committee, *Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Bill 2022*, Commonwealth of Australia, Canberra, August 2022, available from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/CashlessDebitCardBill/Report](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/CashlessDebitCardBill/Report) [accessed 2 April 2024].

17 The Family Responsibilities Commission is a statutory body established by the *Family Responsibilities Commission Act 2008* (Qld), whose purpose is to ‘support welfare reform community members restore socially responsible standards of behaviour, local authority and wellbeing for themselves and their families’. Family Responsibilities Commission, *About the RFC*, available from <https://www.frcq.org.au/about-us/> [accessed 16 April 2024].

18 Parliament of Australia, *Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Act 2022*, available from <https://www.legislation.gov.au/C2022A00039/asmade/text> [accessed 15 April 2024].

19 *ibid.*

Management program from 4 September 2023.<sup>20</sup> From this date no new participants could enter the BasicsCard Income Management program.

1.9 As at 30 September 2022, the department recorded there were 16,616 participants on the CDC program. The department recorded 4,039 participants were transferred from the CDC program to the Enhanced Income Management program as at 10 March 2023, with 181 of these participants (4.5 per cent) voluntarily choosing to participate in the program. The CDC participants who were not mandated to transfer to the Enhanced Income Management program and who did not volunteer to transfer, did not continue with any form of income management.

1.10 As at 23 February 2024, the department recorded there were 19,559 participants in BasicsCard Income Management program and as at 1 March 2024, 10,941 participants in the Enhanced Income Management program, with four per cent of these being voluntary participants.

1.11 Appendix 3 sets out the timeline of key dates for the cessation of the CDC program and the introduction of Enhanced Income Management.

## Implementation of Enhanced Income Management

### *Funding for the transition*

1.12 Schedule 2A of the *Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Act 2022* required the department to publish the ‘full cost to the Commonwealth of the operation of the cashless debit card scheme’.<sup>21</sup> On 28 March 2023 the department published the estimated cost of \$234 million on its website.<sup>22</sup>

1.13 During the Senate Community Affairs Legislation Committee’s 2022–23 supplementary budget estimates hearings on 15 February 2023 the department advised Parliament that the \$217 million allocated in the October 2022–23 Federal Budget, including forward estimates to 2025–26, to abolish the CDC program included:

- \$158 million for support services for participants on income management programs and those who exited the CDC program and did not transition to Enhanced Income Management program<sup>23</sup>;
- approximately \$30 million for departmental expenses;
- \$26 million for the card provider costs;
- \$1.5 million for evaluation; and

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20 Parliament of Australia, *Social Security (Administration) Amendment (Income Management Reform) Act 2023*, available from <https://www.legislation.gov.au/C2023A00047/latest/text> [accessed 15 April 2024].

21 Parliament of Australia, *Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Act 2022*, available from <https://www.legislation.gov.au/C2022A00039/asmade/text> [accessed 15 April 2024].

22 Department of Social Services, *Cashless Debit Card Total Cost*, DSS, Canberra, available from [https://www.dss.gov.au/sites/default/files/documents/03\\_2023/cashless-debit-card-total-costs.pdf](https://www.dss.gov.au/sites/default/files/documents/03_2023/cashless-debit-card-total-costs.pdf) [accessed 16 April 2024].

23 Support services include programs to improve financial literacy, money management and to address addiction to alcohol and other drugs.

- \$400,000 for communications.<sup>24</sup>

1.14 Services Australia was allocated funding in the October 2022–23 Federal Budget to support the cessation of the CDC program, including the procurement and supply of the new card and the banking and telephony services to support the transition from the CDC program to Enhanced Income Management. The details of the allocated funding were not published.<sup>25</sup> During the Senate Community Affairs Legislation Committee’s 2022–23 supplementary budget estimates hearings on 15 February 2023, Services Australia advised Parliament that the agency had been allocated \$50.1 million in funding ‘to abolish the cashless debit card and transition customers to enhanced income management’.<sup>26</sup>

### *Bilateral arrangements*

1.15 Since 2011, the bilateral relationship between the department and Services Australia has been an ‘appropriated partnership’ arrangement. Under an ‘appropriated partnership’ arrangement, one entity — in this instance, Services Australia — is accountable for delivering services and prioritising service delivery within its funding budget (appropriation); and the other entity — in this instance, the department — retains policy responsibility for those services.

1.16 The Bilateral Management Arrangement (the BMA) sets out the principles and governance arrangements that apply to the relationship between the department and Services Australia. The BMA between the department and Services Australia comprises a high-level Head Agreement signed in April 2023 and a series of subordinate bilateral agreements (called ‘protocols’, ‘service schedules’ or ‘service arrangements’) outlining how the entities will work together to achieve desired outcomes. The department’s bilateral arrangements with Services Australia for the CDC program were set out in the Cashless Debit Card Program Services Arrangement (the CDC Services Arrangement), dated 1 April 2022. The CDC Services Arrangement was due to expire on 31 December 2022, the legislated date for the end of the program. The introduction of the Enhanced Income Management program required new arrangements and a draft Enhanced Income Management Services Schedule (the EIM Schedule) was created in May 2023 to reflect the roles and responsibilities in delivering the new program. The EIM Schedule was approved by Services Australia on 21 March 2024 and the department on 22 March 2024.

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24 Commonwealth, *Parliamentary Debates*, Community Affairs Legislation Committee, 15 February 2023, available from [https://www.aph.gov.au/Parliamentary\\_Business/Senate\\_estimates/ca/2022-23\\_Supplementary\\_budget\\_estimates](https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/ca/2022-23_Supplementary_budget_estimates) [accessed 15 April 2024].

25 Treasury, *Mid-Year Economic and Fiscal Outlook 2023–24*, p. 288, Commonwealth of Australia, Canberra, 2023, available from [budget.gov.au/content/myefo/download/myefo2023-24.pdf](https://budget.gov.au/content/myefo/download/myefo2023-24.pdf) [accessed 29 April 2024]. Figures were reported as ‘nfp’ which is defined in the Parliamentary Budget Office’s online budget glossary as ‘not for publication’ which ‘refers to estimates which have been circulated when preparing the budget but are not published in the public papers. The main reasons for publishing estimates are that their publication would provide information that should not be disclosed to the public for either commercial-in-confidence or national security reasons’. Parliamentary Budget Office, *Online budget glossary*, Parliamentary Budget Office, Canberra, available from <https://www.pbo.gov.au/about-budgets/online-budget-glossary> [accessed 5 May 2024].

26 Commonwealth, *Parliamentary Debates*, Community Affairs Legislation Committee, 15 February 2023, p. 20, available from [https://www.aph.gov.au/Parliamentary\\_Business/Senate\\_estimates/ca/2022-23\\_Supplementary\\_budget\\_estimates](https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/ca/2022-23_Supplementary_budget_estimates) [accessed 15 April 2024].

### *Contractual arrangements with service providers*

1.17 The department contracted the following companies to support the CDC program.

- Indue Limited (Indue), a financial institution, provided CDC accounts and cards and provided direct support to participants under a contract that started on 26 February 2016. The term of the contract, with variations, is until 30 June 2024 to support CDC cessation activities.
- Traditional Credit Union Limited (TCU), a financial institution, provided financial services to Australians living in remote communities in the Northern Territory, including providing in-language services to Indigenous participants of the CDC program. Indigenous CDC participants in the Northern Territory could choose either Indue or TCU to provide services. The contract with TCU was for the period 22 September 2021 to 31 December 2022.
- DXC Technology Australia Proprietary Limited (DXC), provided the product level blocking technology with point-of-sale providers to support use of the card issued to CDC participants. The contract with DXC was for the period 8 November 2021 to 31 December 2022.

1.18 In August 2022, the department advised the Minister for Social Services that Services Australia would 'enter into arrangements with Indue and the Traditional Credit Union (TCU) to enable a temporary card with technology capability of the current CDC' for participants who exited the CDC program and transferred to the BasicsCard Income Management program. The department also advised that Services Australia would provide all client facing services. The temporary card that was initially proposed later became the 'SmartCard' following the establishment of the Enhanced Income Management program in September 2022 (see paragraph 1.6).

1.19 The procurement for the new card to support the Enhanced Income Management program was conducted by Services Australia under a limited tender arrangement, with the request for quotation issued to Indue on 3 November 2022 (see paragraph 4.9). The contract was executed on 30 January 2023 (see paragraph 4.39).

1.20 To support the new contract with Indue the existing contracts with TCU and DXC were novated from the department to Services Australia on 1 February 2023 and 9 December 2022 respectively. The contracts were then varied by Services Australia to support the Enhanced Income Management program requirements through till 30 June 2024, with options to extend until 30 June 2026. At June 2024, Services Australia was in the process of extending both contracts to 30 June 2025.

### **Income management programs**

1.21 The features of the three programs that have been part of the Australian Government's approach to income management are summarised in Table 1.1 below.

**Table 1.1: Summary of income management programs**

	BasicsCard Income Management program	Cashless Debit Card program	Enhanced Income Management program
Period of Operation	2007 — ongoing <sup>a</sup>	1 February 2016 — 5 March 2023	6 March 2023 — ongoing
Purpose	'helps participants manage their welfare payments and prioritise spending on essential goods and services.' <sup>b</sup>	'aims to reduce the levels of harm associated with alcohol consumption, illicit drug use and gambling.' <sup>c</sup>	'helps participants manage their welfare payments and prioritise spending on essential goods and services.' <sup>d</sup>
Quarantining Rates <sup>e</sup>	The percentage of quarantined funds varied from 50-90 per cent depending on participant circumstances as prescribed by legislation.	The percentage of quarantined funds varied from 50-90 per cent depending on participant circumstances as prescribed by legislation.	The percentage of quarantined funds varies from 50-90 per cent depending on participant circumstances as prescribed by legislation.
Restricted Items	Alcoholic products Tobacco products Pornography Gambling products Some gift cards and other cash-like products Cash withdrawal	Alcoholic products Gambling products and services Some gift cards and other cash-like products Cash withdrawal	Alcoholic products Tobacco products Pornography Gambling products and services Some gift cards and other cash-like products Cash withdrawal
Account and Card	The BasicsCard works with an income management account that does not have a BSB or account number. It will only work at pre-registered BasicsCard merchants and requires a PIN to process payments.  Direct payments are processed by Services Australia on participants' behalf.	The CDC card provided modern banking functions including contactless <sup>f</sup> functionality and the ability to make BPAY bill payments and online shopping. It is linked to a BSB and account number and operates like a regular bank account.  The program deployed product level blocking <sup>g</sup> at merchants that had product level blocking enabled terminals.	The SmartCard provides modern banking functions including contactless <sup>f</sup> functionality and the ability to make BPAY bill payments and online shopping. It is linked to a BSB and account number and operates like a regular bank account.  The program deploys product level blocking <sup>g</sup> at merchants that have product level blocking enabled terminals.
Participant numbers	19,310 participants as at 1 March 2024.	16,616 participants, as at 30 September 2022.	4,039 participants, as at 10 March 2023.  10,498 participants as at 1 March 2024.

	BasicsCard Income Management program	Cashless Debit Card program	Enhanced Income Management program
Regions	Northern Territory Kimberley Region, WA Livingstone, Logan and Rockhampton Qld Greater Adelaide and Playford regions, SA Anangu Pitjantjatjara Yakunytatjara (APY Lands) SA Bankstown, NSW Shepparton area, VIC Perth Metropolitan and Peel District, WA Ngaanyatjarra Lands, WA Kiwirrkurra Community, WA	Northern Territory Bundaberg and Hervey Bay, QLD Cape York and Doomadgee regions, QLD <sup>h</sup> Ceduna, SA East Kimberley and Goldfields regions, WA	Northern Territory Bundaberg and Hervey Bay regions Qld Cape York and Doomadgee regions QLD <sup>h</sup> Ceduna region SA Kimberley region WA Goldfields region WA Livingstone, Logan and Rockhampton regions Qld Greater Adelaide and Playford regions SA APY Lands SA Bankstown area NSW Shepparton area VIC Perth Metropolitan and Peel District regions WA Ngaanyatjarra Lands WA

Note a: The BasicsCard Income Management program was closed to new participants on 3 September 2023.

Note b: Department of Parliamentary Services, *Social Security and Other Legislation Amendment (Welfare Payment Reform) Bill 2007 Bills Digest*, Commonwealth of Australia, Canberra, August 2022, available from [https://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=r2852](https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r2852) [accessed 15 April 2024].

Note c: Department of Social Services, Corporate Plan 2020–21, Department of Social Services, Canberra, 2020, available from <https://www.dss.gov.au/about-the-department/publications-articles/corporate-publications/department-of-social-services-corporate-plans/department-of-social-services-corporate-plan-2020-21> [accessed 30 April 2024].

Note d: Department of Social Services, *Income Management*, Department of Social Services, Canberra, 2024, available from <https://www.dss.gov.au/our-responsibilities/families-and-children/programs-services/family-finance/income-management> [accessed 15 April 2024].

Note e: Quarantine rates are set out in the *Social Security (Administration) Act 1999*, Parts 3AA and 3B.

Note f: A PIN is required for transactions where contactless payment is not used, and a PIN is required by default for the Enhanced Income Management program SmartCard unless otherwise enabled by a participant.

Note g: Product level blocking technology allows point-of-sale systems to identify individual items that are 'restricted'. If the point-of-sale system detects a restricted item, the payment will not proceed and the customer can choose whether to pay for the restricted item another way, or not to buy the restricted item. Services Australia, SmartCard product level blocking, Services Australia, Canberra, 2023, available from <https://www.servicesaustralia.gov.au/smartcard-product-level-blocking?context=64353> [accessed 6 May 2024].

Note h: These regions fall within the scope of the remit of the Family Responsibilities Commission. Family Responsibilities Commission, Welfare reform communities, FRC, Carins, available from <https://www.frcq.org.au/our-communities/> [accessed 6 May 2024]

Source: ANAO analysis of the department's records and relevant legislation.

## Rationale for undertaking the audit

1.22 The ANAO undertook two previous performance audits of the CDC program. The Auditor-General Report No.1 2018–19 *The Implementation and Performance of the Cashless Debit*



*Card Trial* examined the department's implementation and evaluation of the CDC trial.<sup>27</sup> The audit found that while the department largely established appropriate arrangements to implement the CDC trial, its approach to monitoring and evaluation was inadequate. It was therefore difficult to conclude if the CDC trial was effective in achieving its objective of reducing social harm and whether the card was a lower cost welfare quarantining approach.

1.23 Auditor-General Report No.29 2021–22 *Implementation and Performance of the Cashless Debit Card Trial — Follow-on* examined the effectiveness of the department's administration of the CDC program.<sup>28</sup> The audit found that the department's administrative oversight of the CDC program was largely effective, however the department had not demonstrated that the CDC program was meeting its intended objectives.

1.24 This audit provides assurance to Parliament on the effectiveness of the management of the transition from the CDC program to the Enhanced Income Management program.

## Audit approach

### Audit objective, criteria and scope

1.25 The objective of the audit was to assess the effectiveness of the transitional arrangements from the CDC program to the Enhanced Income Management program.

1.26 To form a conclusion against the objective, the following high level criteria were applied:

- Did the department have effective oversight of the transition arrangements?
- Was the design of the Enhanced Income Management program based on appropriate advice and evidence?
- Did Services Australia undertake the procurement process for the Enhanced Income Management program in accordance with the Commonwealth Procurement Rules?

1.27 The cessation period for the CDC program was from 1 October 2022 (the day after royal assent) to 5 March 2023, with Enhanced Income Management commencing on 6 March 2023 (see paragraphs 1.3 to 1.7). The audit has assessed the department's management of the transitional arrangements by examining the period between 3 June 2022, when the Australian Government announced its intent to abolish the CDC program until June 2023.

