

Western Australian Auditor General's Report



Management of Government Concessions



Report 3: March 2016

Office of the Auditor General Western Australia

7th Floor Albert Facey House
469 Wellington Street, Perth

Mail to:

Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500

F: 08 6557 7600

E: info@audit.wa.gov.au

W: www.audit.wa.gov.au

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

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ISSN 2200-1913 (Print)
ISSN 2200-1921 (Online)

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Management of Government Concessions



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

MANAGEMENT OF GOVERNMENT CONCESSIONS

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

Across government benchmarking audits build on the annual financial audits of all agencies. We conduct these audits at a sample of agencies using more detailed testing than is required for the annual financial audits.

This audit assessed whether agencies have appropriate processes and controls over concessions. We found that the management of concession by agencies was generally satisfactory, although there was room for improvement at 7 of the agencies audited.

The findings of this report provide an insight to good practice, so all agencies including those not audited, can consider their own performance.

I wish to acknowledge the cooperation of the staff at the agencies included on this audit.

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY
AUDITOR GENERAL
16 March 2016

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Management of government concessions

Background

The State Government provides more than 100 rebates, concessions and subsidies. The 2015-16 State budget papers estimated these to be worth approximately \$2.6 billion. The concessions are mainly to individual members of the public to help them meet the cost of household bills and other essential services.

The concessions, received as a discount or rebate, apply to goods and services such as power, water, transport, education, housing and health. A smaller number of minor value concessions are also directed at improving quality of lifestyle.

The major recipients of State Government concessions are holders of pensioner health benefit cards, health care and health benefit cards, seniors cards, war widows and totally and permanently incapacitated pensioners. However, significant concessions are also received by others, for example students and children.

Our last detailed report on management of government social concessions (Public Sector Performance Report, November 1999) found that there was no coordinated whole-of-government approach to targeting, monitoring and evaluating concessions provided by government agencies. A more recent audit of concessions offered to students at state training providers (Audit Results Report, May 2012) found often insufficient evidence was retained to demonstrate that students were eligible for concessions.

What we did

The focus of this audit was to assess whether agencies have appropriate processes and controls over their concessions.

We assessed the practices at 8 agencies, who offer various concessions worth an estimated \$227 million per annum. The concessions covered by the scope of our audit were:

Agency	Concessions within scope of audit
Challenger Institute of Technology	50% course fee concession
Department of Fisheries	Recreational fishing licence concessions
Department of Transport	Motor vehicle licence
Electricity Generation and Retail Corporation (Synergy)	Cost of living assistance Dependent child rebate
Public Transport Authority	Transperth – concession fares
Rottnest Island Authority	Train/bus/bike concessions Tour concessions
Water Corporation	Pensioners service charge rebate Pensioners consumption concession Seniors service charge rebate
Zoological Parks Authority	Children's discount – zoo Children under 4 – free zoo entry Education excursion discount Seniors discount and concession card – zoo

Our lines of inquiry were:

1. Do the agencies have policies and procedures for administering concessions?
2. Are eligibility checks adequate?
3. For ongoing concession claims, are there adequate controls to confirm that recipients remain eligible for concessions?
4. Have the agencies provided the Department of Treasury (for its budgeting purposes) with reliable information about the number of persons who are eligible for and actual beneficiaries of their concessions?

This was an across government benchmarking audit (AGBA) conducted under section 18 of the *Auditor General Act 2006* and in accordance with Australian Auditing and Assurance Standards. AGBAs assess and benchmark agencies against common business practices to identify good practices and control weaknesses and exposures so that agencies, including those not audited, can compare their own performance.

Conclusion

The overall management of concessions at most agencies was reasonable, though 7 of the 8 agencies need to make improvements to some elements of their process.

Eligibility checks were adequate at most agencies, with 6 of the 8 agencies sampled assessed as good. At the other 2 agencies, we could not confirm that all recipients were entitled to concessions, as the agencies had not retained sufficient evidence of eligibility checks. Amongst the 5 agencies providing ongoing concessions, 3 had adequate controls to confirm ongoing eligibility.

We also found that 4 agencies did not have information that supported the estimated value of their concessions reported in the State Budget, while 5 of the 8 agencies need to improve their policies and procedures for the management of their concessions.

What did we find?

Only the Zoological Parks Authority was rated 'good' across all lines of inquiry. Table 1 is a summary of our findings using a 3 point scale of 'poor', 'fair' or 'good'.

Agency	Adequate concession policy and procedures	Adequate eligibility checks	Controls over ongoing concessions	Accuracy of budget information
Challenger Institute of Technology	Fair	Good	Good	Good
Department of Fisheries	Fair	Poor	Not applicable*	Poor
Department of Transport	Fair	Fair	Poor	Good
Electricity Generation and Retail Corporation (Synergy)	Good	Good	Good	Poor
Public Transport Authority	Fair	Good	Good	Poor
Rottnest Island Authority	Good	Good	Not applicable*	Poor
Water Corporation	Fair	Good	Fair	Good
Zoological Parks Authority	Good	Good	Not applicable*	Good

Table 1: Agency ratings against our criteria

* Agency does not have any ongoing concessions.

Concession policies are generally adequate

Sound policies help staff make appropriate decisions about whether the applicant is eligible for a concession.

All agencies had concession policies and procedures, which were easily accessible to all staff, and they generally made staff familiar with the requirements as part of their induction to the agency.

However, 5 of the agencies' policies were either not approved by the appropriate level of management, had not been recently updated to reflect current requirements or lacked sufficient detail.

