



Government  
of South Australia

Report  
of the  
Auditor-General  
Supplementary Report  
for the  
year ended 30 June 2015

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Tabled in the House of Assembly and ordered to be published, 5 July 2016

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Second Session, Fifty-Third Parliament

Department for Communities and Social Inclusion –  
Concessions: June 2016

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Dear President and Speaker

**Report of the Auditor-General: Supplementary Report  
for the year ended 30 June 2015: Department for Communities and  
Social Inclusion – Concessions: June 2016**

Under the provisions of the *Public Finance and Audit Act 1987*, I present to each of you a copy of my Supplementary Report for the year ended 30 June 2015 'Department for Communities and Social Inclusion – Concessions: June 2016'.

**Content of the Report**

Part A of the Auditor-General's Annual Report for the year ended 30 June 2015 advised various public sector information and communications technology systems would be subject to Supplementary reporting to Parliament. This report provides detailed commentary and audit observations on aspects of the review of concessions.

**Acknowledgements**

The audit team for this report was Andrew Corrigan and James Baker.

I also express my appreciation for the cooperation and assistance provided by the staff of the Department for Communities and Social Inclusion during the course of the audit.

Yours sincerely

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

Andrew Richardson  
**Auditor-General**



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# **1 Executive summary**

## **1.1 Introduction**

The Department for Communities and Social Inclusion (DCSI) administers a number of concession types offered by the SA Government. These include concessions for transport, energy, water, sewerage and the emergency services levy. Prior to July 2015, DCSI also administered council rates concessions. In 2014-15, DCSI paid \$160 million across all administered concession types.

DCSI uses the Concessions and Rebate Tracking System (CARTS) to manage a number of its concession clients and applications. DCSI is aware of a number of issues with the operation of CARTS. These issues have been the subject of commentary in our past reports. DCSI had previously sought to replace CARTS with the Concessions and Seniors Information System (CASIS). Development of CASIS was abandoned in 2015.

DCSI is responsible for administering concessions and assessing the eligibility of each client. Retailers are responsible for deducting the concession from each client's bill based on DCSI advice. In 2013-14, DCSI assessed the eligibility of certain recipients of concessions applied by energy retailers as part of its work to migrate data to a new system. DCSI's assessment identified overpayments to energy retailers of up to \$2.59 million based on payments made by energy retailers to ineligible clients. Based on DCSI's assessment, we commenced this review of concessions to further quantify the extent of potential control failures and to determine whether concessions were accurate and only applied to eligible recipients.

We also sought to understand whether there were any trends in validation issues and analysed data for the period July 2009 to June 2015 (six years). We considered this information important to how future concession administration is performed, including the value of and need for new computer system solutions or alternative cost-effective measures.

In March 2015, DCSI developed an updated reconciliation process for energy concessions. The updated process matches data provided by energy retailers to DCSI client records.

After we commenced our audit, DCSI advised it was implementing additional controls as part of a detailed reconciliation process. From late December 2015, DCSI performed additional checking on the reconciliation data provided by energy retailers as part of each billing cycle. We are reviewing this process and any issues will be reported in our upcoming 2015-16 Annual Report to Parliament.

## **1.2 Audit conclusion**

State concessions towards household costs are valuable assistance to eligible low and fixed income households. Their purpose is to help make South Australia an affordable place to live. A large part of the population is affected, with the largest being over 200 000 recipients of the energy concession. Because of its importance, concession holders expect to receive timely and accurate payments.

As a high value government outlay (a budget of \$168 million for 2015-16), the State needs to have processes in place to ensure reasonable controls operate when administering concession payments. There are a broad range of concessions, with eligibility varying between concession types.

We acknowledge the need to balance the interests of the recipients and the state responsibilities. However, our audit findings confirm that there was a systemic issue with reconciliation processes and eligibility checking during the six-year review period. In particular, we identified deficiencies in how energy concession payments were substantiated, and in the validation of eligibility for energy and water concession clients.

This review has reinforced past audit concerns regarding the longer-term viability of the CARTS system, with development of a replacement system abandoned in 2015. There remains the need to assign sufficiently trained staff to both manage CARTS and conduct the various consequential manual processes. DCSI needs to ensure that sufficient controls are implemented and resources allocated to manage the concessions process effectively, including a long-term solution to replace CARTS.

We note DCSI’s positive response to our findings and recommendations. This includes recent changes to strengthen processes and controls following the conclusion of our audit. These are further to the additional controls implemented in March 2015 and in December 2015.

**1.3 Key audit findings**

**Insufficient validation of concession client eligibility (section 4.3)**

Between July 2009 and June 2015 there was insufficient validation of the eligibility of energy and water concession clients. We concluded, however, that DCSI sufficiently validated the eligibility of clients for council rates concessions:

| Concession type    | Concession clients with insufficient validation |
|--------------------|---|
| Energy             | 21% to 28%                                      |
| Water and sewerage | 11% to 28%                                      |
| Council rates      | 0% to 7%  |

**Validation issues identified for energy concession payments over a six-year period (section 4.4)**

We have concluded that there was insufficient evidence to substantiate the energy concession payments made during the six-year review period. We identified validation issues for energy concession payments over this period. This represented 23% of the energy concession payments that we reviewed, including the following validation categories:

| Validation category  | 2009-10 to 2014-15                 |   | Trend |
|--|------------------------------------|---|-------|
|  | Total value of concession payments | Average annual value of concession payments |       |
| DCSI did not approve an energy concession for the applicable period      | \$11.79 million                    | \$1.97 million                              | ▼     |
| Insufficient validation of eligibility with Centrelink                   | \$5.03 million                     | \$840 000                                   | ▲     |
| DCSI has no record of the client   | \$2.81 million                     | \$470 000                                   | --    |
| The client has not registered an energy concession application with DCSI | \$1.82 million                     | \$300 000                                   | ▼     |
| Centrelink data indicates that the client was ineligible                 | \$1.25 million                     | \$210 000                                   | ▼     |
| DCSI cannot fully match energy records to a client                       | \$930 000                          | \$160 000                                   | ▲     |

Although a significant portion of these payments may be legitimate, the level of validation issues identified suggests there was a systemic issue with reconciliation processes and eligibility checking during the six-year review period.

We also identified 4350 concession payments to a household where the nominated applicant was deceased. After being notified that a client is deceased, DCSI provides a 13-week grace period. This period is given so that a bereaved spouse or family member has a reasonable period of time to arrange the transfer of the energy account. We identified instances where payments were made more than 13 weeks after DCSI was initially notified.

Important to this conclusion is that while DCSI stated that manual interventions over this period would have resolved validation issues for many of these payments, inadequate records were retained evidencing such work.

#### **Concessions data quality issues identified (section 4.5)**

We confirmed a number of issues with CARTS data quality, including clients with missing details, potential duplicate clients and clients with more than one approved concession form of the same concession type.

Poor quality data increases the risk of duplicate or ineligible concession payments being approved.

#### **Deficiencies in the format of energy retailer data and the Department for Communities and Social Inclusion checking processes (sections 4.6 and 4.7)**

We identified inconsistencies in how energy retailers represent concession claim amounts in their reconciliation data. Additionally, where a backdated payment is being processed, energy retailers do not consistently provide the number of days for which the backdated payment applies.