1.28 The following were out of scope for this audit:

- service delivery of the CDC;
- the novation of contracts related to the CDC program from the department to Services Australia, and establishment of a tripartite agreement between Services Australia, Indue and TCU (see paragraph 1.17);
- the support services provided by the department for the income management programs; and

27 Auditor-General Report No.1 2018–19 *Implementation and Performance of the Cashless Debit Card Trial*, ANAO, Canberra, 2018, available from <https://www.anao.gov.au/work/performance-audit/implementation-and-performance-cashless-debit-card-trial> [accessed 16 April 2024].

28 Auditor-General Report No.29 2021–22 *Implementation and Performance of the Cashless Debit Card Trial — Follow-on*, ANAO, Canberra, 2022, available from <https://www.anao.gov.au/work/performance-audit/implementation-and-performance-the-cashless-debit-card-trial-follow> [accessed 15 April 2024].

- the department's design or implementation of the legislative amendments contained in *Social Security (Administration) Amendment (Income Management Reform) Act 2023* in relation to criteria for those who are required to enter into the Enhanced Income Management and the closure of the BasicsCard Income Management program to new participants (see paragraph 1.8 to 1.11) and all subsequent activity on the future design and management of income management programs.

## **Audit methodology**

1.29 The audit methodology included:

- reviewing documentation held by the department and Services Australia
- meeting with staff from relevant business areas within the department and Services Australia.

1.30 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$649,000.

1.31 The team members for this audit were Margaret Murphy, Freya Mathie, Andrew Han, Alexandra McFadyen, Scott Lang, James Carrington and Alexandra Collins.



## 2. Oversight of the transition

### Areas examined

This chapter examines whether the Department of Social Services (the department) had effective oversight of the transition from the Cashless Debit Card program to the Enhanced Income Management program.

### Conclusion

The department had largely effective oversight of the transition arrangements.

The department established an internal branch to deliver the transition activities and coordinate activities across the Australian Government and utilised the existing joint steering committee with Services Australia, established under the bilateral arrangements, to oversee the transition. The governance arrangements would have been enhanced with appropriate record keeping practices and defined reporting responsibilities. There was regular reporting on operational matters and participation rates to the executives of the department and Services Australia. There was no evidence that shared risks rated 'high' on the joint risk register with Services Australia were escalated in accordance with the department's Risk Management Framework.

### Areas for improvement

The ANAO made two recommendations for the department in relation to improving the terms of reference for all oversight and governance bodies for income management programs and in relation to endorsement of risk registers and escalation of 'high' and 'extreme' risks.

The ANAO also identified one opportunity for improvement for the department in relation to documenting review and endorsement of joint risk registers.

2.1 To support effective oversight of an 'appropriated partnership'<sup>29</sup> the entity accountable for a program needs to establish robust bilateral agreements with the delivery entity, which should include clear objectives, defined roles and responsibilities, and effective processes for issue identification and dispute resolution. Bilateral governance bodies should be established at appropriate levels to ensure proactive and strategic management and oversight of the services being delivered. Robust processes for identifying, communicating, and managing shared risks are also important, particularly when the accountable entity's and delivery entity's risk tolerances differ.

2.2 The Commonwealth Risk Management Policy aims 'to embed risk management into the culture and work practices of [Australian Government] entities to improve decision making in order to maximise opportunities and better manage uncertainty'.<sup>30</sup> As non-corporate Commonwealth entities, both the department and Services Australia are required to comply with the Commonwealth Risk Management Policy, which requires entities to collaborate to manage shared risks.

29 An appropriated partnership occurs when one entity is accountable to a particular minister or the Australian Government for delivering services and for prioritising that service delivery within its funding budget and the other entity has policy responsibility for the program (see paragraphs 1.15 and 1.16).

30 Department of Finance, *Commonwealth Risk Management Policy*, Department of Finance, Canberra, 2022, available from <https://www.finance.gov.au/government/comcover/risk-services/management/commonwealth-risk-management-policy> [accessed 15 April 2024].

## Were appropriate governance arrangements established and maintained throughout the transition?

The department established an internal branch, known as the Taskforce, to coordinate activities between the department, Services Australia and the National Indigenous Australians Agency (NIAA), during the transition period. The effectiveness of the Taskforce's activities would have been enhanced by appropriate record keeping practices. The department utilised an existing joint steering committee with Services Australia, established under the bilateral arrangements, to oversee the transition. The department established a joint risk register to manage shared risks with Services Australia which was reported to the joint steering committee. There was no evidence the joint steering committee monitored progress against the department's strategy or project management plan for the transition. The Taskforce provided regular reporting on operational matters and participation rates to the department's and Services Australia's executives.

### Planning for the abolishment of the Cashless Debit Card program

2.3 The department's brief to the incoming government dated 31 May 2022 noted the election commitment to abolish the Cashless Debit Card (CDC) program (see paragraph 1.3) and that this would be one of the department's immediate priorities. The department suggested the minister's engagement with relevant stakeholders would support the timing of the cessation of the CDC program and support services that meet the needs of communities. The department noted that Services Australia was responsible for implementation of most transition arrangements and advised of the legislated sunset date of 31 December 2022 for the program and the end dates of contracts with service providers.<sup>31</sup> On 3 June 2022 the Minister for Social Services issued a press release referring to discussions with the department on the cessation of the CDC program.<sup>32</sup>

2.4 The department's advice to the Australian Government on the cessation of the CDC program and the design and implementation of the Enhanced Income Management program is set out in paragraphs 3.7 to 3.16.

### The department's management of the transition

2.5 Following the establishment of the Enhanced Income Management program in the *Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Act 2022* the department was responsible for:

- transitioning all participants off the CDC program between the 1 October 2022 and 5 March 2023, including closing participant CDC accounts and transferring residual funds from CDC accounts to each participant's nominated bank account;
- ensuring those participants who had elected to participate and those prescribed by the legislation commenced in the Enhanced Income Management program from

31 The sunset date for the CDC program is set out in subdivision 124PF(1) of the *Social Security (Administration) Amendment (Continuation of Cashless Welfare) Act 2020*, available from <https://www.legislation.gov.au/C2020A00136/latest/text> [accessed 15 April 2024].

32 Minister for Social Services, 'Abolishing the Cashless Debit Card', media release, Parliament House, Canberra, 3 June 2022, available from <https://ministers.dss.gov.au/media-releases/8251> [accessed 15 April 2024].

6 March 2023, including replacement of CDC program cards with the SmartCard used for the Enhanced Income Management program;

- delivering support services to those transferring to Enhanced Income Management program and those who exited the CDC program and did not elect to join Enhanced Income Management; and
- providing regular reporting to the minister during the transition.

2.6 The department developed a Cashless Debit Card Transition Strategy (the Transition Strategy) in September 2022. The Transition Strategy sets out the dates for the key milestones and the stakeholder engagement activities to be delivered, including community workshops and the different types of communication channels to be used for participants.

2.7 The department established a project management plan, which encompassed and built upon the Transition Strategy. The plan was endorsed by a Senior Executive Service (SES) Band 2 officer in January 2023. The project's scope was 'all aspects required for abolishing the CDC program and the creation of enhanced IM [Income Management] inclusive of consultation, communication activities, procurement, legislative work, engagement and governance.' The project management plan specified project outcomes, outputs in the short (14 June 2022 to 2 October 2022), medium (3 October 2022 to 5 March 2023) and long term (6 March 2023 to June 2024) as well as key deliverables and relevant responsible executives. There were five work packages to support the project management plan: community-led support services; data and compliance; policy and legislation; procurement and technology; and governance and engagement. The project management plan also referred to the use of a joint risk register established with Services Australia to manage shared risks during the transition (see paragraphs 2.47 to 2.54).

### *Taskforce*

2.8 In June 2022, the department established a branch within the Families and Communities division, known as the Taskforce, to coordinate the operations of the cessation of the CDC program 'and lead consultation and co-design on the future of Income Management'. The Taskforce's Statement of Intent broadly defined the branch's responsibilities, including coordination with Services Australia and the NIAA and reporting to the department's executive via a weekly status report and dashboard. There was no reference in the Taskforce's Statement of Intent to the CDC related governance arrangements set out in the bilateral management arrangements, including the role of the CDC Steering Committee which consisted of representatives from both the department and Services Australia established under the Cashless Debit Card Program Services Arrangement (CDC Arrangement) (see paragraphs 1.16 and 2.16).

2.9 The Taskforce's Statement of Intent outlined the Taskforce's role to facilitate daily meetings between the department, Services Australia and NIAA. Minutes of the Taskforce's meetings were documented between 17 June 2022 and 13 July 2022. Details of attendees were not routinely recorded.

2.10 The agenda items recorded in the Taskforce daily standup meeting minutes from 17 June 2022 to 13 July 2022 included:

- an 'SES cascade' that covered topics such as policy and legislative progress and the minister's participation in community consultations;

- updates from Services Australia on items such as the drafting of the information and communications technology (ICT) requirements, development of a ‘questions register’, and costings development<sup>33</sup>;
- planning of workshops on risk management and mapping of a ‘customer journey’ to show the key steps, processes and functionality required to support a participant engaging with Services Australia for their exit from the CDC program or transition (voluntary or compulsory) to Enhanced Income Management (see paragraph 3.7); and
- updates on stakeholder communication and consultation activities.

2.11 The absence of documentation of the Taskforce’s meetings from July 2022 onwards does not enable an assessment of the effectiveness of the Taskforce’s activities, including monitoring of progress against the Transition Strategy or project management plan.

2.12 The Taskforce’s Project Closure Report for ‘Tranche 1 – Abolishing the Cashless Debit Card’ was endorsed by an SES Band 2 officer in July 2023. The report stated that all project objectives had been met and outputs finalised. This did not account for the fact the timeframe for the long-term outputs in the project plan was June 2024. The following were listed as outstanding activities in the report:

- A review of the impacts of the CDC transition is being undertaken, with a final report due to the Department in late 2023.
- ICT changes relating to the Family Responsibilities Commission (FRC) referral process for IM [income management] (voluntary and compulsory) have been determined and IT solutions built.
- A review of the support brokerage arrangements (identified in the Implementation Readiness Assessment) has been undertaken. The final report with findings has been provided to the SRO for endorsement.

2.13 As part of the Australian Government’s Assurance Review Framework, the Department of Finance conducted an Implementation Readiness Assessment (IRA) on the abolition of the CDC between 30 January 2023 and 3 February 2023.<sup>34</sup> The IRA made six recommendations, two of which required urgent action by the department to implement. The department’s abolition of the CDC was rated ‘Green’ which is defined in the Resource Management Guide 106 as ‘successful implementation of the program appears likely and there are no major outstanding issues/risks that appear to threaten implementation significantly.’ In August 2023 the department provided the minister with an update on the status of the implementation of recommendations from the IRA.

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33 In May 2024 the department advised the ANAO that the purpose of the ‘questions register’ ‘to record any questions relating to the upcoming policy and legislation changes that could be raised, and the response. Questions raised through (but not limited to) Taskforce meetings or via email’.

34 The Department of Finance’s Resource Management Guide 106 *Guidance on the Assurance Reviews Process* states ‘Assurance Reviews are principle based, providing flexibility for refining and adapting to changing environments, including financial risk and complexities associated with governance... Assurance Reviews do not replace an entity’s responsibility and accountability for implementation and delivery of a program/project. Assurance Reviews are designed to strengthen assurance practices and to build capability associated with the delivery and implementation of government programs/projects and services’. Department of Finance, *Guidance on the Assurance Reviews Process (RMG 106)*, Department of Finance, Canberra, March 2023, available from <https://www.finance.gov.au/publications/resource-management-guides/guidance-assurance-reviews-process-rmg-106> [accessed 29 April 2024].

## Bilateral arrangements

2.14 As discussed in paragraphs 1.15 and 1.16 the department and Services Australia have an ‘appropriated partnership’ bilateral arrangement, which is supported by other agreements that summarise roles and responsibilities of both parties. The secretary of the department is accountable for delivery of all forms of income management.

2.15 The term of the CDC Arrangement between the department and Services Australia was from 1 April 2022 to 31 December 2022.

2.16 The CDC Arrangement set out the following governance arrangements for the CDC program:

- a Cashless Welfare Working Group to oversee operational matters pertaining to both service delivery and program management, comprising of Executive Level 2 officers from the department and Services Australia<sup>35</sup>; and
- a CDC Steering Committee to oversee the implementation and future direction of the program, comprising of SES Band 1 and 2 officers from the department and Services Australia and SES Band 1 officers from the NIAA and the Department of the Prime Minister and Cabinet (see paragraphs 2.22 to 2.23).

2.17 The CDC Arrangement listed the department’s responsibilities as including CDC program policy and legislation, strategic stakeholder engagement, card provider procurement and contract management; support services, and negotiation and management of agreements on data exchange. Services Australia’s responsibilities included program implementation and service delivery operations for the CDC program.

2.18 A draft Enhanced Income Management Services Schedule (EIM Schedule) was prepared by the department on 4 May 2023. The EIM Schedule was approved by Services Australia on 21 March 2024 and the department on 22 March 2024.

2.19 The EIM Schedule sets out the following governance arrangements:

- a quarterly leadership meeting comprising of Executive Level 2 officers from the department and Services Australia to oversee operational matters; and
- a Steering Committee to oversee the implementation and future direction of the program with the same membership as the CDC Steering Committee.

2.20 In April 2024 the department advised the ANAO the quarterly leadership meetings had not yet started. The Steering Committee had continued to meet following its establishment under the CDC Services Arrangement (see paragraphs 2.22 and 2.23).

2.21 The EIM Schedule reflects the change in roles and responsibilities between the department and Services Australia for the Enhanced Income Management program, with Services Australia responsible for procurement, contract management, and service delivery operations, including telephony channels and face-to-face servicing via service centres. Services Australia is also required to advise the department on service level performance and provide relevant information and data. The schedule specifies a range of weekly program reports Services Australia is required to provide to the department, including product level blocking and point of sale data.

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<sup>35</sup> The Cashless Welfare Working Group last met in May 2022. There is no evidence that it was involved in planning for the cessation of the CDC program.

## *Steering Committee*

2.22 At the commencement of the CDC transition period, the Steering Committee operated under the February 2022 terms of reference for the CDC Steering Committee. The CDC Steering Committee's terms of reference were updated in December 2022 to reflect its role in overseeing 'the cessation of the CDC and future direction of IM [Income Management]'. The role of the Steering Committee as set out in the December 2022 terms of reference was largely consistent with the role set out in the February 2022 terms of reference. Changes to the terms of reference acknowledge the CDC was ceasing as a program and included additional roles relating to collaborating on legislative amendments; identifying and addressing risks; and project oversight. (see paragraph 2.33) The December 2022 update also included changing its name to the Income Management Steering Committee.

2.23 The Steering Committee terms of reference were re-drafted in April 2023 to reflect the EIM Schedule. As at March 2024 the draft terms of reference had not been finalised. While the December 2022 terms of reference and the April 2023 draft terms of reference acknowledge the existence of the Taskforce, and the reports coordinated by the Taskforce, neither document specifies the reporting lines for the Taskforce, nor the Steering Committee's relationship with the bilateral governance arrangements. There was no evidence of the Steering Committee reporting to the department's or Services Australia's executive committees.

2.24 From February 2022 the Steering Committee's membership comprised of SES officers from the department, Services Australia, the NIAA and the Department of the Prime Minister and Cabinet. While not listed in the terms of reference, the minutes of meetings note officers from the Department of Health and Aged Care were in attendance from November 2022 onwards.

2.25 The appropriateness of the bilateral arrangements between the department and Services Australia were examined in Auditor-General Report No.4 2023–24 *Accuracy and Timeliness of Welfare Payments*.<sup>36</sup> The report made recommendations for both entities to improve bilateral arrangements.

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36 Auditor-General Report No.4 2023–24 *Accuracy and Timeliness of Welfare Payments*, ANAO, Canberra, 2023, available from <https://www.anao.gov.au/work/performance-audit/accuracy-and-timeliness-welfare-payments> [accessed 29 April 2024].

## Recommendation no. 1

2.26 The Department of Social Services and Services Australia:

- (a) ensure the terms of reference for all oversight and governance committees and bodies related to income management programs clearly define their reporting structure and responsibilities and, where applicable, refer to the governance arrangements set out in the bilateral agreement or supporting protocols and service agreements; and
- (b) implement mechanisms to gain assurance that all oversight and governance committees and bodies are operating in accordance with the terms of reference.