Most agencies had adequate eligibility checks

We tested 290 concessions at the 8 agencies to determine if eligibility checks were adequate and noted the following:

- We considered the eligibility checks at 6 of the agencies to be adequate, with supporting documentation retained as evidence that the recipient was eligible.
- At the other 2 agencies in our sample, we were unable to confirm that all recipients were entitled to receive a concession:
 - Department of Fisheries – the department does not check eligibility for online applications, which represent approximately 75% of applicants, and had not retained evidence of eligibility for other applicants. However, the department advised that officers perform random field checks, including where applicable, review of concession eligibility.

- Department of Transport – the department had not retained evidence of eligibility for 30% of the concessions we sampled.

This also means that agency management is unable to monitor the granting of concessions to confirm that the policy and regulations are applied correctly.

Agency monitoring of ongoing concessions needs to be improved

While some concessions require proof of eligibility for each instance of service, for example entry to the zoo, others such as electricity invoices involve the ongoing granting of concessions that cover numerous periodic payments. It is important that recipients of ongoing concessions are periodically checked for continued eligibility.

Of the 5 agencies in our sample that provided ongoing concessions, 3 had good processes for reconfirming through periodic checking that recipients remained eligible for the concessions. The Department of Transport did not perform any checking for motor vehicle licence renewals, while the Water Corporation was not regularly reviewing relevant reports to reconfirm ongoing eligibility.

One effective method for checking eligibility for concessions is to match the recipient (or potential recipient) to Centrelink records. We found inconsistent use of this method.

Centrelink charges agencies to access their data. Some agencies have obtained full access to the Centrelink database while others concluded that the cost was either prohibitive or that limited access was all that could be justified. We observed that Centrelink's charges varied across agencies.

Without Centrelink access, agencies need to perform more time consuming processes to confirm eligibility. This suggests a need for a more coordinated across government approach to accessing Centrelink data.

More robust collection and reporting of the value of concessions is required

The actual value of government concessions granted is not reported by agencies in their financial statements, or in the Annual Report on State Finances. Estimates are presented in Budget Paper Number 3¹, which provides the economic and fiscal outlook for the State. The Department of Treasury collates this summary from information provided by the agencies.

Four of the agencies had provided information to the Department of Treasury that was clearly explained and supported by relevant information from the agencies' systems and forecasting tools.

Three agencies could not provide supporting documentation to show how they had estimated the value of their concessions reported in the State Budget. At the other agency, the Department of Fisheries, supporting documentation showed that the estimates were based on prior year estimates rather than prior year actual amounts. As a consequence, incorrect estimates were included in the State Budget papers.

In addition, the Public Transport Authority was unable to explain a materially significant adjustment made during the estimation process. However, from further inquiry, the Department of Treasury was able to provide a reconciliation between documentation provided by the Public Transport Authority and the estimates published in the State Budget.

¹ Estimates of concessions for 2015-16 are on pages 269 to 277 of Budget Paper Number 3 for 2015-16.

Recommendations

1. All agencies should:
 - a. Have comprehensive policies, procedures and guidelines that specify eligibility criteria for granting a concession and the evidence that should be retained. These should be regularly reviewed and approved by management.
 - b. Perform adequate eligibility checks before concessions are granted and keep evidence of the checks.
 - c. Provide reliable information to the Department of Treasury about social concessions that is supported by evidence.
2. Agencies that provide ongoing concessions should regularly reconfirm the continuing eligibility of recipients.
3. Where appropriate, agencies should seek access to Centrelink information that can streamline checking of concession eligibility.

Agency responses

Agencies in our sample generally accepted our recommendations and confirmed that they either have, or will improve their policies and practices for managing concessions.

The Department of Fisheries is of the view it has appropriate, cost effective arrangements in place given the nature of the concessions it grants. The Department's concessions for 2014-15 individually ranged from \$15 to \$103.50, and the Department considers the risk of fraud relatively low at this time but will continue to monitor and review arrangements as required.

Auditor General's Reports

Report No.	Reports 2016	Date Tabled
2	Consumable Stock Management in Hospitals	24 February 2016
1	Health Department's Procurement and Management of its Centralised Computing Services Contract	17 February 2016

Report No.	Reports 2015	Date Tabled
26	Verifying Employee Identity and Credentials	2 December 2015
25	Operating Theatre Efficiency	18 November 2015
24	Audit Results Report – Annual 2014-15 Financial Audits	11 November 2015
23	Information Systems Audit Report	5 November 2015
22	Safe and Viable Cycling in the Perth Metropolitan Area	14 October 2015
21	Opinions on Ministerial Notifications	8 October 2015
20	Agency Gift Registers	8 October 2015
19	Opinions on Ministerial Notifications	27 August 2015
18	Controls Over Employee Terminations	27 August 2015
17	Support and Preparedness of Fire and Emergency Services Volunteers	20 August 2015
16	Follow-On: Managing Student Attendance in Western Australian Public Schools	19 August 2015
15	Pilbara Underground Power Project	12 August 2015
14	Management of Pesticides in Western Australia	30 June 2015
13	Managing the Accuracy of Leave Records	30 June 2015
12	Opinions on Ministerial Notifications	25 June 2015
11	Regulation of Training Organisations	24 June 2015
10	Management of Adults on Bail	10 June 2015
9	Opinions on Ministerial Notifications	4 June 2015
8	Delivering Essential Services to Remote Aboriginal Communities	6 May 2015
7	Audit Results Report – Annual 2014 Financial Audits	6 May 2015
6	Managing and Monitoring Motor Vehicle Usage	29 April 2015
5	Official Public Sector Air Travel	29 April 2015
4	SIHI: District Medical Workforce Investment Program	23 April 2015
3	Asbestos Management in Public Sector Agencies	22 April 2015
2	Main Roads Projects to Address Traffic Congestion	25 March 2015
1	Regulation of Real Estate and Settlement Agents	18 February 2015

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