DCSI's reconciliation process for energy data does not assess whether clients in the retailer data match approved energy concession applications in CARTS. DCSI also advised us that the process does not currently include identifying duplicate client concession claims.

These deficiencies increase the risk that DCSI is unable to reconcile records back to client records in CARTS. This may lead to payments being made to energy retailers for ineligible clients.

#### **Three energy reconciliation files not retained (section 4.8)**

Under the *State Records Act 1997*, DCSI is required to retain data provided by energy retailers for a minimum of seven years. DCSI was unable to locate three energy reconciliation files requested as part of our review.

**Key resource risks identified (section 4.9)**

Throughout our review, we liaised with DCSI’s Community and Organisational Support unit. As part of this process, we identified the following resourcing risks:

- Only one staff member in Community and Organisational Support was able to address our queries regarding concession processes and the eligibility of payments.
- DCSI did not have the required software and/or expertise to extract data from CARTS, including for reporting purposes. An external contractor was needed to be engaged to extract the requested data as part of our review. This increases the risk that DCSI cannot effectively review data quality or conduct regular reviews.

**Most payment amounts were correctly calculated (section 5)**

Our assessment of the calculation of concession payments determined that more than 99% of payments were correctly calculated in line with specified minimum/maximum amounts and calculation criteria.

Data analytics testing processes identified the following initial error rates for concessions paid between July 2009 and June 2015.

| Concession type    | Initial error rate | Comment   |
|--------------------|--------------------|---|
| Energy             | 0.3%               | Sample testing of these errors confirmed that most were backdated payments, although we identified two duplicate concessions. Energy retailers do not consistently record backdated payments in the reconciliation files they generate. |
| Water and sewerage | 0.4%               | Sample testing confirmed that most were due to partial concessions being applied and not calculation errors.  |
| Council rates      | 0.8%               | Sample testing confirmed that these were legitimate backdated payments and not calculation errors.  |

**1.4 Recommendations**

Based on our findings we made a number of recommendations, including that DCSI:

- conduct regular reviews of CARTS client and concession applications data to confirm that records are being regularly validated and to identify data quality issues
- consider the viability of reviewing historic energy concession payments to confirm the extent of payments to ineligible clients
- update reconciliation processes and reconciliation data file formats
- retain all energy reconciliation data for a minimum of seven years in line with the requirements of the *State Records Act 1997*
- where feasible, allocate additional resources to the concessions process and the administration of CARTS.

## **1.5 Department response**

DCSI responded that it has put in place a system to more regularly validate customer records and improve data quality and evidence of validation. This includes a 90 day validation of CARTS data cross-checked with Centrelink records.

DCSI responded that to ascertain the extent of past payments to ineligible clients, it would need to review 697 000 customer records individually. This would involve checking each concession payment manually against CARTS data and revalidating each client's eligibility with Centrelink. Centrelink validations can only be performed up to two years prior to the date the validation is conducted. Therefore the majority of records identified by the audit could not be assessed by this methodology. DCSI will consider the viability of this review but notes, in light of the scope of work required, it is important to focus resources on the upgraded detailed reconciliation of current energy billing accounts.

DCSI responded that in March 2015, it developed an updated reconciliation process for energy concessions. The updated process matches data provided by energy retailers to DCSI client records. Since December 2015, DCSI has further upgraded the energy reconciliation process. This involves a manual interrogation of customer records showing irregularities. DCSI has commenced work on additional business technology support for the upgraded reconciliation process.

In relation to reconciliation data file format, DCSI will work with energy retailers to encourage them to adopt consistent file formats.

DCSI responded that it acknowledges that it is unable to locate three out of the 418 energy reconciliation files we requested for this review. As a result, enhanced records management processes have been put in place for energy reconciliation files.

DCSI responded that, within the limitations of its existing budget, it is seeking to allocate additional resources and is reviewing ongoing resourcing requirements.

Refer to Appendix 4 for additional comments from DCSI's detailed response.

## 2 Background

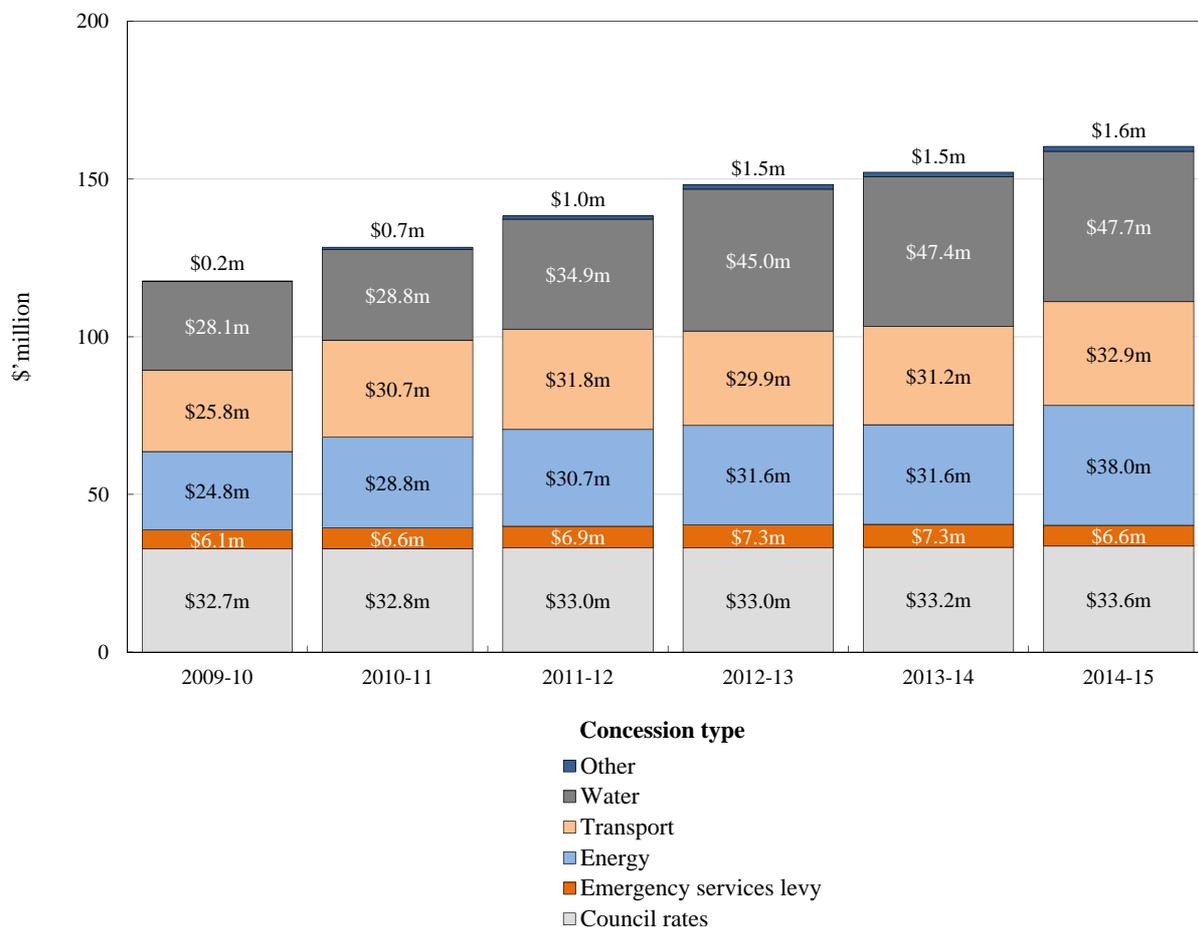
### 2.1 Concessions overview

People entitled to State concessions expect to receive timely and accurate payments. The State must apply sufficient controls over these payments to provide reasonable assurance that payments are valid and accurate.