**Department of Social Services response:** *Agreed.*

2.27 *As of 22 March 2024, a new enhanced IM Service Schedule was endorsed. The schedule sets out the following governance arrangement for the enhanced IM:*

- *Quarterly leadership meeting comprising of Executive Level 2 offices from the Department and Services Australia to oversee operational matters; and*
- *Steering Committee (meet bi-monthly) to oversee the implementation and operations of the program with the same membership as the CDC Steering Committee.*

2.28 *The meetings provide an opportunity to discuss operational matters, service delivery, program implementation and management of the enhanced IM program.*

2.29 *The Department has also implemented clear procedures and controls to ensure governance committees and bodies are operating in accordance with their terms of reference.*

**Services Australia response:** *Agreed.*

2.30 *Services Australia agrees with the recommendation and is committed to continually improving its governance mechanisms and related assurance. Services Australia has already taken steps to make improvements, including updating the Income Management Governance Board Terms of Reference to clearly articulate reporting structures and bilateral arrangements.*

2.31 The minutes of Steering Committee meetings from June 2022 to November 2023 record that it met monthly in accordance with its terms of reference between June and December 2022, except for August 2022. In 2023 the Steering Committee met in March, May, July and September 2023.

2.32 The role of the Steering Committee, as set out in the December 2022 terms of reference, was to:

- collaborate on any legislative amendments
- identify and address key practical and strategic considerations for the cessation of the CDC
- guide the transition for current and future [income management] participants, including in the Northern Territory, Cape York region and place-based sites
- ensure the cessation of the CDC and future options are informed by other place based policies (i.e. Empowered Communities and Families Program Reform)
- provide a mechanism for ongoing information sharing and collaboration between the departments on the transition and cessation of the CDC

- identify and address risks and issues related to the cessation of CDC and the future direction of [income management], including those that are shared
- ensure the project remains on track and escalate issues in a timely manner to the Executive
- be responsible for raising, and working to resolve, any whole-of-government issues associated with the cessation of CDC and future direction of [income management].

2.33 ANAO analysis of the minutes of Steering Committee meetings from June 2022 to November 2023 showed that the Steering Committee was a mechanism for information sharing, data sharing and collaboration between the entities in attendance at the meetings. Minutes of the meetings regularly included:

- progress and timing of legislative amendments;
- community consultations on the future direction of the income management programs;
- participant numbers;
- risk management;
- maintaining business as usual services for current participants during the transition; and
- communication with participants and stakeholders.

2.34 Minutes from the November 2022 Steering Committee meeting state that the joint risk register will be 'updated monthly and endorsed' by the relevant SES Band 1 from both the department and Services Australia. The risks listed in the joint risk register were noted at each meeting during the period of June 2022 to November 2023. The Steering Committee did not receive an updated risk register at every meeting and it did not receive the May 2023 risk register (see paragraph 2.52).

2.35 Services Australia's progress of the limited tender procurement for the new card to support the Enhanced Income Management program, such as functionality requirements to inform the request for quote and expected timeframes for completion of the procurement activity, was not discussed at the Steering Committee. The department's transition strategy, project management plan, and project closure report (see paragraphs 2.6, 2.7 and 2.12) were not provided to the Steering Committee and there was no evidence of it monitoring progress against the relevant outputs and deliverables.

2.36 Figure 2.1 sets out the relationship between the key governance arrangements involved in managing the transition. Services Australia utilised its pre-existing Cashless Welfare Governance Board (Governance Board) to oversee its activities relating to the transition period.<sup>37</sup> The Governance Board held fortnightly meetings until October 2022. Meetings after October 2022 were held monthly. While the meetings were minuted, there was no evidence that the department had visibility over the discussions and outcomes of the Governance Board. There was no evidence of the Governance Board reporting to the Taskforce or the Steering Committee. In March 2024 the Governance Board updated its terms of reference to include a section titled 'reporting' and noted that 'key operational outcomes or issues requiring escalation' will be reported to a nominated SES Band 2 officer and to the department for discussion at the Taskforce or Steering Committee, or

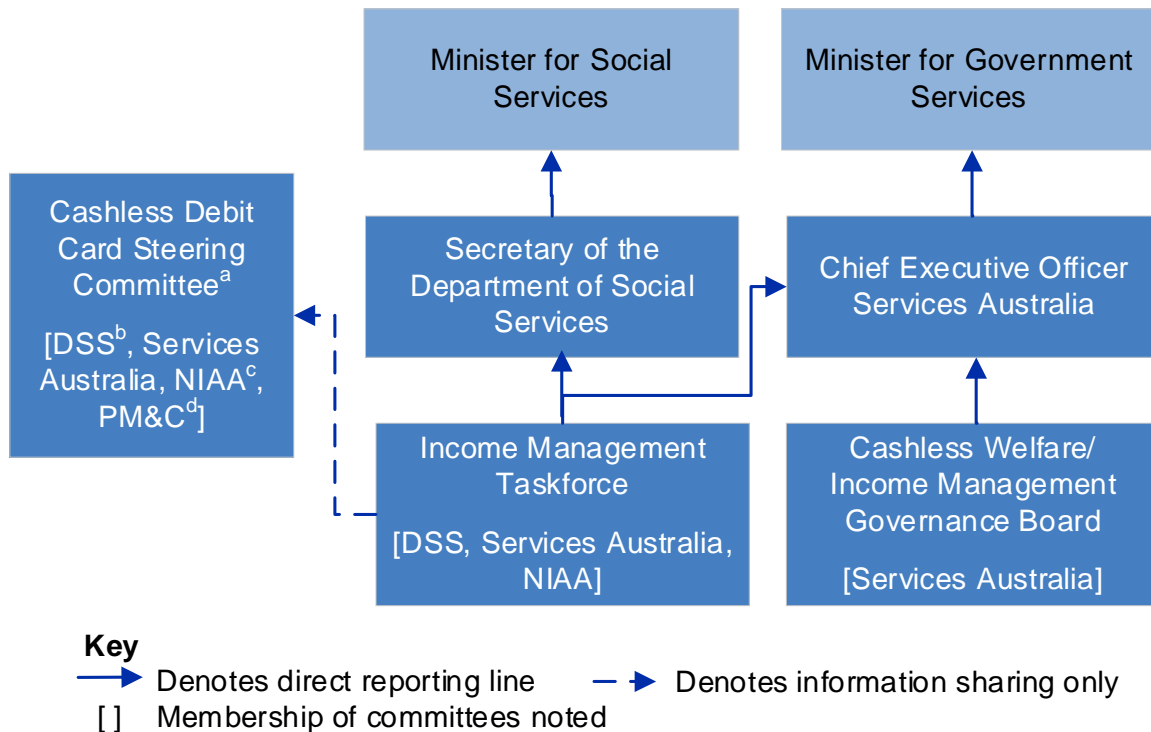
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37 In August 2022, the name of the Governance Board changed to 'Income Management and Cease CDC Government Board'. In December 2023, the name changed to Income Management Governance Board.



decision. The section also noted that ‘unresolved issues’ following escalation to the Steering Committee could then be escalated to the committees established under the bilateral governance arrangements.

**Figure 2.1: Key governance arrangements involved in the CDC transition from June 2022 to June 2023**



Note a: The terms of reference for the Steering Committee did not establish who the body reports to.

Note b: DSS — Department of Social Services.

Note c: NIAA — National Indigenous Australians Agency.

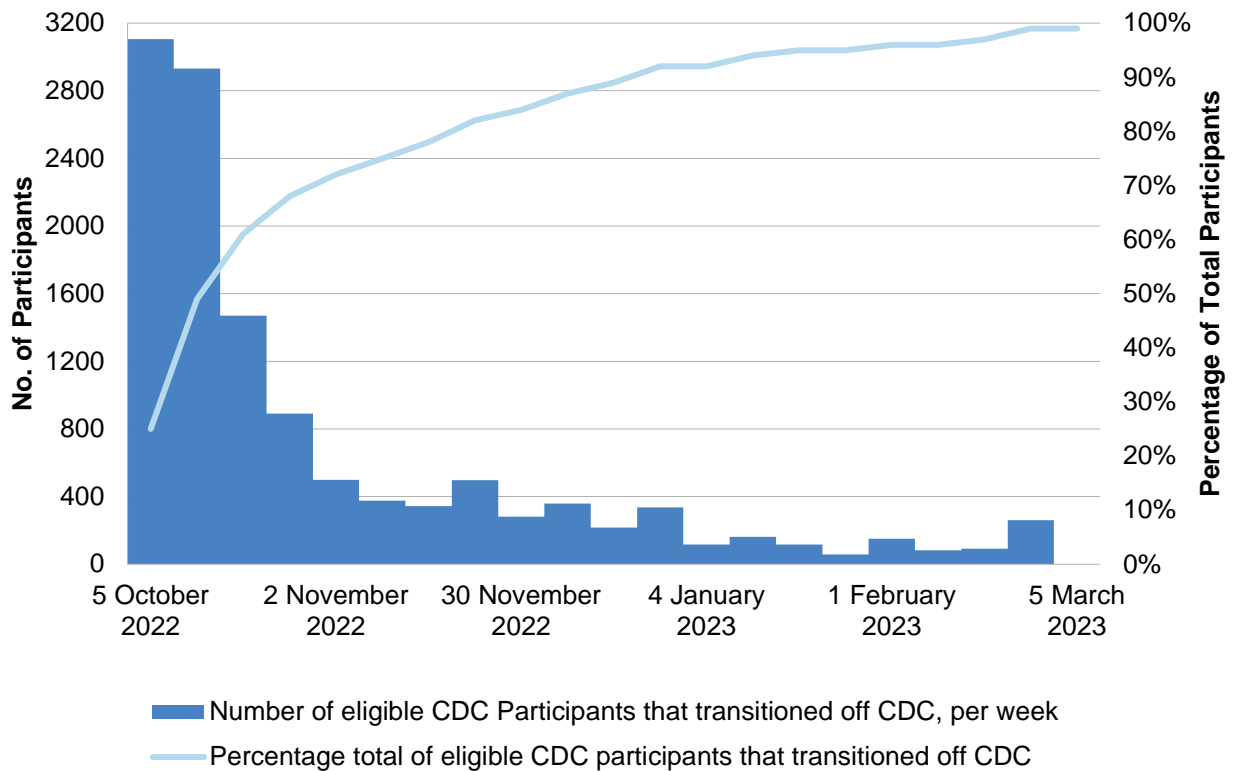
Note d: PM&C — Department of the Prime Minister and Cabinet.

Source: ANAO Analysis of the department’s and Services Australia’s records.

## Monitoring and reporting

2.37 Those participants of the CDC program who were not prescribed by legislation to transfer to the Enhanced Income Management program, could transition off the CDC program at any time between 1 October 2022 and 5 March 2023. 68 per cent of that eligible cohort chose to exit the CDC program in the first month. Figure 2.2 shows the number of participants who exited the CDC program during the five-month transition period.

**Figure 2.2: Exit of participants from the CDC program who were not required to transfer to Enhanced Income Management between 1 October 2022 and 5 March 2023**



Source: ANAO analysis of the department’s Weekly Status Reports.

2.38 The Taskforce provided regular updates to the department and Services Australia containing operational data provided by Services Australia. Table 2.1 sets out a summary of the contents and frequency of the regular reporting. The reports were signed off by the department’s relevant SES Band 2 officer and circulated to the department’s secretary, responsible deputy secretary and to Services Australia’s Chief Executive Officer (CEO), Deputy CEO and relevant SES officers.

**Table 2.1: Regular reporting by the Taskforce between June 2022 and December 2023**

Report Title	Weekly Status Reports <sup>a</sup>	Weekly CDC Cessation Dashboard	Project Status Reports
Dates Used	14 June 2022 to 5 April 2023	29 September 2022 to 29 March 2023	3 April 2023 to December 2023
Frequency	Weekly	Weekly	Fortnightly
Operational information included	Achievements of the week. Key risks and issues. Key upcoming activities. Milestones for the transition.	Key insights and issues. Regional updates. Community and stakeholder engagement (included for January and February 2023 dashboards).	Achievements of the week. Key risks and issues. Regional updates. Key upcoming activities. Milestones for Enhanced Income Management.

Report Title	Weekly Status Reports <sup>a</sup>	Weekly CDC Cessation Dashboard	Project Status Reports
Participant Data included	Number of new CDC participants by region. Number of CDC participants ceased by region.	Number of participants who transitioned to Enhanced Income Management program (this week, total to date, remaining to transition). Number of participants who had transitioned by region. Number of First Nations participants. Number of participants who had elected to join Enhanced Income Management. Call volumes and wait times.	Number of participants by region. Number of First Nations participants. Number of voluntary participants. Number of participants by service provider. Call volumes and wait times. Participants issued SmartCards by provider.

Note a: Participant data was moved from the Weekly Status Reports to the weekly CDC Cessation Dashboards from 29 September 2022.

Source: ANAO analysis of the department's records.

2.39 The Weekly Status Reports and the Weekly CDC Cessation Dashboards included updates on topics such as meetings with stakeholders, legislative amendments, contract management and procurement activities, product level blocking, branding and communications.

2.40 The department's Executive Management Group minutes show that between June 2022 and June 2023 the transition was discussed and noted at seven meetings.

2.41 In August 2023 the department's secretary was briefed on the status of implementation of the recommendations in the Implementation Readiness Assessment (see paragraph 2.13). One recommendation was reported as complete, two were 'ongoing' as business as usual activities, and three were 'in progress'. An expected completion date was provided for one of the three 'in progress' recommendations.

## Were fit for purpose arrangements established to identify and manage risks during the transition?

The department and Services Australia developed a joint risk register for shared risks relating the transition. Each identified risk was accompanied by a risk assessment. The review, amendment and approval of the joint risk registers was not consistently documented. Risks relating to the application of product level blocking technology to the Enhanced Income Management program were not documented in the joint risk register from June 2022 to June 2023. There was no evidence that any of the eight risks rated 'high' were escalated in accordance with the department's Risk Management Framework (RMF).

## **Risk Management Framework**

2.42 The department's RMF dated April 2023 comprises of three components: a Risk Management Policy; a Risk Management Procedure; and an Issues Management Procedure. These documents replaced an earlier RMF dated December 2018 to align with the changes made to the Commonwealth Risk Management Policy effective from January 2023.<sup>38</sup>

2.43 The 2018 and 2023 versions of the department's RMF applied during the transition period, and both noted the importance of managing shared risk given the department's role in delivering government policy relies on cooperation with external agencies and service providers.

2.44 Both the 2018 and 2023 versions of the RMF were consistent with the requirements and guidance of the Commonwealth Risk Management Policy in effect at the time.

2.45 An internal audit conducted from November 2022 to March 2023 reviewed the department's risk management culture. The audit identified five key findings and made six recommendations, all agreed by management. Appendix 4 contains the findings from the internal audit.

## **Shared risk management practices**

2.46 A joint risk register was established by the Taskforce for shared risks for the transition between the department and Services Australia, including risks relating to contracted service providers. The joint risk register contained a risk assessment for each identified risk, including controls and treatments. The registers contained risks largely focused on procedural issues rather than program outcomes.

2.47 The development of the first risk management plan commenced in July 2022 and it was endorsed in September 2022 by SES Band 1 officers from the department and Services Australia. The plan contained risks relating to the failure of, or delay in, the passage of legislation to abolish the CDC, negative participant experience, ICT and banking services not delivered, data security, systems failures by Services Australia and card providers, overspend and workforce capability.

2.48 A summary of the joint risk management plans between September 2022 and July 2023 is set out in Table 2.2.

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38 In November 2022, the Commonwealth Risk Management Policy was updated with new elements which took effect on 1 January 2023. These new elements introduced regular reviews of risk management controls and the implementation of arrangements for identifying, managing and escalating emerging risks. The Commonwealth Risk Management Policy is available from <https://www.finance.gov.au/government/comcover/risk-services/management/commonwealth-risk-management-policy> [accessed 15 April 2024].

