

VICTORIA

Victorian
Auditor-General

Audit summary
of
Management of
Concessions by the
Department of Human
Services

Tabled in Parliament
24 February 2010

Audit summary

Background

Low-income individuals and households often struggle to afford essential services and to keep up with rising living costs. Concessions help people on low incomes to access and afford essential services, such as water, energy, and housing. Affordable access to these services is often vital for social inclusion, good health and wellbeing.

The government pays for concessions through direct funding or foregone revenue at a cost of more than \$1 billion each year. The funding provides concessions to more than 700 000 households or more than 1.3 million Victorians. Concessions may benefit either individuals or entire households and typically are provided through discounts on standard fees and charges for services.

The state concessions system has been shaped over a number of years. Consequently, there are differences between particular concessions' operation and delivery. For example, the financial benefits for eligible recipients are capped for some concessions but not others.

State concessions are managed and delivered by a range of government departments, agencies and third parties. This audit focused on the Department of Human Services (DHS). It has both operational and policy units that are responsible for monitoring and reporting on all state government concessions, directly managing the provision of a range of concession and hardship programs and managing arrangements with external organisations for the delivery of concessions on utilities and municipal rates. Concessions administered through these DHS units make up around 27 per cent of all state concessions and cost \$329 million in 2008–09.

The objective of this audit was to assess whether DHS is effectively managing concessions, in terms of its forward planning and advice to government on the concessions system, the adequacy of its controls to assure the financial regularity of the concessions system, and its reporting on the concessions system.

Overall conclusions and findings

Forward planning and advice to government

In the future, the state concessions budget will come under severe pressure. Growing expenditure is being driven by increasing numbers of people eligible for, and seeking access to, concessions; and rising prices for services subject to concessions. In particular, energy and water costs are due to rise significantly. The forecast rate of increase in spending on concessions exceeds projected growth rates in state revenues, which will challenge the ongoing sustainability of the system.

The forward-planning activities of DHS have adequately highlighted and analysed issues and challenges to the ongoing effectiveness and financial sustainability of the concessions system. These findings have been adequately incorporated into sound advice to government. Notwithstanding this advice, there remain challenges with design and ongoing sustainability that have yet to be dealt with.

Individual concessions have not been assessed against the concessions policy framework since it was agreed by government in September 2007. To assure effectiveness, concessions need to be periodically assessed against the framework to test their alignment and inform priority setting in revision and reallocation of limited resources.

Controls over granting concessions

While improvements have recently been introduced, controls over the granting of concessions and hardship assistance need to be strengthened.

The incidence of ineligible people accessing concessions should be reduced by the more frequent verification initiated in 2009. However, action to increase the frequency of verifying eligibility for concessions has been slow and there has been inconsistency in the application of eligibility verification controls across concessions and hardship grant programs. The risk remains that not all people accessing concessions are entitled to them.

The provision of concessions by energy retailers, water authorities and local government has not been adequately monitored. Powers to gain assurance that adequate controls are operating over concessions provided by these organisations have not been used. Further, regular audits on these organisations have not been undertaken, nor have recommendations from previous audits been adequately addressed. Most of these organisations have never been audited.

In addition, the performance monitoring and reporting requirements for energy retailers have not been actively enforced. Retailers have not been penalised for non-compliance with agreed performance indicators. Without this deterrent or regular compliance audits, energy retailers have little incentive to comply with their obligations.

The administration fees that the state pays to external providers of concessions may be too high. Advice external consultants gave about fee costs in 2006 has not been pursued following initial retailer challenge.

Controls over the hardship assistance programs that DHS administers directly also need to be significantly tightened. Weaknesses in controls over the Home Wise grants scheme need priority attention given the growth in the cost of this scheme from \$1 million in 2006–07 to \$16.8 million in 2008–09. Checks now being undertaken on Home Wise applications are demonstrating the likelihood that ineligible applicants have been provided with Home Wise grants in the past.

DHS has taken, or plans to take, several steps that should start to address many of these issues.

Reporting on effectiveness

The transparency and accountability of the concessions program should be improved. Public reporting on the state concessions program is not timely. It is also difficult to determine how effectively concessions are performing against relevant government objectives.

Recommendations

Number	Recommendation	Page
	DHS should:	
1.	Update individual concession assessments against the government concession policy framework.	14
2.	Review administration costs paid to external organisations.	19
3.	Implement a performance reporting and monitoring framework for councils and water authorities.	20
4.	Determine to what extent improved eligibility verification has lowered concessions spending.	21
5.	Make sure that the effectiveness of its future compliance audit program is not compromised by issues with auditee systems.	24
6.	Give priority to addressing recommendations from future compliance audits.	24
7.	Implement an automated payments system with appropriate controls for concessions programs it manages directly.	28
8.	Address the control weaknesses of the Home Wise scheme as a matter of urgency.	32
9.	Include sufficient information and analysis in the annual report on the state concessions system to allow meaningful conclusions about the performance of concessions against government objectives.	37
10.	Publish the annual report on the state concessions system within six months of the end of the financial year.	37