#### Concession types

DCSI administers a number of concession types offered by the SA Government. These include concessions for transport, energy, water, sewerage and the emergency services levy. Prior to July 2015, DCSI also administered council rates concessions.

In 2014-15, DCSI paid \$160 million across all administered concession types. The following chart shows payments by concession type between 2009-10 and 2014-15.



During this period, total concession payments have increased by 36%. This includes a 70% increase in water concessions, a 53% increase in energy concessions and a 3% increase in the total value of council rates concessions.

Energy, water and council rates concession types follow similar client eligibility criteria (such as the client holding a Pensioner Concession Card or receiving a particular Centrelink benefit). However, each concession type has certain differences in the payment types or card

types recognised for eligibility. Eligibility criteria for the concession types included in this review are detailed in Appendix 2.

Generally, DCSI concession clients can be split into two main categories: pensioners and beneficiaries. Pensioners include clients receiving an age pension, disability pension or other ongoing government payment. Beneficiaries are clients who receive a specific benefit from Centrelink (such as Newstart or Youth Allowance).

Beneficiaries are more dynamic, as their eligibility status is more likely to change due to changes in personal circumstances. For example, a client on Newstart may find employment and therefore no longer be eligible for the Centrelink benefit. As a result, beneficiary eligibility is normally communicated to retailers for every billing period. Pensioners are confirmed in ‘on’ and ‘off’ advisory files sent to retailers as DCSI identifies any changes in eligibility.

### Council rates concessions ceased and Cost of Living Concession introduced

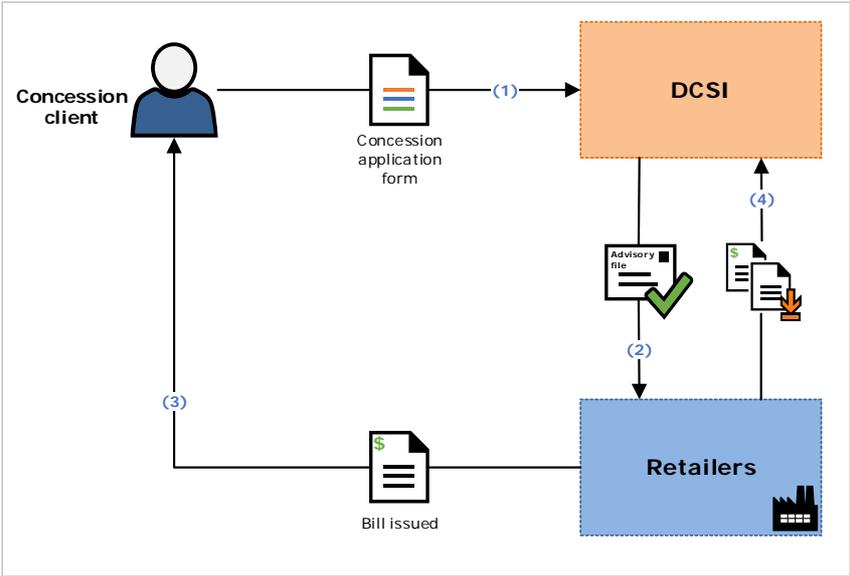
In October 2014, the SA Government announced its intention to cease the council rates concession. 2014-15 was the last financial year for which council rates concessions were paid.

Subsequently, the SA Government introduced the Cost of Living Concession (COLC). The COLC is a direct payment to eligible clients, designed to support pensioners and low-income households with cost of living pressures. The COLC commenced on 1 July 2015.

Due to the timing of our review and the manual processes associated with paying the COLC, this concession was not included in our analysis.

### 2.2 Process – concession payments to retailers

DCSI is responsible for administering concessions and assessing the eligibility of each client. Retailers are responsible for deducting the concession from each client’s bill based on DCSI advice. At the time of conducting our audit, the concession process operated as shown below.



- (1) A concession client completes a concession application form and forwards the completed form to DCSI. DCSI reviews the application and confirms eligibility based on the set criteria for each concession type. DCSI will also confirm eligibility using the Centrelink validation service. This is then recorded in CARTS as an ‘application’.
- (2) Once an application has been approved, DCSI advises the applicable retailer(s) to start deducting a concession from the client’s bills.
  - a. For pensioners, DCSI typically provides a single notification to start paying a concession to a client.
  - b. For beneficiaries (such as clients receiving Newstart or Youth Allowance), DCSI notifies the retailer each billing cycle that the client should continue to receive a concession.
- (3) Retailers apply concessions to each bill based on agreed rates. Energy and water concessions are applied at each bill, whereas the council rates concession was applied to the client’s annual rates notice.
- (4) Retailers provide ‘reconciliation statement files’ to DCSI for verification of concession client eligibility and payment validity. Retailers also provide invoices to DCSI for reimbursement of the concession amounts deducted from client bills.
- (5) DCSI advises the retailer of any adjustments required. Adjustments are typically processed in a subsequent billing period.

### **2.3 Known issues with existing concessions system**

DCSI uses CARTS to manage energy, water and sewerage concessions. The former council rates concession was also managed using CARTS. CARTS is DCSI’s primary source of information on its concession clients and approved concession applications.

DCSI is aware of a number of issues with the operation of CARTS. These issues have also been the subject of commentary in our past audit reports. Known issues include:

- CARTS does not have the functionality to reconcile concession payments made with client details and concession applications recorded in the system. DCSI reconciles this information using a separate process (see section 2.6 below). CARTS does not record sufficient details of manual interventions by DCSI staff as part of this process
- there are limited validation controls enforced during data entry
- in certain instances, an energy concession application may be changed to a ‘closed’ status in CARTS but the system does not generate a notification for the energy retailer to cease paying the concession.

### **2.4 Concessions and Seniors Information System development**

As reported in our 2014-15 Annual Report, DCSI was developing a new system to manage concessions and seniors card administration. CASIS was designed to replace CARTS to improve the level of validation applied to concessions. Given the expectation that the new system would be implemented, the known issues with CARTS functionality and validation controls were not remediated.

CASIS was initially intended to be implemented in 2009-10 at a cost of \$600 000. Due to certain factors, this development timeframe was not achieved. Significant delays in the system's implementation and operation resulted in additional costs to the taxpayer.

In August 2015, based on advice provided by the Office for Digital Government, the Minister for Communities and Social Inclusion approved ceasing development of CASIS. The cost of CASIS totalled \$7.4 million as at 30 June 2015.

The \$7.4 million spent on CASIS did not achieve the goal of improving the effectiveness of the management of concession outlays, nor the implementation of the planned system. Accordingly, DCSI continues to use CARTS to process the major concession types.

DCSI is currently developing the Cost of Living Information system (COLIN) to assist with management of the COLC. It is expected that a separate business case will be developed to transition existing concessions IT systems and data management tools to COLIN at a later stage.