**Table 2.2: Summary details of the joint risk registers from September 2022 to July 2023**

Version of the joint risk register	Approval by the Department	Approval by Services Australia	Number of risks	Number of 'high' rated risks <sup>a</sup>
September 2022	SES Band 1 officer 29 September 2022	SES Band 1 officer 30 September 2022	8	3
October 2022	SES Band 1 officer 14 November 2022	SES Band 1 officer 14 November 2022	7 <sup>b</sup>	3 <sup>c</sup>
November 2022	SES Band 2 officer 9 January 2023	SES Band 1 officer 14 December 2022	10 <sup>d</sup>	6
May 2023	SES Band 1 officer 19 May 2023	SES Band 2 officer 01 June 2023	10 <sup>e</sup>	6
July 2023 <sup>f</sup>	No evidence	No evidence	9 <sup>g</sup>	1

Note a: The department's RMF includes a risk hierarchy of 'Low', 'Medium', 'High' and 'Extreme' risk. There were no risks rated 'extreme'.

Note b: Risk 1 from the September 2022 plan — 'legislation to abolish the Cashless Debit Card and make Income Management Voluntary does not pass parliament' was closed and removed.

Note c: Risk 4 from the September 2022 plan — 'key compliance, legislative and banking obligations are not met' was upgraded from medium to high risk.

Note d: Four new risks were added — 'Data analysis activities do not support effective program transition and management and/or are not perceived as being methodologically sound' which was rated 'high', 'Implementation of enhanced IM does not occur seamlessly, or adversely affects eligible enhanced IM participants/former CDC participants or communities', 'Acceptable contracts with third party service providers or required regulatory authorities are not in place within required timeframes to implement eIM [Enhanced Income Management] by 6 March 2023' which was rated 'high' and 'Legislative instruments and determination to enable enhanced IM are disallowed, or required legislation does not pass Parliament within expected timeframes or is significantly amended' which was rated 'high' and the date the risk was identified was recorded as 1 July 2022.

Risk 5 from the September 2022 plan — 'System Failures: Services Australia and Card Providers' from the October 2022 register was omitted from the November 2022 and May 2023 register without out any evidence of it having been closed.

Note e: Six risks related to seamless implementation of Enhanced Income Management, delivery of ICT requirements, engagement with Indue Limited (Indue), contractual arrangements being executed by 6 March 2023 and workforce capability were marked as closed yet still appeared on the register.

Note f: The July 2023 version of the risk management plan was renamed Tranche 2 — Future of Income Management. It included risks relating to the legislative amendments passed in June 2023 (see paragraph 1.8). The Tranche 2 risk register did not include dates for when each of the risks were opened, details of the source, controls or treatments or the supporting risk assessment.

Note g: Five open risks from the May 2023 risk register were either transferred directly or were slightly modified to reflected new changes in the legislation. Three new risks were added relating to implementation adversely affecting participants, ICT deliverables not being on time or effective and failure to implement due to workforce capability. One open risk from the May 2023 version was not transferred relating to security of participant data.

Source: ANAO analysis of the joint risk management plans between July 2022 and July 2023.

2.49 The risk register summary page for the November 2022 version had been updated incorrectly to show the risk 'data and analysis activities do not support effective program transition' was a medium risk when it was reported as high in the accompanying risk assessment. The error was not noted by the Steering Committee at the time and the summary page was not corrected in the next approved version (May 2023).

2.50 The joint risk register was aligned with the department's RMF in effect at the relevant time. The risk assessment contained in the risk management plan included details of the risk's rating, review date, the risk owner, and source of the risk. Controls and treatments for each risk were detailed. However, some treatments with listed due dates were not updated to clarify if the item had been actioned in time. Control and treatment types ranged from ongoing meetings, regular updates and reports, communication with stakeholders and state and territory governments, data collection and sharing practices with Services Australia, and business as usual activities and policies.

2.51 Minutes from the November 2022 Steering Committee meeting state that the risk register will be 'updated monthly and endorsed' by the relevant SES Band 1 from both the department and Services Australia.' The information provided to the Steering Committee did not demonstrate monthly reviews of the risk register or subsequent changes, other than changes in risk rating. Risks were closed and removed from the register with no record of the rationale or date of the decision kept in the endorsed register. The risk register was provided to the Steering Committee for review at the meetings in October and November 2022 (the September and October versions) and March 2023 (November 2022 version). There is no evidence the Steering Committee received the May 2023 risk register.

2.52 In February 2023 the Taskforce identified a risk 'that Product Level Blocking (PLB) will not be in place for all merchants from 6 March 2023' in the weekly status report. This risk was not added to the Joint Risk Register. The joint risk register included a risk titled 'ICT deliverables required to transition CDC participants off the program and onto enhanced Income Management (eIM) are not delivered on time or are ineffective'. In the accompanying risk assessment, one of the sources of the risk was listed as 'insufficient (or changing) detail on ICT requirements to properly scope system change'. Product level blocking is not referred to in the risk assessment for this risk.

2.53 In the Weekly Status Report dated 2 to 8 March 2023 the department stated that major retailers, including Coles and Woolworths, reported that product level blocking was active, along with 23 small and medium sized enterprises. In the Project Status Report for the period 3 to 14 July 2023 the department reported approximately 8,000 stores had product level blocking 'in place' and 60,000 product level blocking terminals 'integrated with PLB [product level blocking]'.<sup>39</sup> This did not include some major retailers of mixed restricted and non-restricted items who were 'committed' to join the program.<sup>40</sup> The department continued to report on retailers and banking institutions completing the roll out of product level blocking technology in all but three of the fortnightly Project Status Reports July and December 2023.

### *Escalation of shared risks*

2.54 All versions of the joint risk registers contained risks rated as 'high'. These risks were as follows.

- Legislation to abolish the Cashless Debit Card and make Income Management Voluntary does not pass parliament and become law (closed in October 2022).

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39 Product level blocking prevents the purchase of restricted items using the Enhanced Income Management program SmartCard at mixed merchants which have signed up to the program, by automatically detecting restricted items at the point of sale.

40 Major retailers where product level blocking was not active by September 2023 included BP Australia (1400 locations), Peregrine Corporation (400 On The Run and Smoke Mart & Gift Box locations), and Worldsmart (point of sale provider to 950 community stores and supermarkets).

- Implementation of CDC cessation policy adversely affects CDC participants.
- ICT deliverables required to transition CDC participants off the program or onto Enhanced Income Management are not delivered on time or are ineffective.
- Key compliance, legislative and banking obligations are not met (increased in October 2023).
- Data and analysis activities do not support effective program transition and management and/or are not perceived as being methodologically sound (added in November 2022).
- Acceptable contracts with third party service providers, or required regulatory authorities, are not in place within required timeframes to implement the Enhanced Income Management program by 6 March 2023 (added in November 2022).
- Legislative instruments and determination to enable enhanced IM are disallowed, or required legislation does not pass Parliament within expected timeframes or is significantly amended (added in November 2022).

2.55 Risk escalation in accordance with the department's RMF, requires review by the Chief Risk Officer and approval by the deputy secretary of proposed treatment actions for all risks rated 'high'. The deputy secretary must also escalate the risk to the department's Executive Management Group for 'awareness, treatment authorisation or acceptance of the risk'. These risks are also required to be reviewed monthly with updates on this risk provided to the Executive Management group via the Chief Risk Officer's monthly report. There is no evidence that any of the treatments for the 'high' rated risks from the joint risk management plans were approved by the deputy secretary nor that they were escalated to the Executive Management Group in accordance with policy requirements. The minutes of the Steering Committee meetings did not note any risks requiring escalation.

## Recommendation no. 2

2.56 The Department of Social Services implement controls to gain assurance that risks rated 'high' or 'extreme' are escalated to the deputy secretary and the Executive Management Group consistent with the department's risk management policy.

**Department of Social Services response:** *Agreed.*

2.57 *The following actions have already been undertaken by the Department in response to this recommendation:*

2.58 *Implemented controls to gain assurances that identified High or Extreme risks are escalated and accepted by the relevant delegate, including the Deputy Secretary and Secretary in line with the Department's Enterprise Risk Framework.*

2.59 *Clear procedures and controls to ensure timely and accurate record keeping of all endorsed versions of risk assessments and risk registers.*

## Opportunity for improvement

2.60 Department of Social Services could document the review and endorsement of each version of shared risk registers relating to the Enhanced Income Management program, including any accompanying risk assessments and management plans.

### *Entity specific risk registers*

2.61 Both the department and Services Australia maintained entity specific risk registers for activities related to the transition. The department's risk register used the same format as the joint risk management register. The ten risks included in the department's October 2022 register reflected the contents of the joint risk register as well as two additional risks relating to program integrity and possible fraud experienced by program participants when not safely storing account details and PINs, both rated as medium level risks.

2.62 Services Australia's risk register for transition activities, from December 2022, comprised of nine risks, which included four risks from the joint risk register along with additional agency specific risks including, 'risk that future customer communication to inform the cessation is ineffective' (rated low). Risk was also considered during the procurement process and assessed as part of the indemnity requirements of the new contract with Indue (see paragraph 4.17).

2.63 Table 2.3 shows the number of risks in each entity specific risk register, the rating of risks and the risks that were in the joint risks register.

**Table 2.3: Entity specific risk registers from October 2023 to December 2023**

Entity	Low rated risks	Medium rated risks	High rated risks	Total number of risks	Risks that were also listed in the joint risk register
Department of Social Services	2	4	4	10	8
Services Australia	6 <sup>a</sup>	3	0	9 <sup>a</sup>	4

Note a: Includes one closed risk.

Source: ANAO analysis of entity specific risk registers.



## 3. Program design

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### Areas examined

This chapter examines whether the Department of Social Services' (the department) design of the Enhanced Income Management program was based on appropriate advice and evidence.

### Conclusion

The department's design of the Enhanced Income Management program was largely based on appropriate advice and evidence. There was no evidence the design was informed by ANAO performance audit reports on the Cashless Debit Card (CDC) program, or evaluations and lessons learned from the CDC program. The department's program monitoring and performance measurement is not sufficiently robust to inform future policy design. No evaluation plan has been developed for the Enhanced Income Management program.

### Areas for improvement

The ANAO made two recommendations for the department in relation to gaining assurance of the program controls implemented and developing an evaluation plan for the Enhanced Income Management program.

3.1 The accountable authority of a Commonwealth entity has duties under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) to govern the entity in a way that promotes the proper use and management of the public resources for which they are responsible, to measure and assess the performance of the entity in achieving its purposes and establish and to maintain appropriate risk management practices.<sup>41</sup> Sound governance in support of the design and delivery of programs assists entities in fulfilling their obligations under the PGPA Act.

3.2 The Commonwealth Evaluation Policy (the Policy) sets out a principles-based approach to evaluation and applies to all Commonwealth entities. The Policy 'aims to embed a culture of evaluation and learning from experience to underpin evidence-based policy and delivery.' The Policy applies to all Australian Government entities and is supported by the Resource Management Guide 130 *Evaluation in the Commonwealth*, also referred to as the Commonwealth Evaluation Toolkit (the Toolkit).<sup>42</sup> The Toolkit states that entities should:

- Plan to conduct fit for purpose monitoring and evaluation activities before beginning any program or activity. This includes identifying timeframes, resources, baseline data, and performance information.
- Ensure appropriate monitoring of implementation and the impact on performance and outcomes.

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41 Parliament of Australia, *Public Governance, Performance and Accountability Act 2013*, sections 8, 15, 16 and 38, available from <https://www.legislation.gov.au/C2013A00123/latest/text> [accessed 15 April 2024].

42 Australian Centre for Evaluation, *Commonwealth Evaluation Toolkit*, The Treasury, available from <https://evaluation.treasury.gov.au/toolkit/commonwealth-evaluation-toolkit> [accessed 1 April 2024].

## Was the Enhanced Income Management program design informed by audit recommendations, evaluations and lessons learned from the Cashless Debit Card program and any other relevant programs?

The department advised the Australian Government that the Enhanced Income Management program was designed to address community concerns about the proposed legislation to abolish the CDC program, particularly in relation to participants returning to use the older technology offered for the BasicsCard Income Management program. The department provided risk based advice on the date for implementation of the transition to the Enhanced Income Management program. There is no evidence that the design of the Enhanced Income Management program was informed by ANAO audit recommendations, evaluations or lessons learned from the CDC program or other relevant programs.

### Preliminary advice to the Australian Government

3.3 In the department's brief to the incoming government dated 31 May 2022, the department noted 'The Minister has previously stated that there is not enough evidence to suggest that compulsory cashless welfare programs have met their objective'. The department advised that:

- Improvements in the technology for the BasicsCard Income Management program were required following the cessation of the Cashless Debit Card (CDC) program and 'options for such technology will be an enabling support only and consistent with your commitment not to privatise welfare'.
- 'a sudden exit from IM, without effective transition arrangements, including financial or budgeting support, could present a risk to many participants'.
- Relevant transitional arrangements would need to be implemented, including legislation required.
- The technology that supported the BasicsCard Income Management program will become redundant within the next five years and that any voluntary model should seek to retain some of the technology advances that were developed under the CDC.
- In relation to the ANAO's performance audit that was underway at that time, the department had accepted the recommendation to develop internal performance measures and targets to better monitor CDC program implementation and impact, but that it did not agree with the second recommendation to undertake a second impact evaluation of the CDC.<sup>43</sup>
- There had been two evaluations of the CDC program that provided 'mixed findings' and were 'constrained by limitations to available data.'
- In relation to identified data related risks, the department had 'commenced new data analytics work, which includes securing data held by state and territory agencies'

3.4 The department's brief cited recommendations contained in the proposed final audit report on the *Implementation and Performance of the Cashless Debit Card Trial — Follow-on* performance

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43 Auditor-General Report No.29 2021–22 *Implementation and Performance of the Cashless Debit Card Trial — Follow-on*, ANAO, Canberra, 2022, available from <https://www.anao.gov.au/work/performance-audit/implementation-and-performance-the-cashless-debit-card-trial-follow> [accessed 15 April 2024].

audit, provided by the Auditor-General to the secretary on 5 April 2022 pursuant to section 19 of the *Auditor-General Act 1997*.<sup>44</sup> The front page of the proposed final audit report stated:

The proposed report is covered by the confidentiality obligation in section 36(3) of the Act. To avoid penalty all recipients of information in the report must not disclose the information except with consent of the Auditor-General in accordance with subsection 36(4) of the Act.

3.5 The email to the secretary attaching the proposed final audit report also stated:

Information from the proposed audit report can only be disclosed to other persons (such as external legal advisers, contractors, consultants and Ministers), with my written consent.

3.6 The department's incoming government brief was signed by the secretary three days prior to the tabling of the audit report in Parliament, and the same day as embargoed copies of the final report were provided to the secretary and the minister. The secretary did not seek consent of the Auditor-General to provide the recommendations to the minister prior to the tabling of the report.

### **Design of the Enhanced Income Management program**

3.7 The Taskforce established by the department (see paragraph 2.8) facilitated three workshops with Services Australia in June and July 2022 to discuss the cessation of the CDC program and options for participants remaining on the BasicsCard Income Management program (as this was the only other form of income management in existence at the time), including optimal banking, information and communications technology (ICT) and customer service functionality. Customer journey maps were developed to assist the department and Services Australia in designing the preferred customer experience. In February 2024, Services Australia advised the ANAO that the outcomes of these workshops informed the requirements contained in the limited tender proposal and the contract negotiations with Indue Limited (Indue) (see paragraphs 4.29 to 4.33).

3.8 On 22 August 2022, the department advised the minister that amendments should be made to the Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Bill 2022 (the Bill) to allow participants transitioning off the CDC program and on to the BasicsCard Income Management program to retain the functionality of the card used in the CDC program. The minister agreed to the proposed amendments on 24 August 2022 and noted the department's advice that 'Services Australia will enter into a sole sourcing arrangement with Indue and Traditional Credit Union (TCU) to provide the interim card'.

3.9 In the department's brief to the minister dated 31 August 2022, the department sought approval for legislative amendments that established a new form of income management for those participants transitioning off the CDC program, namely Enhanced Income Management.<sup>45</sup> The brief proposed eligibility criteria for participants of the Enhanced Income Management program and noted:

- the outcome of the department's meeting with the Family Responsibilities Commission (FRC);

44 Parliament of Australia, *Auditor-General Act 1997*, available from <https://www.legislation.gov.au/C2004A05248/2018-02-21/text> [accessed 6 May 2024].

45 The department's records contain a copy of the brief signed by the deputy secretary, there is no record of the brief being signed by the Minister for Social Services. There is also no record of an annexure to the brief containing a draft letter for the minister to send to the Prime Minister relating to the date of the cessation of the CDC program. This letter was sent on 31 August 2022, see paragraph 3.10.

- outcomes of the minister’s discussion with the Minister for Indigenous Australians in relation to Northern Territory participants continuing on an income management program if they met relevant eligibility criteria; and
- the minister’s decision that all CDC participants who continued on an income management program should retain access to card technology similar to that used for the CDC program.

3.10 On 31 August 2022, the minister wrote to the Prime Minister seeking approval to introduce amendments to the Bill. The minister’s correspondence sets out how the proposed amendments would affect participants in different geographical locations, how each of the proposed arrangements directly responded to concerns raised during community consultations, the rationale for the approach recommended for participants from the Northern Territory and how utilising Services Australia as the key point of contact for participants will remove the ‘privatised nature of the CDC’. The Prime Minister responded to the minister’s letter on 2 September 2022, noting the financial and legal risks associated with the proposed amendments and that it required consideration and approval by the Australian Government.

3.11 There is no evidence that the design of the Enhanced Income Management program was informed by ANAO audit recommendations, evaluations or lessons learned from the CDC program or other relevant programs.

3.12 On 12 September 2022 the Australian Government agreed in principle to the abolishment of the CDC program by 31 December 2022 (the existing legislated sunset date), the introduction of the Enhanced Income Management program from 6 December 2022, relevant compulsory eligibility criteria and support services for participants and communities. The amendments to the Bill were introduced to Parliament on 23 September 2022 and passed on the 28 September 2022.

3.13 On 19 September 2022, prior to the passing of the Bill, the department advised the minister of risks relating to implementing the transition to Enhanced Income Management by 6 December 2022 and sought approval for the transition to be delayed, noting:

this change will support the transition to the enhanced IM [income management] regime. The change will ensure that welfare recipients and their families do not face disruption around the Christmas period and other public holidays occurring in the Torres Strait [Islands] and surrounding areas during this time.

3.14 The department proposed three options for the minister’s consideration, each with a level of associated risk. On 19 September 2022 the minister sought approval from the Acting Prime Minister to delay the transition until 6 February 2023. In light of the condensed timetable for transition brought about by delays in the passage of the Bill, following the suspension of the Parliament<sup>46</sup>, the department advised the minister that implementation risks associated with the planned transition by 31 December 2022 were at an ‘unacceptable level’. The new date of 6 February 2023 was approved by the Acting Prime Minister on 20 September 2022.

3.15 On 22 September 2022, the minister sought approval from the Prime Minister to change the date of the transition to 6 March 2023 on the basis of having received advice from the Minister for Government Services that Services Australia considered there were significant risks with meeting the deadline. The minister noted that those participants who were not required to transfer to the

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46 With the passing of Queen Elizabeth II on 8 September 2022, the Prime Minister suspended federal parliament for 15 days.

Enhanced Income Management program could still exit the CDC program following royal assent. The legislation was amended to include the 6 March 2023 deadline prior to it being passed by Parliament on 28 September 2022 and receiving royal assent on 30 September 2022.<sup>47</sup>

3.16 In October 2022, the department conducted further community consultations regarding the name and graphic design of the card for the Enhanced Income Management program. On 25 October 2022 the minister approved the card design and branding. The minister's brief referred to evidence given at a senate inquiry on the 'shame and anxiety around the readily identifiable design of the BasicsCard'.

3.17 The Department of Finance's Implementation Readiness Assessment (see paragraph 2.13) recommended that the department ensure it had taken into account the findings of the Auditor-General Report No.1 2018–19 *The Implementation and Performance of the Cashless Debit Card* and Auditor-General Report No.29 2021–22 *Implementation and Performance of the Cashless Debit Card Trial — Follow-on*.<sup>48</sup> In August 2023 the secretary was advised that the department had 'taken into consideration the ANAO recommendations and comments in the design phase of the Review of the CDC transition.' There was no evidence of this consideration.

## Are effective performance measurement and monitoring processes in place for the Enhanced Income Management program?

The department's Corporate Plan contains a performance measure related to participants using their account following the transition from the CDC program to the Enhanced Income Management program. No additional key performance indicators or performance measures have been established. The department regularly monitors data on participant numbers and geographical location and Services Australia produces monthly reporting on the product level blocking used to prevent the sale of restricted items. Services Australia's reporting does not include all merchants operating product level blocking technology. No evaluation plan was developed for the Enhanced Income Management program.

### Program monitoring

3.18 The purpose of the Enhanced Income Management program is to help:  
participants manage their welfare payments and prioritise spending on essential goods and services such as food, housing, electricity and education.<sup>49</sup>

47 Parliament of Australia, Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Bill 2022, available from: [https://www.aph.gov.au/Parliamentary\\_Business/Bills\\_LEGislation/Bills\\_Search\\_Results/Result?bld=r6887](https://www.aph.gov.au/Parliamentary_Business/Bills_LEGislation/Bills_Search_Results/Result?bld=r6887) [accessed 26 April 2024].

48 Auditor-General Report No.29 2021–22 *Implementation and Performance of the Cashless Debit Card Trial — Follow-on*, ANAO, Canberra, 2022, available from <https://www.anao.gov.au/work/performance-audit/implementation-and-performance-the-cashless-debit-card-trial-follow> [accessed 15 April 2024].  
Auditor-General Report No.1 2018–19 *Implementation and Performance of the Cashless Debit Card Trial*, ANAO, Canberra, 2018, available from <https://www.anao.gov.au/work/performance-audit/implementation-and-performance-cashless-debit-card-trial> [accessed 16 April 2024].

49 Department of Social Services, *Enhanced Income Management Program overview*, DSS, Canberra, February 2024, available from <https://www.dss.gov.au/families-and-children/programmes-services/welfare-conditionality/enhanced-income-management-overview> [accessed 2 April 2024].

3.19 The department has not established performance measures directly related to the purpose of the Enhanced Income Management Program. The department's 2023–24 Corporate Plan contains a performance measure relating to participants accessing their account as part of the Enhanced Income Management program (see paragraph 3.27 to 3.30). No additional key performance indicators were established for internal monitoring and reporting. The Taskforce's weekly reporting included data on the participants exiting the CDC program by 5 March 2023 and regular reporting contains demographic data of the participants of Enhanced Income Management program (see Table 2.1).

3.20 In the department's brief to the incoming government dated 31 May 2022, the department advised the minister that it had 'commenced new data analytics work, which includes securing data held by state and territory agencies.' In the Implementation Readiness Assessment dated February 2023 (see paragraph 2.13), the Department of Finance noted data quality issues.

3.21 The taskforce's project management plan closure report dated July 2023 noted that the department had limited access to data and data sharing arrangements between the department and other government entities, including Services Australia, and that this was a factor outside of the department's control. This caveat was not included in any of the Taskforce's Weekly Status Reports and Dashboards during the transition period and is contrary to the controls and treatments for the data related risk added to the joint risk register from November 2022. One control recorded was 'implementation strategy is managed by a dedicated taskforce in collaboration with Services Australia', and the treatment was 'a collaborative approach will be taken between DSS and Services Australia. With data teams regular meetings to share technical knowledge and implement solutions.'

3.22 The Enhanced Income Management program utilises product level blocking to prevent the purchase of restricted items such as alcohol and tobacco on the SmartCard issued to Enhanced Income Management participants. DXC Technology Australia Proprietary Limited (DXC) is the systems integration partner that supports product level blocking technology. The contract with DXC sets out a service level management plan and monthly performance reporting requirements. The service level management plan addresses the availability of the technology and technical incident response parameters.

3.23 Product level blocking and merchant engagement was raised at the March 2023 meeting of the Steering Committee as an area requiring significant focus for the roll out of the Enhanced Income Management program.<sup>50</sup> The minutes of the Steering Committee meetings in May and September 2023 reported on concerns raised by the Families Responsibility Commission around product level blocking, the number of terminals active with product level blocking, and engagement with specific merchants.

3.24 Services Australia undertakes monitoring of product level blocking for the Enhanced Income Management program. In September 2023 Services Australia developed a National Merchant Engagement Strategy which set out the communication strategy for 'mixed merchants' to prevent the sale of restricted products under the Enhanced Income Management program.<sup>51</sup> The strategy

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50 Product level blocking prevents the purchase of restricted items using the Enhanced Income Management SmartCard at mixed merchants with have signed up to the program, by automatically detecting restricted items at the point of sale.

51 A business is considered a mixed merchant if they sell both restricted and unrestricted items.

does not contain key performance indicators or other performance measures relating to the coverage of merchants utilising product level blocking technology in regions where Enhanced Income Management was compulsory.

3.25 When irregularities are detected by Services Australia in transactions, or when it receives a ‘tip-off’ or complaint, merchants are reported to the Program Compliance and Confirmation Team for investigation. Services Australia’s Enhanced Income Management Compliance Operational Plan 2023–24 (the Compliance Plan) contains a list of the types of data monitoring activities conducted, risk framework used to determine whether an incident is classified as low, medium or high risk of noncompliance and the options for compliance action to be taken. The Compliance Plan states it incorporates both proactive and reactive activities and that reviews are completed on an ‘ad-hoc basis, as a result of relevant identified triggers from all sources’. However, the proactive monitoring activities relate to completed transactions rather than any post-implementation proactive testing of the product blocking technology at both mixed merchants and merchants who only sell restricted items. There are no targets or benchmarks for compliance activities set out in the Compliance Plan.

3.26 Services Australia produces a monthly product level blocking analytics report for ‘mixed merchant’ stores where product level blocking is enabled for the BasicsCard and Enhanced Income Management programs. The report includes details on the number of live sites (excluding corporate product level blocking sites not on the agency’s database) and the volume and value of transactions for both approved and blocked payments.<sup>52</sup> The reports include trends in ratios of blocked transactions for the most used mixed product suppliers broken down into categories of supermarkets, service stations, newsagents and hospitality. There is no evidence that this, or any other report on the effectiveness of the technology, was provided to the Steering Committee between March 2023 and December 2023 (see paragraphs 2.22 to 2.34). The report does not provide assurance over the accuracy of product level blocking technology in all mixed merchant stores, including those not in the database, or of the data contained in the reports. The report also does not provide assurance over actions taken in response to analytics of the data consistent with the Compliance Plan. For example, in November 2023 a hospitality venue in the Northern Territory was identified as not having alcohol and tobacco properly coded as restricted products, and the same issue with the same vendor was reported in the December 2023 report. No further information was contained in the report in relation to the compliance action taken.

## Performance measurement

3.27 Performance against the following measures relating to the transition of participants from the CDC program to Enhanced Income Management program were reported in the department’s 2022–23 annual performance statements:

- Proportion of eligible CDC participants exited CDC program – met the 100 per cent target;
- Proportion of eligible CDC accounts closed by 30 March 2023 – met the 100 per cent target; and

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52 The December 2023 product level blocking analytics report lists Australia Post, Coles, Kmart, Target, Big W, Woolworths and Euro Garages as examples of corporate product level blocking sites not on the agency’s database. The report does not include data from these sites.

- Ninety-five per cent of participants who transition to the Enhanced Income Management program have accessed their account – met the target with a result of 96 per cent.<sup>53</sup>

3.28 The department’s 2023–24 Corporate Plan contains the measure of ‘Participants transitioned to Enhanced Income Management have accessed their account’ with a target of 95 per cent.<sup>54</sup> This measure does not examine whether the department is effectively delivering Enhanced Income Management or whether the program is achieving its objective.

3.29 In January 2024 the department advised the ANAO that:

the objective of eIM [Enhanced Income Management] is to ensure continuity for participants while the government makes decisions on the future of IM [BasicsCard Income Management]. As a result, the performance measures are largely focussed on implementation rather than outcomes.

3.30 In April 2024, the department advised the ANAO that:

noting that voluntary participants will have differing reasons for being on enhanced Income Management, it is difficult for the government to set out objectives which could match what a person’s individual outcomes may be from the program as a whole.

### Recommendation no. 3

3.31 The Department of Social Services establish appropriate program monitoring to gain assurance that controls implemented for the Enhanced Income Management program, including product blocking technology, are working effectively to achieve the policy intent of the program.

**Department of Social Services response:** *Agreed.*

3.32 *The following actions have already been undertaken by the Department in response to this recommendation:*

- *Commenced a review in consultation with Services Australia to update the performance measures in relation to enhanced Income Management (IM). This will include assessing how Product Level Blocking (PLB) can be used as a metric to assess the effectiveness of the program.*
- *The Department is working with Services Australia to amend the enhanced IM Services Schedule to include PLB data and reporting.*

### Program evaluation

3.33 The Commonwealth Evaluation Policy states that:

Commonwealth entities [...] are expected to deliver support and services for Australians by setting clear objectives for major policies, projects and programs, and consistently measuring progress towards achieving these objectives.

53 Department of Social Services, *Annual Report 2022–23*, DSS, Canberra, 2023, available from [https://www.dss.gov.au/sites/default/files/documents/10\\_2023/dss-annual-report-published-version\\_0.pdf](https://www.dss.gov.au/sites/default/files/documents/10_2023/dss-annual-report-published-version_0.pdf) [accessed 15 April 2024].

54 Department of Social Services, *Corporate Plan 2023–24*, DSS, Canberra, September 2023, available from: <https://www.dss.gov.au/publications-articles-corporate-publications-department-of-social-services-corporate-plans/department-of-social-services-corporate-plan-2023-24> [accessed 2 April 2024].



Where an evaluation is undertaken to support this, it should be conducted to a standard that ensures the information is credible and evidence-based.<sup>55</sup>

3.34 Guidance in the Commonwealth Evaluation Toolkit recommends that an evaluation framework and plan consist of a purpose statement, timeline for the program, evaluation methodology, defined roles and responsibilities and assessment of limitations and risks.

3.35 In the Implementation Readiness Assessment (IRA) (see paragraph 2.13), the Department of Finance noted the importance of documenting lessons learned. In the taskforce's project closure report dated July 2023 (see paragraphs 2.12 and 3.21) 12 key learnings were identified, themed into the following categories: planning, stakeholders, supporting business process, project team and others. For each key learning, the contributing factor, project impact and future application were recorded. Four key learnings related to community consultation and stakeholder communications, two related to the timing of announcements and ICT deliverables, two related to policy development, two related to internal governance arrangements and two related to standardised data sets for reporting and the need to engage and collaborate as early as possible with data and reporting teams. None of the key learnings related to evaluation planning or preparedness.

#### *Departmental led community consultations*

3.36 In September 2022, the department advised the Australian Government that the proposal to abolish the CDC had been developed following community consultation. References were made to views expressed in those consultations, such as the better technology offered by the CDC compared to the BasicsCard Income Management program, and the importance of choice and having appropriate supports in place. In October 2023, the department advised the Australian Government on the outcomes of consultations with state and territory governments and key stakeholders undertaken between December 2022 and June 2023 on the income management programs. There were no records kept by the department of these consultations, including methodology used and analysis conducted.

3.37 Since November 2023 the department has been conducting community consultations on the future of income management programs. The department developed a list of the name, date and meeting location of stakeholders consulted up to December 2023 and outcomes reports of consultations in specific regions between November 2023 and January 2024. There is no evidence of the department's methodology for conducting the consultations, analysis of the results or how they could be used to support evaluation activities of the Enhanced Income Management program.