## **2.5 Overpayments identified by the Department for Communities and Social Inclusion**

In 2013-14, DCSI performed data migration work to prepare for implementing CASIS. This included reviewing the eligibility of certain concession holders. As part of this process, DCSI compared energy retailer records to current customer records held by DCSI, and was unable to match 5173 of 206 200 clients in CARTS.

In November 2013, DCSI requested energy retailers to write to the unmatched customers, inviting them to contact DCSI to verify concession eligibility. Where necessary, a second letter was sent in March 2014.

In June 2015, DCSI advised that the total calculated value of overpayments was \$1.39 million. At that time, more than \$184 000 had been recovered through payments made by energy retailers. DCSI was acting on legal advice regarding the appropriate process for recovery of the overpayments.

DCSI advised that more information is required from one energy provider to finalise the amount of overpayments to be recovered. However, based on information to date, DCSI believes that the amount recoverable from that retailer could be up to a further \$1.2 million. This would result in total overpayments identified by DCSI to be recovered of up to \$2.59 million.

As the time of this Report, DCSI had recovered \$366 500 from energy retailers. Negotiations are ongoing with relevant retailers.

## **2.6 Updated reconciliation process**

Given the known issues with CARTS, the cessation of the CASIS project and the identification of overpayments, DCSI developed an updated reconciliation process for energy concessions. This process was implemented in March 2015.

The updated process matches data provided by energy retailers to client records in CARTS. This includes:

- attempting a match between energy retailer data and CARTS data using multiple matching combinations
- identifying clients that do not match any CARTS client records
- reviewing the validity of payment calculations based on set annual concession rates and identifying payments that do not match these expected amounts.

Prior to March 2015, DCSI did not match energy retailer data to CARTS data on an individual client level to confirm eligibility.

This reconciliation process is being reviewed as part of our annual financial statement and controls opinion audit for DCSI. Any issues will be reported in our upcoming 2015-16 Annual Report to Parliament.

### 3 Audit objective and scope

#### 3.1 Objective

The objective of this review was to assess concessions managed by DCSI to determine whether concessions were only paid to eligible recipients and payment calculations were valid. This included assessing whether:

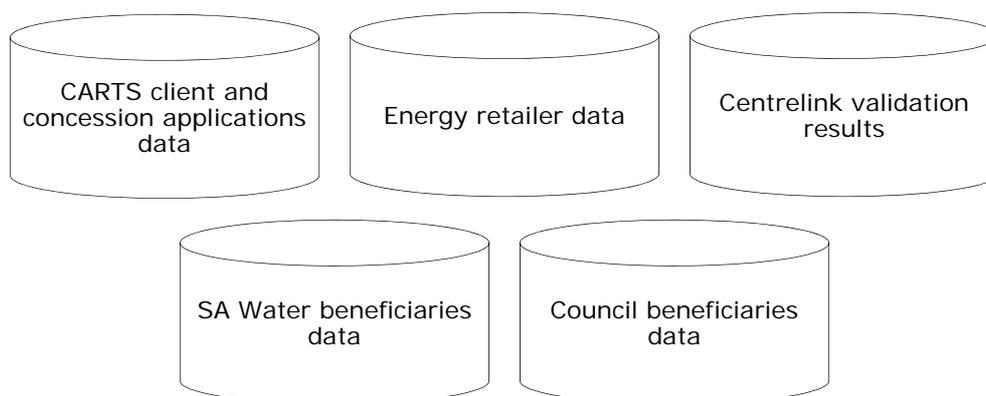
- clients recorded in CARTS were eligible for a concession, based on available data
- concession clients were regularly reviewed to confirm their eligibility
- energy concessions were paid to eligible clients (based on regular reviews) and there was sufficient evidence to substantiate these payments
- there were any validation issues identified with data provided by energy retailers (including quantifying any issues)
- concession payments were correctly calculated in line with specified minimum and maximum amounts for a given financial year, as well as set calculation formulae.

#### 3.2 Audit scope

We analysed payments and concession client data for the period 1 July 2009 to 30 June 2015 using available datasets provided by DCSI. Our review covered energy, water and council rates concessions totalling \$616 million over the six-year period.

We chose this period in order to better quantify the extent of potential control failures and to understand whether there were any trends in validation issues. We considered this information important to how future concession administration is performed, including the value of and need for new computer system solutions or alternative cost-effective measures.

Our review included interrogating and analysing the following datasets using data analytic techniques:



Further details of the datasets used as part of this review are included in Appendix 3.

Samples of data were provided to DCSI to validate the accuracy of our findings. We also validated data through CARTS with the assistance of DCSI staff.

We excluded the following aspects from the scope of our review:

- assessing the effectiveness of controls or processes. These will be reviewed as part of our annual DCSI financial statement and controls opinion audit
- reviewing the COLC or COLIN (being developed)
- assessing the eligibility of concession clients where DCSI has manually validated eligibility, such as inspecting a client's tax assessment notice
- reviewing emergency services levy, transport, medical rebate scheme or other concession types.

The review was focused on validating data processed and stored by DCSI and we did not seek any additional data directly from energy retailers, the South Australian Water Corporation (SA Water) or councils.

### **3.3 Data analytics approach**

Data analytics involves the interrogation and analysis of large sets of data using automated techniques to identify business insights. Throughout this review, data analytics allowed us to:

- perform complex matches of data between multiple information systems and data sources
- develop specific tests to assess whether concession payments were made to eligible clients and payments were correctly calculated (using available data)
- identify any relevant trends.

### **3.4 Limitations with data quality**

We identified certain data quality issues across a number of datasets. This limited our ability to effectively reconcile all data to DCSI's financial data for verification purposes.

Our analysis has primarily focused on energy concessions data. Energy concessions were considered a higher risk area due to previous issues identified (such as the \$2.59 million of DCSI-identified overpayments being recovered). Clients are also able to change their energy retailer, which increases the risk of ineligible payments being made due to the potential involvement of multiple retailers.

### **3.5 November 2013 Department for Communities and Social Inclusion review**

Certain aspects of our review are similar to a review performed by DCSI in November 2013 to identify overpayments. DCSI's review assessed all current customers (at that time) for each energy retailer. However, DCSI's analysis did not include assessing customers who had previously been customers but had since changed provider or ceased to be eligible.

DCSI's assessment did not consider Centrelink eligibility, nor whether the concession was approved in CARTS.

Our approach analysed data over a longer period and applied more comprehensive validation techniques. Refer to Appendix 1 for further details of our approach.

We excluded overpayments that DCSI had already identified from our analysis. Accordingly, our findings as outlined below are in addition to the results of DCSI's internal review.

### **3.6 Review of Cost of Living Concession payments and updated reconciliation process**

As part of our annual financial statement and controls opinion audit for DCSI, we are reviewing COLC payments and the updated reconciliation process implemented in March 2015.

Any issues identified will be reported in our upcoming 2015-16 Annual Report to Parliament.

## 4 Concessions eligibility and validation

### Summary of key findings

Between July 2009 and June 2015, there was insufficient validation of the eligibility of up to 28% of energy and water concession clients. We also identified validation issues for energy concession payments (23% of the payments we reviewed) over the six-year review period, including:

- \$11.79 million where DCSI did not approve an energy concession application for the applicable period
- \$5.03 million without sufficient validation of eligibility with Centrelink
- \$2.81 million where DCSI has no record of the client
- \$1.82 million where the client has not registered an energy concession application
- \$1.25 million where Centrelink data indicates that the client was ineligible
- \$930 000 where DCSI cannot fully match the energy records to a client.