#### *External review*

3.38 In December 2022 the department commissioned the University of Adelaide to:

develop sound, rigorous evidence based information and knowledge to support departmental work by:

- developing evidence on impacts of the CDC transition
- developing an evidence base that may be used to inform future policy and program development.

<sup>55</sup> The Treasury, *Commonwealth Evaluation Policy*, Treasury, Canberra, December 2021, available from <https://evaluation.treasury.gov.au/about/commonwealth-evaluation-policy> [accessed 15 February 2024].

3.39 In May 2023 the University of Adelaide delivered a Project Inception Report that set out planned methodology, milestones, roles and responsibilities and assessed the risks associated with the review. The University of Adelaide developed six research questions to be answered with the evidence it collated from stakeholder engagement, a literature review, qualitative interviews, quantitative data analysis and data reporting. The questions focused on participant and community experience following the cessation of the CDC, and the support services provided by the department during and after the transition.

3.40 The research questions did not explore the change in purpose from the CDC program aimed at encouraging socially responsible behaviour to the purpose of Enhanced Income Management aimed at assisting individual participants to manage their spending. One of the six research questions directly related to a form of evaluation of the Enhanced Income Management program as implemented to date, namely 'What kinds of outcome have there been for people who have volunteered to continue on the CDC and transition to income management?' The stakeholder and participant interview questions that relate to experience following the cessation of the CDC program were general in nature and forward looking, namely: 'need for policies and programs to replace CDC' and 'suggestions of future policies/programs'. In April 2024 the department advised the ANAO that the University of Adelaide review was not intended to be an evaluation of the Enhanced Income Management program.

3.41 Four interim reports were provided to the department between May and July 2023, one for each of the first four trial areas in which the CDC program was implemented.<sup>56</sup> While each of the reports has a heading 'high-level findings', there are no findings or conclusions contained in the reports. The interim reports describe stakeholder perceptions from the preliminary interviews undertaken up to the date of the report. The final report was due 30 November 2023. On 24 October 2023, the department sought and received the secretary's approval to extend the timeframe of the final report until March 2024.

3.42 The need to extend the due date of the report was attributed to issues with accessing community data directly from other government departments, and an inability to complete some participant interviews. The department advised the secretary that data sharing agreements were established with University of Western Australia, Western Australia Police Force and the Western Australian Department of Health to resolve data access problems. The controls listed in the joint risk register for the data related risks associated with the transition to the Enhanced Income Management program did not address the data availability challenges experienced by University of Adelaide. The data-related risk in the joint risk register (see Note d. to Table 2.2 and paragraph 3.20) was rated as 'high' and the timely access to data for program monitoring was identified as a possible source for this risk, with a low likelihood of occurrence. The treatment identified in the risk assessment was the collaborative approach between the department and Services Australia.

3.43 The department received the University of Adelaide's final report on 30 May 2024. The report presented the views of CDC participants and stakeholders about the cessation of the CDC and the impacts of the transition (both positive and negative). Findings differed between CDC participants and stakeholders. CDC participants generally felt that the ending of the program was positive, while stakeholders were generally disappointed the program had ended. Perceived

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56 The original Cashless Debit Card program locations were East Kimberley, Bundaberg and Hervey Bay, Goldfields and Ceduna.

impacts from stakeholders on the ending of the CDC program were mostly negative. No causal relationships were identified. There was general dissatisfaction with the level of consultation about the cessation, and the speed at which the transition occurred, with mixed perspectives about how well the process had been achieved overall

3.44 The report expressly stated it was not an evaluation, as that would have required stronger data requirements, and noted the following limitations on the findings:

- concurrent policies that were in place within the research locations;
- socio-economic conditions present at the time of the review;
- the review timeframe which meant that only shorter-term outcomes could be observed;
- the scope of the review which prevented a quantitative survey from being undertaken and no comparison sites;
- the ability to accurately capture activities that may be subject to strong reporting biases; and
- limitations inherent in the community-level data.

3.45 The department did not develop an evaluation framework or plan to examine whether the Enhanced Income Management program represents a proper use of public money, including the cost-effectiveness of its implementation, and is delivering against the desired objectives. In the absence of such an evaluation plan, the department has no assurance that its collection of data and monitoring of the program will be sufficient to support future evaluation activities.

#### Recommendation no. 4

3.46 The Department of Social Services develop and implement an evaluation plan for the Enhanced Income Management program that is consistent with the Commonwealth Evaluation Toolkit to inform policy design changes and any other relevant programs.

**Department of Social Services response:** *Agreed.*

3.47 *The following action has been undertaken by the Department in response to this recommendation:*

3.48 *We are progressing the development of an evaluation plan for enhanced Income Management, starting with a refreshed and updated Program Logic and theory of change. This along with community and stakeholder consultations will inform future policy directions for the Income Management programs and monitor the impact of future policy.*

## 4. Procurement

### Areas examined

This chapter examines whether Services Australia undertook the procurement for the Enhanced Income Management program in accordance with the Commonwealth Procurement Rules.

### Conclusion

Services Australia's limited tender procurement for the Enhanced Income Management program was largely compliant with the Commonwealth Procurement Rules (CPRs). Probity and conflicts of interest were managed largely in accordance with the CPRs and policy requirements. Services Australia's engagement with Indue Limited (Indue) during the response period for the request for quote was not consistently documented. Advice to decision-makers was sufficiently detailed and largely documented appropriately. The evaluation committee's assessment of value for money was informed by expert advice and provided to the delegate. The benchmarking activity due to be undertaken in June 2023, that was a significant factor in Services Australia achieving a value for money outcome, commenced four months later than the timeframe set out in the contract with Indue.

4.1 Under the *Public Governance, Performance and Accountability Act 2013*, the Minister for Finance issues the CPRs for officials to follow when undertaking a procurement.<sup>57</sup> The CPRs state that 'Officials must be satisfied, after reasonable inquiries, that the procurement to be undertaken achieves a value for money outcome.'<sup>58</sup>

4.2 Accountable authorities and officials must put in place procedures to ensure that their procurements are consistent with the principles of the CPRs.<sup>59</sup>

4.3 The CPRs state that documentation should provide accurate and concise information on; the requirement for the procurement; the process that was followed; how value for money was considered and achieved; relevant approvals; and relevant decisions and the basis of those decisions.<sup>60</sup>

### Were the procurement activities conducted appropriately, including identifying and managing any conflict of interest and other probity risks?

Approval from the Deputy Chief Executive Officer (Deputy CEO) and Services Australia's Executive Committee for the limited tender issued was appropriately documented. Services Australia engaged a probity advisor and established a probity protocol to support the limited tender process. A conflicts of interest register was established. An assessment of the two declared potential conflicts was not documented. The delegate did not complete a conflict of

57 The ANAO used the 1 July 2022 version of the Commonwealth Procurement Rules to assess the procurement as they were the rules in force at the time the procurement was undertaken.

58 Department of Finance, *Commonwealth Procurement Rules*, Department of Finance, Canberra, July 2022, paragraph 4.4, available from <https://www.legislation.gov.au/F2022L00409/asmade/text> [accessed 15 April 2024].

59 *ibid.*, paragraph 2.5

60 *ibid.*, paragraph 7.3.

interest declaration for the procurement activity. Services Australia did not document all interactions with the tenderer during the request for quote response period.

### Limited tender approach

4.4 On 22 August 2022, the Department of Social Services (the department) advised the Minister for Social Services and the Minister for Government Services that a procurement for new technology to upgrade the BasicsCard could not be completed until July 2024 and, based on a market scan undertaken by the department, there was risk of market failure in the process.<sup>61</sup> It was noted by the Minister for Social Services on 24 August 2022 that Services Australia would conduct a sole sourcing procurement with Indue Limited (Indue) and Traditional Credit Union Limited (TCU) to supply an interim card solution.<sup>62</sup>

4.5 On 12 September 2022 the Australian Government agreed in principle to the abolishment of the Cashless Debit Card (CDC) program by 31 December 2022 (the existing legislated sunset date), the introduction of the Enhanced Income Management program from 6 December 2022, including relevant compulsory eligibility criteria and support services for participants and communities. Following advice to the Australian Government on implementation risks associated with a condensed transition period, the date for the transition of CDC participants to the Enhanced Income Management program was changed to 6 March 2023 (see paragraphs 3.13 to 3.15). The Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Bill 2022 was passed by both Houses of Parliament on 28 September 2022.<sup>63</sup>

4.6 On 10 October 2022, the Services Australia Deputy CEO approved the limited tender approach to Indue. The brief seeking the approval stated:

The agency will undertake procurement for enhanced Income Management via limited tender due to insufficient time available to conduct an open approach to market given dependant activities including the expiration of the current contract, and the recent passage of the legislation. ... CDC technology is delivered via a contract between DSS and Indue Ltd. To support participants to achieve a minimally disruptive transition to Income Management, the agency intends on leveraging the existing CDC technology enabling participants to continue using their cards, but under a different product name and contract. This can be achieved by entering into a limited tender arrangement with Indue, who are the key providers of the CDC technology solution.

4.7 The brief stated that ‘the Chief Financial Officer Division has confirmed that the limited tender approach complies with the provisions set out under Section 10.3.b’ of the CPRs. Paragraph 10.3(b) allows a limited tender approach for procurements over \$80,000 to be conducted ‘when,

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61 Market failure can arise when goods or services are under-provided (or over-provided) relative to what an efficient market would expect to provide.

62 At this time, the proposed amendments to the Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Bill 2022 to implement Enhanced Income Management had not been introduced to Parliament and participants who exited the CDC program who were required to remain on a form of income management would transfer to the BasicsCard Income Management program (see paragraphs 1.6, 3.8, 3.9 and Table 1.1).

63 Parliament of Australia, *Social Security (Administration) Amendment (Repeal of Cashless Debit Card and Other Measures) Act 2022*, available from <https://www.legislation.gov.au/C2022A00039/asmade/text> [accessed 15 April 2024].

for reasons of extreme urgency brought about by events unforeseen by the relevant entity, the goods and services could not be obtained in time under open tender.’<sup>64</sup>

4.8 Services Australia’s internal procedures require the Executive Committee’s endorsement of ‘strategically important procurements’ which is defined as contracts greater than \$10 million. The record of the meeting of Services Australia’s Executive Committee on 12 October 2022 stated that the Chief Finance Officer (CFO) advised the committee that they had approved the limited tender approach ‘due to tight timeframes’ for the procurement of the new card services to enable the transition to the Enhanced Income Management program. An action item was recorded for the documentation on the procurement to be tabled at the next meeting. There is no evidence in the minutes of the next Executive Committee meeting that this documentation was tabled.

4.9 A paper seeking the Executive Committee’s agreement to endorse the limited tender approach was presented at the 2 November 2022 meeting. The minutes of the Executive Committee meeting on 2 November 2022 record that the limited tender approach was endorsed at that meeting.<sup>65</sup> An invitation to participate in the limited tender process was sent to Indue on 21 October 2022, prior to the issue of the Request For Quote (RFQ) on 3 November 2022, which was inconsistent with Services Australia’s policy of requiring Executive Committee’s endorsement for such procurement activity.

4.10 Indue’s response to the RFQ was received on 17 November 2022 and was assessed by the tender evaluation committee, who was supported by legal, probity and technical advisors. Following a series of contract negotiations workshops (see paragraph 4.33), the spending proposal was approved and signed by a General Manager on 27 January 2023 (see paragraphs 4.34 to 4.39).

### **Probity advice**

4.11 Sparke Helmore Lawyers (Sparke Helmore) was appointed by Services Australia in September 2022 as probity adviser for the procurement of the banking card and technology required to support the implementation of the Enhanced Income Management program.<sup>66</sup> Sparke Helmore prepared a probity protocol for the procurement and provided probity advice on the RFQ, evaluation criteria, and evaluation reports.

4.12 On 5 October 2022 Sparke Helmore provided a verbal probity briefing for staff Services Australia had identified as involved in the procurement, that covered conflict of interest, information management, value for money, and confidentiality requirements. In March 2024 Services Australia advised the ANAO that a separate probity briefing was held on 4 November 2022 for the delegate (a Senior Executive Service (SES) Band 2 officer) and the relevant Deputy CEO.

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64 Department of Finance, Commonwealth Procurement Rules, Department of Finance, Canberra, July 2022, paragraph 10.3(b), available from <https://www.legislation.gov.au/F2022L00409/asmade/text> [accessed 15 April 2024].

65 In April 2024 Services Australia advised the ANAO that the limited tender approach was approved by the Executive Committee out of session on 13 October 2022.

66 Within the Probity Report, Sparke Helmore outlines the limits to the scope of their engagement as follows:  
Our advice and opinions are based on observations and on the information provided to us by the Agency (which we have not sought to verify independently) and are confined to matters of probity.

4.13 Sparke Helmore produced a Probity Report which was provided to the delegate at the same time as the spending proposal for approval. The Probity Report stated that there were ‘no outstanding probity issues relating to the enhanced IM [Income Management] procurement.’

### Conflicts of interest

4.14 The conflict of interest register for the limited tender procurement was not complete. Activity specific conflict of interest declarations were completed by all Services Australia personnel and external contractors involved in the procurement, except for the delegate (an SES Band 2 officer). Any actual, potential or perceived conflicts of interest declared were to be recorded within a conflict of interest register. Two declared potential conflicts of interest were documented in the register. In January 2024 Services Australia advised the ANAO that the Chair of the Evaluation Panel (an Executive Level 2 officer) reviewed both of the declarations and determined that:

neither declaration met the relevant threshold for “potential”, “perceived” or “actual” conflict of interest ...[and] the requirements of the probity protocol with respect to the management of conflicts of interest were not enlivened.

4.15 There was no documentation of the Chair’s assessment of the risk posed by the declared conflicts nor any management plans created.

4.16 Services Australia published its gifts, benefits and hospitality register for the period 1 October 2019 to 31 December 2023.<sup>67</sup> It did not contain any gifts, benefits or hospitality relating to Indue.

### Incumbency risk

4.17 Both the department and Services Australia had a pre-existing relationship with Indue as the existing provider of the card and account services for the BasicsCard Income Management and CDC programs which started in 2007 and 2016 respectively.

4.18 The original CDC contract between the department and Indue commenced in April 2016 and was established through a sole source limited tender approach under CPR paragraph 10.3(g) (‘when a relevant entity procures a prototype or a first good or service that is intended for limited trial’).<sup>68</sup> The paper to support the limited tender approach provided for the Executive Committee’s meeting on 2 November 2022 (see paragraph 4.9) stated:

The agency also intends on procuring a new and permanent Income Management technology solution via open tender. These procurement activities are anticipated to commence in early 2023, to support a technology ‘go live’ date in July 2024, subject to future government direction on income management policy.

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67 Services Australia, *Register of gifts and benefits our staff received*, Services Australia, Canberra, <https://www.servicesaustralia.gov.au/register-gifts-and-benefits-our-staff-received?context=1> [accessed 23 February 2024].

68 The original contract between the department and Indue was procured through limited tender following consultation with major banks and a review of some potential providers. Auditor-General Report No.1 2018–19 *Implementation and Performance of the Cashless Debit Card Trial*, ANAO, Canberra, 2018, paragraphs 2.22 to 2.24, available from <https://www.anao.gov.au/work/performance-audit/implementation-and-performance-cashless-debit-card-trial> [accessed 16 April 2024].



4.19 The past limited tender was not advised in the brief. As at April 2024, Services Australia has not undertaken an open tender process for the Enhanced Income Management program (see paragraph 4.48).

4.20 Services Australia's risk management plan for delivery of the Enhanced Income Management program contained risks relating to the conduct of the procurement. The risk of 'actual or perceived favouritism in conducting a Limited Tender' was rated as high. The control listed in the accompanying risk assessment was that the procurement method was endorsed by the Executive Committee (see paragraph 4.9). This control was assessed by Services Australia as being fully effective, and no treatments were listed within the risk plan.

4.21 Services Australia's probity guidelines and the procurement specific probity protocol developed by Sparke Helmore both contained sections relating to obligations of Services Australia's staff in managing business as usual (BAU) activities during the procurement process. Services Australia's probity guidelines state that:

A significant issue that the agency must address when dealing with [business as usual activities] is how to ensure that the incumbent supplier does not, by virtue of its pre-existing relationship with the agency, obtain an unfair advantage (whether in the form of information or otherwise) over other tenderers. Equity and fairness are critical to the Commonwealth procurement framework. Without it, the agency (and indeed, the public) can have little confidence that best value for money overall has been obtained.

4.22 The procurement specific probity protocol stated:

'It is important that, in conducting BAU activities, Agency and DSS personnel do not allow Potential Tenderers to receive information that may impact or undermine procurement processes conducted under the EIM [Enhanced Income Management] Program.'

4.23 On 19 October 2022 Services Australia sought internal and external legal advice on the proposed meeting with Indue's CEO, noting there was 'no specific agenda for the proposed meeting' and it was immediately prior to the issue of the invitation for Indue to participate in the limited tender. Consistent with advice about separating BAU activities from the tender process, the draft correspondence to Indue inviting them to respond to the RFQ stated:

Any meetings with other Services Australia representatives that may occur during this period – including any executive-level relationship meetings – do not form part of this limited tender process.

4.24 The meeting between Indue and Services Australia was held on 17 November 2022.<sup>69</sup> There were no records made by Services Australia of the items discussed at the meeting.

4.25 The probity guidelines state:

It is fundamental to the RFT [request for tender] process that all documents provided to potential respondents are sufficiently comprehensive to permit tenderers to make an informed decision about whether to submit a tender, and, if so, to submit a tender capable of complying with the RFT requirements [...] Except as specified in the RFT documentation, there must be no correspondence concerning an RFT between agency employees, or contractors and current tenderers and potential tenderers.

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<sup>69</sup> The meeting between Indue and the Services Australia Deputy CEO occurred at 3pm on 17 November 2022. The response from Indue for the RFQ was received by Services Australia at 1:30pm on 17 November 2022.



4.26 The following meetings were held between Services Australia and Indue between the time of the issue of the RFQ on 3 November 2022 and receipt of Indue's response on 17 November 2022:

- 9 November 2022 — to 'establish commercial (pricing framework) expected from Indue'.
- 9 and 14 November 2022 — a 'New Product weekly meeting' which Services Australia advised the ANAO in April 2024 was a meeting led by the department and was not related to Enhanced Income Management.
- 10 November 2022 — to 'support Indue's submission of tender' and 'clarify definitions, responsibilities and requirements';
- 11 November 2022 — to 'clarify outstanding items' (in April 2024 Services Australia advised the ANAO that this meeting involved a presentation from Indue on pricing);
- 15 November 2022 — to discuss ICT changes for the Enhanced Income Management program; and
- 16 November 2022 — to discuss a range of items including pricing and service level agreements.

4.27 A record of the meeting was prepared for meetings held on 10 and 16 November 2022. There are no records of the other meetings.

4.28 An addendum to the RFQ was issued on 9 November 2022 in relation to the weighting of the evaluation criteria. There was no addendum issued following any of the meetings set out in paragraph 4.26 that amended the scope or requirements of the RFQ.

### Was the advice provided to decision makers sufficiently detailed and were decisions appropriately documented?

The tender evaluation report documented the committee's assessment of the response to the request for quotation. The spending proposal provided to the delegate summarised the outcomes of the contract negotiations and the reasons for the recommendation to award the contract.

#### Tender evaluation

4.29 The tender evaluation plan to be used for the procurement was signed by the delegate on 14 November 2022, three days prior to the due date for the RFQ response. The tender evaluation plan included a weighted evaluation criteria that focused on Indue's capacity, ability and experience in delivering on the required statement of work.

4.30 The response to the RFQ was submitted by Indue on 17 November 2022. A Tender Evaluation Committee (evaluation committee) was formed to assess the RFQ with advice from legal, probity and technical advisors.<sup>70</sup> The evaluation committee met on 18 and 21 November 2022 to assess the RFQ response. In addition, the evaluation committee received briefings from technical advisers on Indue's capacity to deliver the required services and on the price modelling for the contract. A 'clarification workshop' was held with Indue on 25 November 2022 which covered some items of non-compliance with the required statement of work noted in Indue's response. An

<sup>70</sup> There were three technical advisors: a contractor from JGK Advisory; a contractor from DMG International; and a staff member from Services Australia's Technology and Digital Systems Group.

attachment to the tender evaluation report included items for discussion at the clarification workshop but not the outcomes of the meeting.

4.31 The tender evaluation report, dated 29 November 2022, provides details of the evaluation process including the results of applying a weighted scoring system and the evaluation committee's recommendation, which was to continue to a negotiation phase. The email sent to the delegate noted that:

there are 35 instances of noncompliance with the Contract within the response, these issues will form the basis of the negotiations and will seek to reduce the risk profile and provide monetary savings.

4.32 This email attaching the report for approval did not include the additional documents referred to in the report. The tender evaluation report recommendation to initiate a negotiation process was approved by the delegate on 29 November 2022.

### **Contract negotiations**

4.33 The contract negotiations occurred as a set of workshops with Indue between 12 December 2022 and 20 January 2023. These workshops covered roles and responsibilities, staffing and service levels, participant numbers, pricing, indemnity and damages, and benchmarking. The evaluation committee maintained a record of outcomes and action items from each meeting, along with notes of the workshop taken by one of the meeting attendees which are marked draft.

### **Delegate approval**

4.34 The final spending proposal contained summarised details from the negotiation workshops, including the following changes to pricing from the original RFQ response:

- a monthly 'risk premium' was added to the Program Support Fee;
- a reduction of 5 per cent across all tiers of the Program Support Fee;
- all centre minimum logged hours were reduced by 31 per cent per month<sup>71</sup>;
- the monthly Transaction Fee (the fee per active account) was reduced by 8 per cent; and
- indexation was effectively reduced due to using Wage Price Index in lieu of Consumer Price Index in relation to certain cost elements that more closely track to labour-based inputs.

4.35 The proposal also contained details of risks assessed during the evaluation, changes to the statement of work to move from the CDC program to the Enhanced Income Management program (see paragraph 4.55).

4.36 The spending proposal was approved and signed by a General Manager on 27 January 2023. The CEO's delegation of powers under the PGPA Act authorises a General Manager to enter into a contract for general expenditure to the limit of an available budget.

4.37 Items of non-compliance identified in the tender evaluation report approved by the delegate included two cases of non-compliance with Procurement Connected Policies and

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71 This calculation was done by ANAO, dividing the negotiated (reduced) number of call centre hours (360) by the previous number of hours (525).  $360/525 = 0.68571$ , or 68.5 per cent. If this figure is taken from 1, it leaves a difference of 0.31429, or 31.4 per cent (31 per cent when rounded down).

non-compliance with the Protective Security Policy Framework. In the tender evaluation report the evaluation committee noted that internal advice had been sought on non-compliance issues and that advice received allowed for these to be treated with 'deemed compliance' based on:

Indue's Proposal made undertakings to move towards compliance with the [Indigenous Procurement] policy over the life of the contract.

Indue's Proposal highlighted that Indue had, as an organisation, only very recently met the threshold requiring the need for compliance [Payment Times Procurement Policy<sup>72</sup>] and that Indue had been taking steps to fully comply over the coming quarters.

the National Manager with responsibility had expressed the view that the earlier approach of 'deemed compliance' was still an open pathway.<sup>73</sup> As a consequence, the Committee determined that Indue's response will meet the Commonwealth's requirements with respect to data and protective security.<sup>74</sup>

4.38 There was no record of the rationale of why the items of non-compliance were accepted.

4.39 On 30 January 2023, the contract with Indue was executed for the period from 6 March 2023 to 30 June 2024. The spending proposal stated that the total whole-of-life costs for the contract, should the option to extend until 30 June 2026 be exercised, was estimated to be \$21,478,200 inclusive of GST.

#### *Additional contract arrangements with Indue*

4.40 On 16 September 2022 the department and Indue signed a change proposal to the contract existing at the time for services relating to the CDC. The change proposal was to 'deliver and implement an Interim Enhanced Basics card' for CDC participants who transferred to the Enhanced Income Management program and related only to 'implementation services', with the ongoing operation of the new card to be subject to a separate agreement, namely the limited tender process undertaken by Services Australia in November 2022. The expiry date for the Change Proposal was 7 December 2022.

4.41 On 9 November 2022, during the time Indue was preparing its response to the RFQ, Indue informed Services Australia that it considered additional work was required, outside of the terms of the change proposal, in order to implement the Enhanced Income Management program within the required timeframes.

4.42 On 6 December 2022 a delegate approved a variation to the existing contract between Services Australia and Indue for the BasicsCard Income Management program. This variation was to enable Indue to undertake 'critical path activities that must be commenced before a contract is entered into' to ensure CDC participants have uninterrupted access to funds during the transition to Enhanced Income Management. The spending proposal stated that the cost of the variation would be funded within the existing budget for the contract so the total value of the contract did

72 From 1 October 2021, large businesses with an annual income of over \$100 million awarded government contracts of over \$4 million are required to pay their new subcontracts (up to \$1 million) within 20 calendar days. Late payments of invoices in scope will incur interest penalties.

73 Indue was using an exemption previously granted to DSS because the prior contract commenced before this policy came into effect.

74 In July 2021 Services Australian conducted a risk assessment of Indue for Protective Security Policy Framework for the CDC system. This assessment was valid for a period of two years and was used to establish 'deemed compliance' for Enhanced Income Management services.

not change. The quote was assessed as demonstrating value for money on the basis that ‘utilising the existing technology available from Indue represents the only viable method through which the agency can deliver the requested service continuity within the available timeframe.’

## Indemnity

4.43 The Indue contract included an indemnity from the Australian Government, which was in part to protect Indue from losses caused by errors which occurred as a result of contact centre services within Services Australia. The indemnity also covered:

- Indue ‘acting unconscionably’ in dealing with participants and merchants when acting as directed by the Commonwealth and when taking actions to implement Enhanced Income Management according to legislation;
- actions arising from conducting Enhanced Income Management activities such as restricting funds and declining transactions; and
- the collection, storage or provision to the Commonwealth of geolocation and time information of participants.

4.44 A liability risk assessment was completed for this indemnity and provided to Services Australia’s CFO for consideration. The indemnity clause was approved by the acting CFO, as the relevant financial delegate under the PGPA Act. This Minute estimated the likelihood of events triggering the contingent liability to be less than five per cent (i.e. remote), and that in the event it did trigger, the most probable expenditure would be under \$5,000,000.

## Did the procurement activities demonstrate achievement of value for money?

The evaluation committee documented its technical, pricing and risk assessment of Indue’s response to the request for quotation and how the outcome of the contract negotiations demonstrated achievement of value for money. The evaluation committee’s assessment was informed by the technical analysis undertaken by a pricing expert who compared Indue’s proposal with the similar services provided under the contract with the Department of Social Services. Services Australia commenced the benchmarking review seven months later than stated in the contract with Indue.

4.45 Achieving value for money requires the analysis of a wide range of factors and is not determined by price alone. The CPRs provide a non-exhaustive list of factors to consider when assessing value for money including quality, fitness for purpose, a potential supplier’s experience and performance history, flexibility, environmental sustainability and whole-of-life costs. Financial and non-financial factors are both critical elements for assessing value for money.<sup>75</sup> Even where procurements involve a single tenderer under sole source arrangements, value for money needs to be demonstrated.

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75 Department of Finance, *Commonwealth Procurement Rules*, Department of Finance, Canberra, July 2022, paragraphs 4.4 and 4.5, available from <https://www.legislation.gov.au/F2022L00409/asmade/text> [accessed 15 April 2024].

## Evaluation report

4.46 The Tender Evaluation Report and Spending Proposal for the procurement to support the Enhanced Income Management program outlined how the evaluation committee assessed the procurement as being value for money and the factors that contributed to the assessment, including the outcome of contract negotiations. The evaluation committee documented its consideration of financial and non-financial costs and benefits, including Indue's relevant experience and performance history, flexibility of the proposal and whole-of-life costs.

4.47 The limited tender approach was documented as an 'interim solution', with Services Australia using the CDC contract between the department and Indue as a basis for the Enhanced Income Management program contract, under the 'Tracing Principle' approach.<sup>76</sup>

4.48 The open tender process referred to in the Executive Committee's brief (see paragraph 4.7) did not occur as proposed. In October 2023 the Australian Government agreed to extend the Enhanced Income Management program until 30 June 2026 while consultations on the future of income management took place. In April 2024 Services Australia advised the ANAO that the 'Government policy direction is subject to a consultation process which is yet to be finalised. As such, Services Australia was not in a position to commence an open tender process'. At June 2024, Services Australia was in the process of extending the contracts with Indue and TCU to 30 June 2025.

4.49 A subject matter expert was engaged by Services Australia to provide technical advice and price modelling on costs provided by Indue in its response to the RFQ.<sup>77</sup> The pricing analysis, which formed part of Services Australia's tender evaluation process, found that:

the pricing for many elements was unchanged from the existing prices. This was, however, not an entirely desirable outcome for Services Australia noting the CDC supports a significantly higher number of participant accounts.

4.50 An anticipated range of 4,500 to 17,500 potential participants for the Enhanced Income Management program was set out in the Tender Evaluation Report. On the first day of the Enhanced Income Management program (6 March 2023) there were about 4060 participants, as at 1 March 2024 there were 10,498 participants.

4.51 The modelling undertaken by the technical adviser was presented at three different participant counts: 4,500, 10,001 and 16,500. The modelling found that in nominal dollar terms, the per participant per year cost for the higher volume of participants (16,500) was comparable to that obtained by the department for the CDC program. This was seen by the technical adviser as an expected result given the continuity in the pricing approach presented by Indue in its RFQ response.

4.52 The subject matter expert provided Services Australia with advice on the costs contained in Indue's response.

- The three price points represent a diminishing average cost curve, where additional units offset the fixed costs faced by a supplier, reducing the per unit cost.

<sup>76</sup> Services Australia advised that the 'Tracing Principle' refers to a contracting approach whereby minimal changes were made to the Indue CDC Services Agreement base to reflect only the differences between the CDC and the Enhanced Income Management programs. Services Australia noted that this had the advantage of not 're-litigating' or re-opening previously agreed positions that were already acceptable to the parties and streamlined the limited tender process.

<sup>77</sup> The subject matter expert contractor from JGK Advisory.

- Services Australia should account for the fact that Indue’s service delivery offering under the proposed Enhanced Income Management program contract is less comprehensive than for the CDC contract so one might expect to see more material reductions in costs.<sup>78</sup>
- The per year cost per participant at the lower volume of participants (4,500) represents an objectively high cost for delivering the services, particularly in light of the additional effort (and cost) being borne by Services Australia in operating the first-level call centre. The higher cost per participant at lower volumes was a foreseeable consequence of the new program requirements and is not entirely unreasonable but the Commonwealth should seek to obtain better terms through the negotiation process.
- The Additional Issuer Trial pricing, largely unchanged from the CDC contract, is a positive aspect of the Proposal, noting the experience of the department’s team in negotiating that pricing structure for the CDC program in late 2021.

4.53 Following the technical, pricing and risk assessment, the evaluation committee found:

There was not a proper alignment between the Quote and the agency’s requirements ... there were significant risks around contract compliance and price, which meant the Evaluation Committee did not consider itself able to recommend the Quote as offering value for money.

the Quote is suitable to progress to negotiations, and that a negotiated outcome is likely to offer a value for money solution to the Commonwealth.

4.54 Based on the evaluation and the clarification workshop, the evaluation committee recommended, and the delegate approved, proceeding to contract negotiations.