Although a significant portion of these may be legitimate payments, the level of validation issues identified suggests there was a systemic issue with reconciliation processes and eligibility checking during the six-year review period. Other findings included:

- confirmation of concessions data quality issues
- deficiencies in the format of energy retailer data and DCSI checking processes
- three energy reconciliation files not retained
- key resourcing risks identified.

### Summary of key recommendations

- Conduct regular reviews of CARTS client and concession applications data to confirm that records are being regularly validated and to identify data quality issues.
- Consider reviewing historic energy concession payments to confirm the extent of payments to ineligible clients.
- Update reconciliation processes and reconciliation data file formats.
- Retain all energy reconciliation data for a minimum of seven years in line with the requirements of the *State Records Act 1997*.
- Allocate additional resources to the concessions process and the administration of CARTS.

## 4.1 Introduction

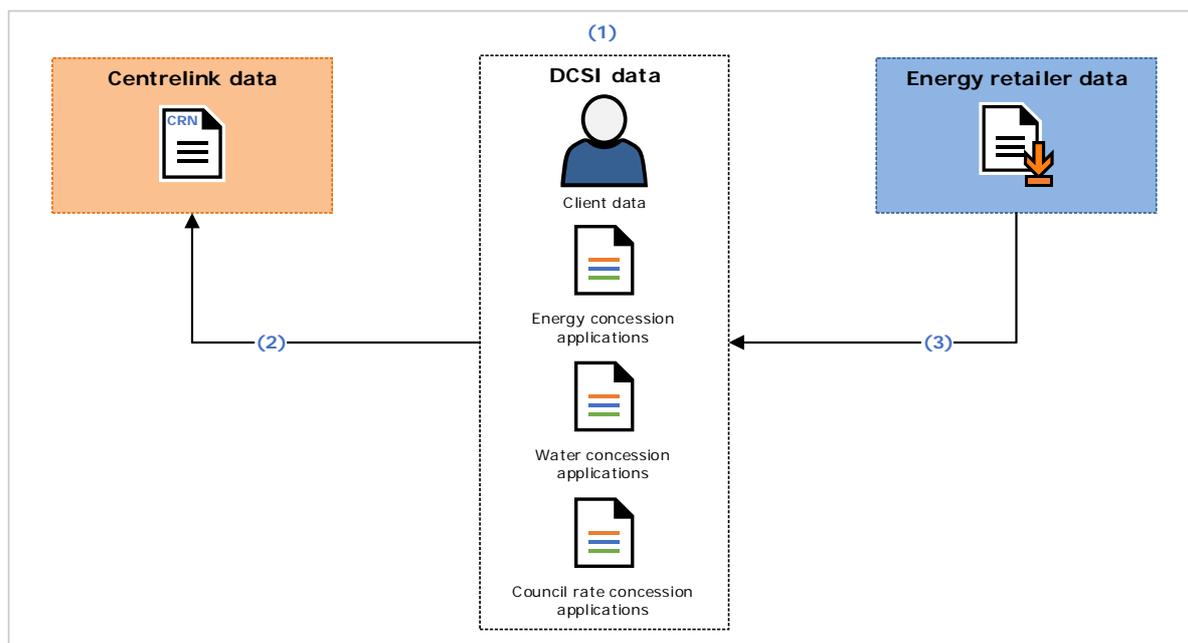
At the time of receiving a concession application form, DCSI enters the client's details into CARTS. Separate application records are generated within CARTS for energy, water and (former) council rates concessions. Each of these concession types has different eligibility criteria. However, most ongoing eligibility criteria rely on validation with Centrelink.

At the time of first processing an application, DCSI will validate the client's eligibility based on set criteria (eg confirming that a client's name appears as an account holder on their energy bills). DCSI will also manually confirm eligibility with Centrelink using a web portal.

Once DCSI confirm a client's eligibility, they update the concession application in CARTS to 'approved' status. Eligible clients should then be validated using the Centrelink batch validation service every 90 days, or in line with the billing period for the applicable concession. This ensures that every client is validated at least once within each billing period.

## 4.2 Validation approach

Our review of concession eligibility included a number of validation processes, as outlined below:



- (1) We validated the quality of data in CARTS to identify any records with missing details, duplicate clients or other anomalies.
- (2) We matched CARTS client data to Centrelink batch validation responses for the six-year review period to assess client eligibility and the frequency at which validations were performed.
- (3) We analysed reconciliation statement data provided by certain retailers. This data was matched back to CARTS data (1) and the Centrelink validation responses (2) to quantify the extent of any validation issues (number of clients/records and amount of payments).

Data used as part of these validation processes included:

- all active clients recorded in CARTS (430 500 clients as at November 2015)
- all energy, water and council rates concession applications data in CARTS (1.36 million applications)
- 415 reconciliation statement data files from energy retailers (4.81 million payment records). This included AGL, Origin Energy, Lumo Energy, Energy Australia and Red Energy.

Each data file from energy retailers contains all of the clients who were paid a concession in a given billing period.

Certain components of data were excluded during our validation, including energy records where an adjustment was subsequently processed for an invalid payment. We also excluded energy reconciliation data where we could not gain reasonable assurance that the data matched an invoice in DCSI’s financial data.

Based on these exclusions, the energy reconciliation dataset was reduced to 2.86 million payment records. This represents 60% of payments made to the five energy retailers between 2009-10 and 2014-15, and 55% of payments made to all energy retailers during this period.

Further details of data exclusions and matching processes are included in Appendix 1.

**4.3 Insufficient validation of concession client eligibility**

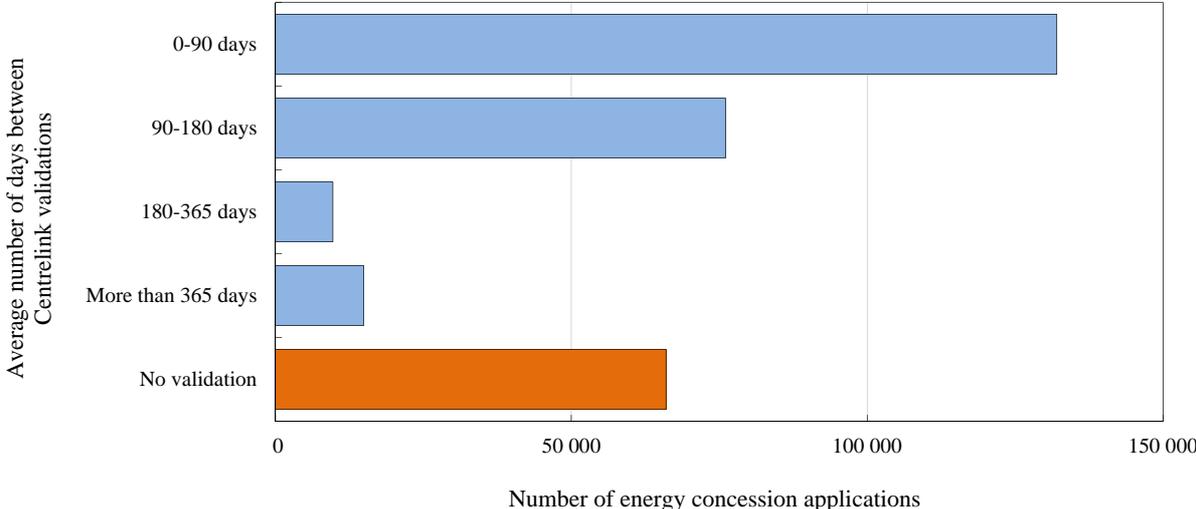
**4.3.1 Test overview**

We used available data to match CARTS concession applications to Centrelink validation results. The aim of this was to verify whether clients were eligible for a concession and that their eligibility was regularly reviewed.