## Contract negotiations

4.55 Pricing was a key issue during the negotiations. Services Australia received a contract negotiation strategy (the negotiation strategy) from its legal advisor, HWL Ebsworth, on 30 November 2022. The negotiation strategy did not specifically set out a target price for the contract. The plan noted that the overall amount that represents value for money will depend on benchmarking and the outcome of the negotiations, and is directly linked to other negotiation items, in particular Service Level Agreements. The final spending proposal noted that ‘robust discussions’ were held throughout the negotiation process in relation to Service Levels given the differences in program size, location and roles between the CDC program and the Enhanced Income Management program. The spending proposal also noted that Services Australia and Indue had agreed that the ‘Service Levels will not commence until the Benchmarking Review has been completed, to ensure the agreed Service Levels are appropriate before financial penalties apply.’

4.56 The final spending proposal documents the evaluation committee’s assessment of how value for money was considered and, in the evaluation committee’s view, achieved. The outcome of the limited tender was a contract price of \$11,886,740 inclusive of GST, to 30 June 2024, based on an assumption of 4,500 program participants. The contract was executed on 30 January 2023.

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78 Under the CDC contract, Indue provided first-level call centre operations for customers. Under the Enhanced Income Management program contract, operation of the first-level call centre is undertaken by Services Australia.

## Benchmarking review

4.57 A benchmarking activity was included in the contract to be undertaken by Services Australia in collaboration with Indue 'on or around' three months after the commencement of services under the contract (6 March 2023) to evaluate price, quality and performance. This commitment was a factor in the evaluation committee's assessment of how value for money would be achieved. Services Australia noted this review would allow the entity 'to renegotiate areas of the Contract, using actual data from the Program to provide a more accurate snapshot of service delivery aspects of the Program'.

4.58 On 23 October 2023, more than seven months after commencement of the services under the contract, Services Australia invited Indue to participate in the Benchmarking review. Services Australia advised the ANAO in January 2024 that:

The Agency formed the view that in light of the significance of the change to the manner in which services are delivered, it would be in the Commonwealth's interests to delay the benchmarking process to obtain better data. This was in large part due to the fact that in the early period after the commencement of services, the volume of calls referred to the second level contact centre would be higher than what the Agency would intend in the longer run. In other words – by delaying the benchmarking process, the Agency would have a better basis to achieve longer-term savings by being able to refer to data that reflected the Agency's preferred mode of operating, after the initial establishment phase with newly-trained staff.

4.59 The benchmarking review was completed in March 2024. No report was prepared at the conclusion of the review. A summary of the outcomes of the review was provided to the delegate when approval was sought for the in-principal agreement reached between Services Australia and Indue to vary the contract. Services Australia negotiated savings from reduced fixed monthly fees relating to the Level 2 Contact Centre services provided by Indue to Services Australia. These savings were underpinned by a reduction in call centre opening hours and a longer answer time for calls, which Services Australia considered to be acceptable outcomes based on analysis of call data. The Deed of Variation took effect from 1 May 2024.

4.60 The Service Level Agreements, including any financial penalties, do not commence until the Benchmarking review has been completed. The negotiation strategy noted the risks associated with Services Australia ability to manage Indue's performance during any penalty free period. As the benchmarking activity was not completed until March 2024, financial penalties were not enforceable until 1 May 2024 when the deed of variation following the benchmarking activity took effect.



Rona Mellor PSM  
Acting Auditor-General

Canberra ACT  
26 June 2024





# Appendices

## Appendix 1 Entity responses

### Department of Social Services



**Australian Government**  
**Department of Social Services**

**Ray Griggs AO CSC**  
**Secretary**

Ref: EC24-001289

Ms Rona Mellor PSM  
A/g Auditor-General  
Australian National Audit Office  
GPO Box 70  
CANBERRA ACT 2601

Dear Ms Mellor, *Rona,*

**Department of Social Services response to Proposed Audit Report – *Transitional Arrangements for the Cashless Debit Card***

Thank you for providing the Department of Social Services (the Department) with the proposed Australian National Audit Office (ANAO) Section 19 Report (s19 Report) on Transitional Arrangements for the Cashless Debit Card (CDC). I appreciate the opportunity to respond and value the efforts and insights of the independent auditors and the identified opportunities for improvement.

The Department recognises the need to ensure our program management practices are effective, efficient and in line with best practice. We appreciate the ANAO's considered approach to the governance and oversight of the CDC transition and the recommendations as to how to strengthen governance, risk, performance monitoring and evaluation of enhanced Income Management (IM).

In line with recommendation one, the Department accepts that the terms of reference for all oversight and governance committees and bodies related to income management programs clearly define their reporting structure and responsibilities. The Department has undertaken mechanisms to gain assurance with monitoring and governing the oversight of all relevant governance committees and bodies, in accordance with the Steering Committee terms of reference.

In line with recommendation two, controls have been implemented to gain assurance that identified 'High' or 'Extreme' risks are reported in line with the Department's Enterprise Risk Framework. We have implemented clear procedures and controls to ensure timely and accurate record keeping of all endorsed versions of risk assessments and risk registers.

In line with recommendation three, we are reviewing and updating the performance measures in relation to enhanced IM. This will include assessing how Product Level Blocking (PLB) can be used as a metric to assess the effectiveness of the Program. The Department is working with Services Australia to amend the enhanced IM Services Schedule (the program governance document between the Department and Services Australia) to include PLB data and reporting.

Finally, in response to recommendation four, the Department will develop an evaluation plan for the enhanced IM program that is consistent with the Commonwealth Evaluation Toolkit to inform policy design changes and any other relevant programs.

A summary of the Department's overall response, detailed responses to the four recommendations and editorial matters the Department wishes to bring to the ANAO's attention are at **Attachment A**. We have responded to the additional requests for information at **Attachment B**.

If you would like further information on this response, please contact Rob Stedman, Head of Internal Audit, on (02) 6146 1754 or via [rob.stedman@dss.gov.au](mailto:rob.stedman@dss.gov.au).

Yours sincerely



Ray Griggs  
11 June 2024

## Services Australia



**Australian Government**  
**Services Australia**

Our Ref: EC24-002046

Chief Executive Officer  
David Hazlehurst

Ms Rona Mellor PSM  
Acting Auditor-General  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear <sup>Rona</sup> Ms Mellor

**Services Australia's response to the Australian National Audit Office's (ANAO) performance audit *Transitional arrangements for the Cashless Debit Card***

Thank you for providing Services Australia (the Agency) with the opportunity to comment on the ANAO's performance audit *Transitional arrangements for the Cashless Debit Card*, for which the Department of Social Services (DSS) and the Agency are designated entities.

I note the audit's finding that overall, the transitional arrangements from the Cashless Debit Card program to the Enhanced Income Management program were largely effective; and that the Agency's limited tender approach for the Enhanced Income Management program was largely compliant with the Commonwealth Procurement Rules. The Agency remains committed to working with DSS to further strengthen our bilateral oversight and governance committees and bodies related to income management programs.

I have provided a response to the findings and recommendation for the Agency contained in the report. I would like to thank the ANAO for its cooperative and professional approach throughout the audit process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Hazlehurst'.

David Hazlehurst  
3 June 2024

PO Box 7788, Canberra Business Centre ACT 2610 | Phone (02) 6223 4411 | [www.servicesaustralia.gov.au](http://www.servicesaustralia.gov.au)

## 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.

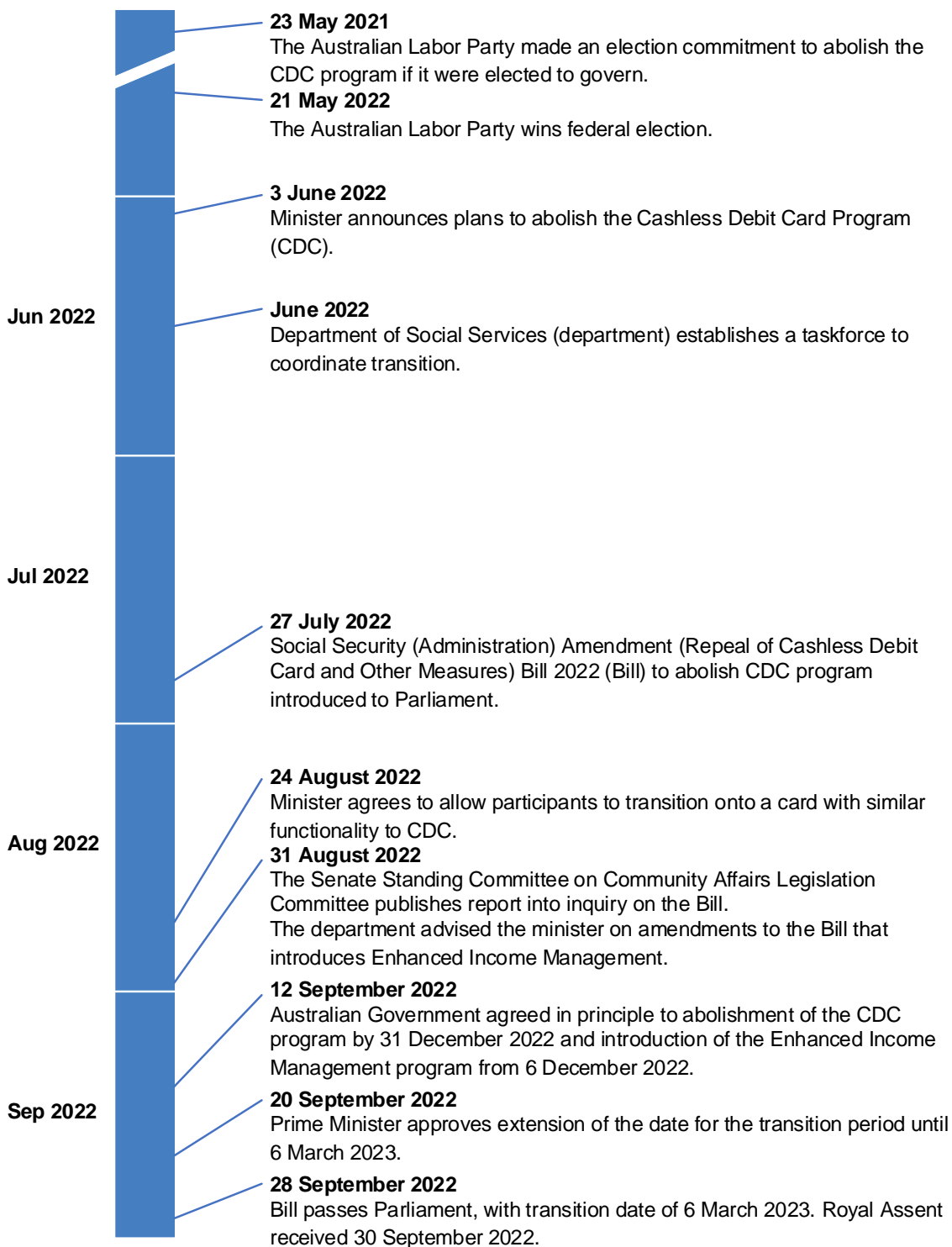
4. In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these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

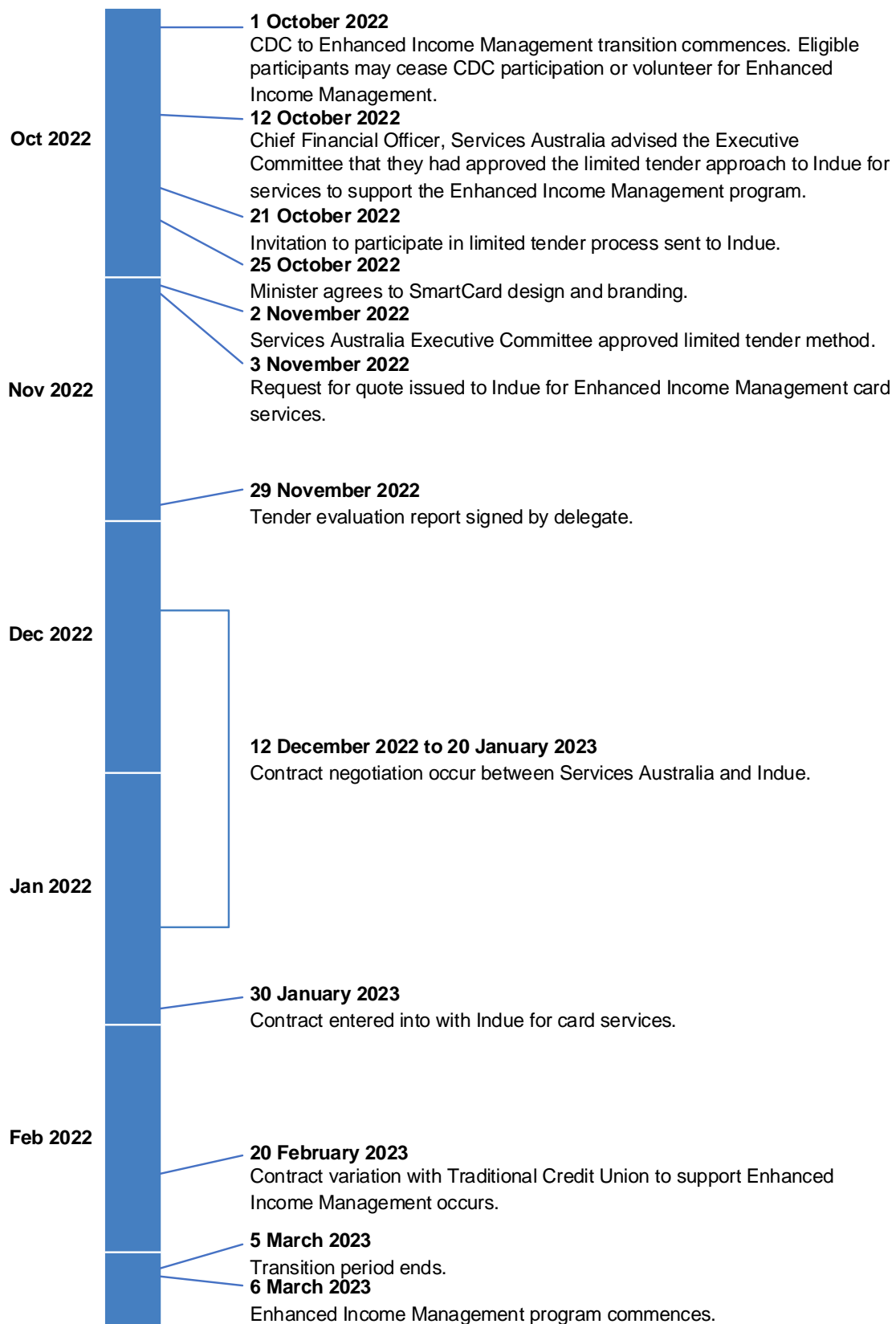
- The Department of Social Services and Services Australia signed the Enhanced Income Management Services Schedule (see paragraph 2.18).
- Services Australia has updated the terms of reference for the Income Management Governance Board (see paragraph 2.37).
- Services Australia has completed the benchmarking activity to evaluate price, quality and performance of the contract and resulting changes were incorporated into a Deed of Variation (see paragraph 4.60).

## Appendix 3 Timeline of the transition

1. Figure A.1 sets out the timeline of the key decisions and activities during the transition from the Cashless Debit Card program to the Enhanced Income Management program.

**Figure A.1. Timeline of the key decisions and activities between May 2021 and March 2023 related to the transition from the Cashless Debit Card program**





Source: ANAO analysis of the department's and Services Australia's records.

## Appendix 4 Findings from internal audit

1. The Department of Social Services internal audit on risk management culture identified five findings:

- Finding 1: Current requirements for reviewing control effectiveness are not sufficiently scaled based on risk, and there is limited awareness of the requirements. (Medium risk).
- Finding 2: Inconsistency in relation to how and when risks are escalated, and insufficient detail in risk reporting to key executive committees. (Medium risk).
- Finding 3: The Department's risk management culture requires maturing to align with its desired behaviours. (Medium risk).
- Finding 4: The Department has not defined its target state for risk management capabilities and induction and training programs do not include sufficient risk management content. (Medium risk).
- Finding 5: Certain [Enterprise Risk Management Framework] content is outdated, and feedback identified risk management tools are too detailed and administratively burdensome. (Low risk).