Our assessment included all energy, water and council rates concession applications active during the period July 2009 to June 2015.

Observations for each concession type analysed are included below in detail.

**4.3.2 Energy concession applications**



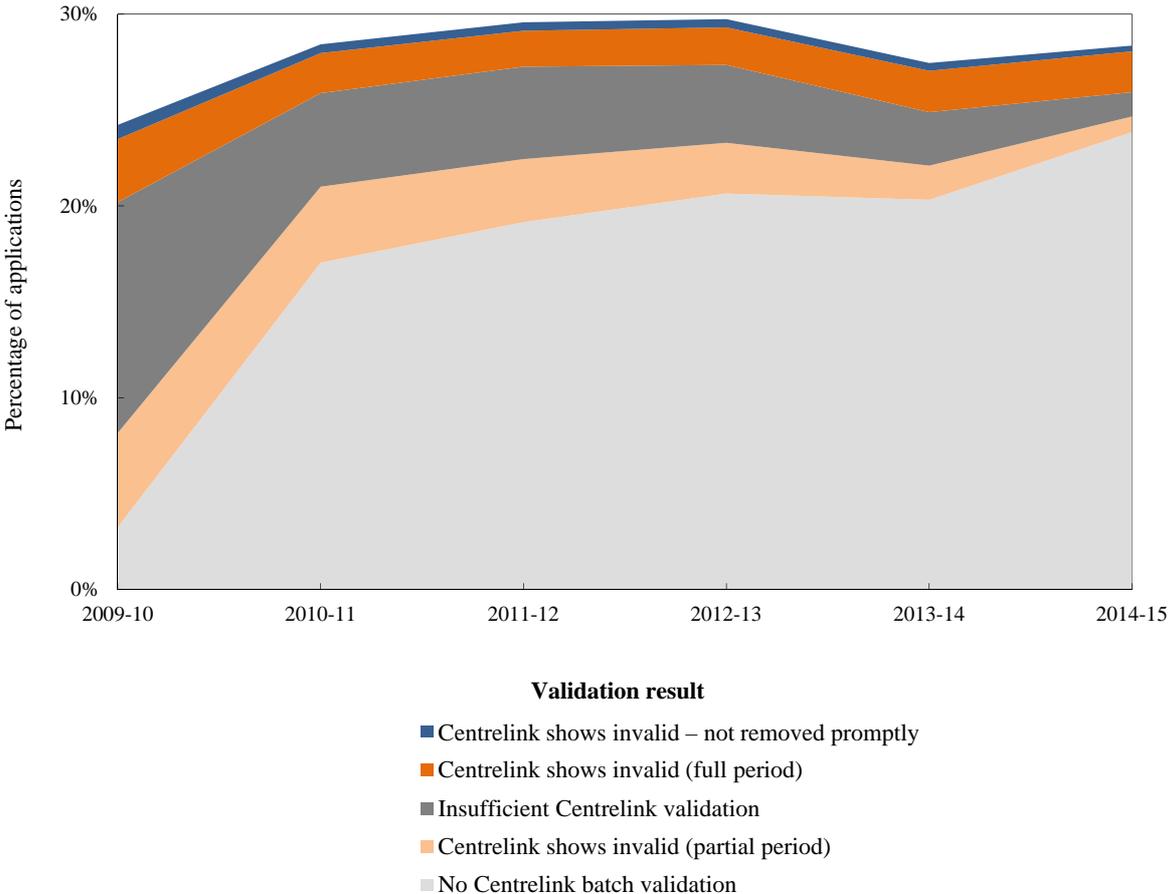
Based on our review of energy concession applications in CARTS and Centrelink validation data, between 21% and 28% of energy concession applications have not been sufficiently validated to confirm client eligibility. As outlined, energy concession applications should be reviewed every 90 days in line with the applicable retailer’s billing period.

The above graph shows a breakdown of the average number of days between Centrelink validations for energy concession applications.

Initial testing using data analytic techniques identified that 28% of energy concession applications active during the six-year review period were not sufficiently validated. In order to verify this observation, we selected a sample of 20 energy concession applications for review. We viewed available data in CARTS for each of the samples with the assistance of DCSI personnel to confirm whether each application had been sufficiently validated.

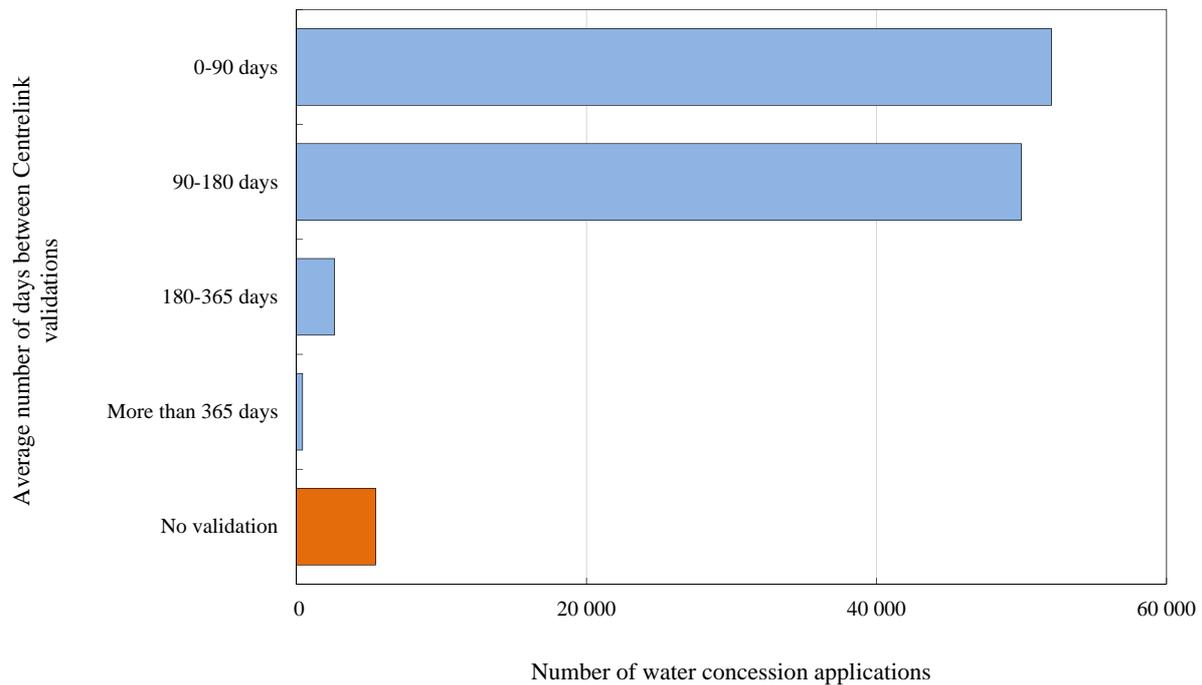
Of the 20 energy concession applications selected, we confirmed that 15 applications were not sufficiently validated or remained active after Centrelink advised that the client was invalid.

We also identified the following trends in the validation of energy concession applications over the six-year review period.



The impact of these validation results has been quantified in section 5.4.

### 4.3.3 Water concession applications



Based on our review of water concession applications in CARTS and Centrelink validation data, between 11% and 28% of water concession applications have not been sufficiently validated to confirm client eligibility.

The above graph shows a breakdown of the average number of days between Centrelink validations for water concession applications.

Housing SA water concession clients follow a different process to private SA Water clients. In particular, Housing SA provides DCSI with water bill details every six months rather than every 90 days.

Initial testing using data analytic techniques identified that 28% of water concession applications were not sufficiently validated. In order to verify this observation, we selected a sample of 20 water concession applications for review. We viewed available data in CARTS for each of the samples with the assistance of DCSI personnel to confirm whether each application had been sufficiently validated.

Of the 20 concession applications selected, we confirmed that eight applications were not sufficiently validated or remained active after Centrelink advised that the client was invalid. We also noted that Housing SA clients appear to have a greater amount of Centrelink validation applied when compared with private SA Water clients.

### 4.3.4 Council rates concession applications

Our review of council rates concessions in CARTS and Centrelink validation data did not identify any significant issues with the eligibility of clients for a council rates concession. We determined that eligibility was regularly reviewed for most records, in line with the process for applying concessions to council rates annually.

Initial testing using data analytic techniques identified that 7% of council rates concession applications were not sufficiently validated. In order to verify the validity of this observation, we selected a sample of 20 council rates concession applications for review. We viewed available data in CARTS for each of the samples with the assistance of DCSI personnel to confirm whether each application had been sufficiently validated.

Of the 20 concession applications selected, we confirmed that only one application remained active after Centrelink advised that the client's benefit had been suspended. However, we also noted that the client provided incorrect information to DCSI in this instance.

#### **4.3.5 Conclusion – validation of concession eligibility**

We note that in certain situations, DCSI will manually validate a client's eligibility with Centrelink. This is because the client has been missed from the batch process or the client advises DCSI of a change in circumstances in between batch validations. Overall, however, the results indicate that energy and water concessions were not sufficiently validated to confirm eligibility during the six-year review period.

Based on the results for council rates concessions, we have concluded that eligibility for this concession was sufficiently reviewed.

#### **Risk exposure**

If concession clients are not regularly reviewed to confirm their ongoing eligibility, there is a risk that concession payments will be made to ineligible clients.

#### **Audit recommendations**

DCSI should ensure that concession clients are validated regularly in line with the billing cycle for each concession type.

We also recommend that DCSI conduct regular reviews of CARTS client and concession applications data to confirm that records are being correctly validated with Centrelink. Ineligible clients identified should be updated promptly in CARTS to reduce the risk of payments being made to ineligible clients.

#### **DCSI response**

DCSI has introduced measures to regularly validate concession clients in line with the billing cycle. In the case of energy concessions, this will be every 90 days.

DCSI will conduct regular reviews of CARTS client and concession applications to confirm that records are being correctly validated with Centrelink. Ineligible clients identified are being updated in CARTS to reduce the risk of payments being made for ineligible clients. DCSI is conducting training to improve documentation of activity and customer status in CARTS.

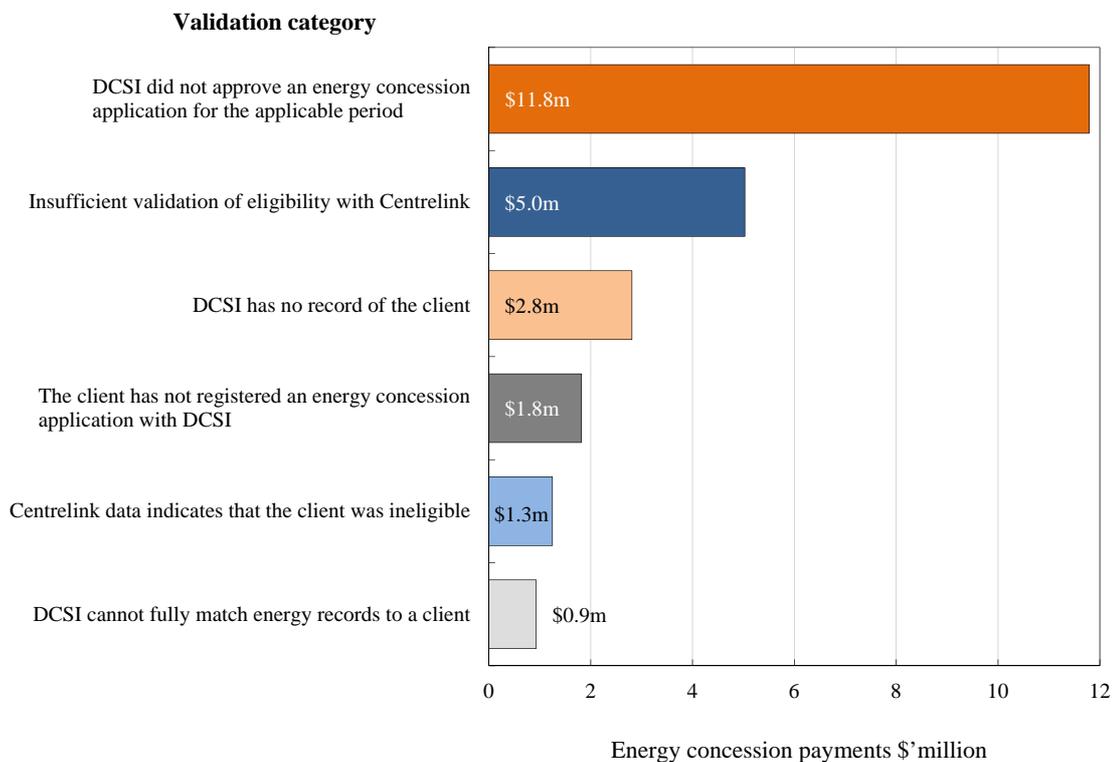
#### 4.4 Validation issues identified for energy concession payments

Using available data from energy retailers and the energy concession applications stored in CARTS, we assessed whether energy concessions were paid to eligible clients. We also assessed whether there was sufficient evidence to substantiate the payments made, or whether validation issues could be identified in the data.

This process identified significant validation issues with concession payments made to energy retailers over the six-year review period.

Validation issues were identified in 23% of the energy reconciliation data we analysed (697 200 payment records).

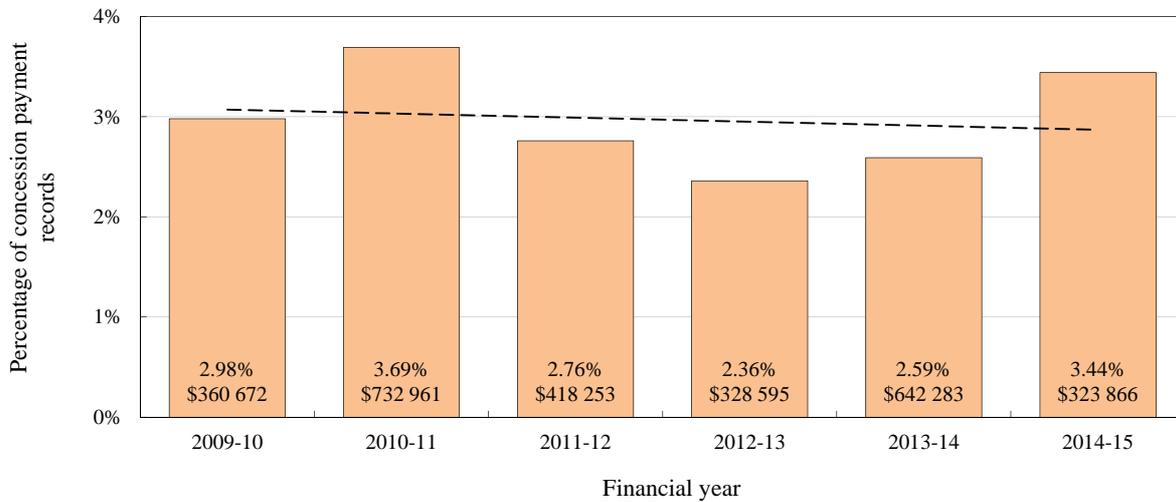
The total amount of payments with validation issues has been divided into several categories based on the validation techniques used. These are shown in the following graph.



The results of each of these techniques are detailed below.

#### 4.4.1 Concessions paid where DCSI has no record of the client

Finding: \$2.81 million of concessions paid where DCSI has no record of the client



Reconciliation statement data files provided by energy retailers contain client details in a number of fields. These fields include a reference number (SA concession ID or Centrelink Customer Reference Number), National Meter Identifier (NMI) and customer name.

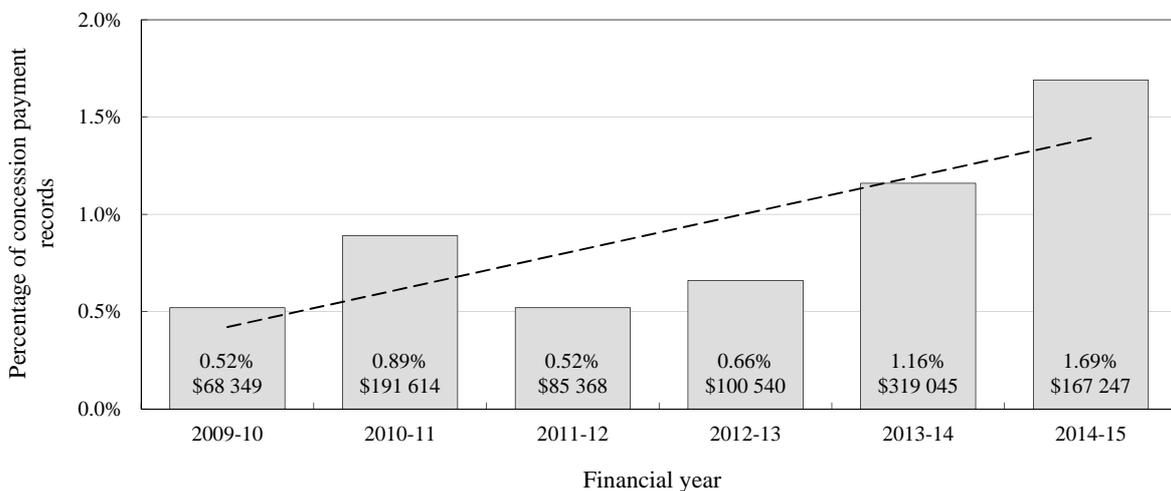
Our data analytic test approach attempted to match energy data to CARTS data using ten different matching combinations. Further details of the matching process are included in Appendix 1.

We identified that \$2.81 million of concessions paid between July 2009 and June 2015 (84 120 payment records) did not match any client records in CARTS.

As shown in the above graph, the proportion of concession payments that could not be matched to DCSI client records has remained fairly consistent between 2009-10 and 2014-15, with an average validation error rate of around 3%.

#### 4.4.2 Concessions paid where DCSI cannot fully match the energy records to a client

Finding: \$930 000 of concessions paid where DCSI cannot fully match the energy records to a client



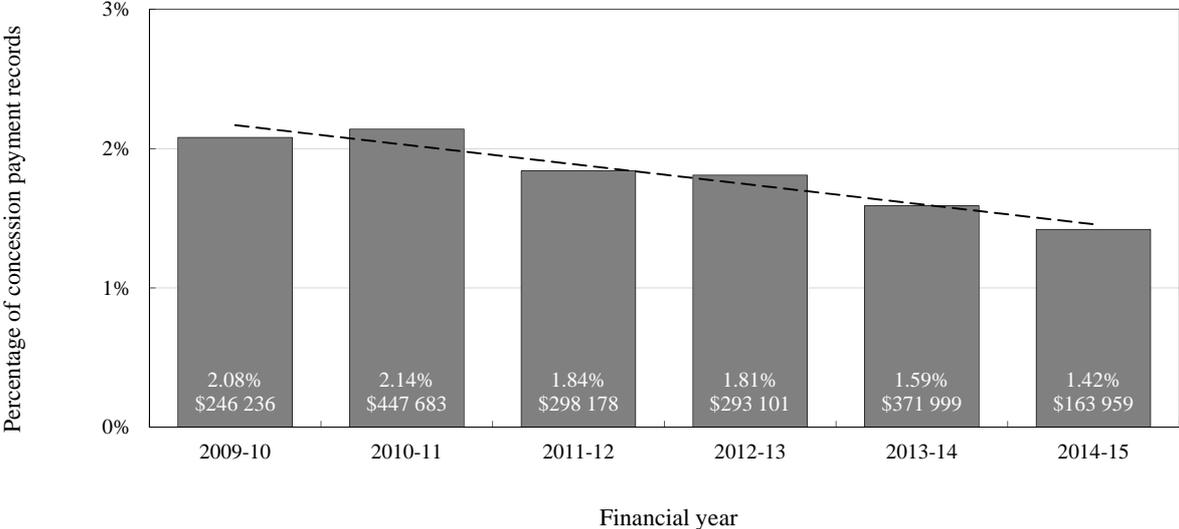
Data validation testing identified that \$930 000 of concessions approved by DCSI and paid by energy retailers did not fully match CARTS records.

These records were able to be partially matched based on a combination of NMI and customer surname. However, there was insufficient evidence to match the energy data to a specific client to confirm their eligibility (ie a client’s full name or a unique reference number).

The proportion of concession payments with only a partial match has increased over the review period. At the time of reporting, we were still in the process of understanding the potential causes behind this increase.

**4.4.3 Concessions paid where the client has not registered an energy concession application with DCSI**

Finding: \$1.82 million of concessions paid where the client has not registered an energy concession application with DCSI



Our testing identified that \$1.82 million of concessions were approved by DCSI and paid by energy retailers when there was no corresponding energy concession application in CARTS.

DCSI manages energy concessions in line with the SA Government Customer Concession Scheme for Energy (the Scheme). The Scheme outlines the responsibilities assigned to the Government and retailers, eligibility criteria and processes for applying concessions to client energy accounts.

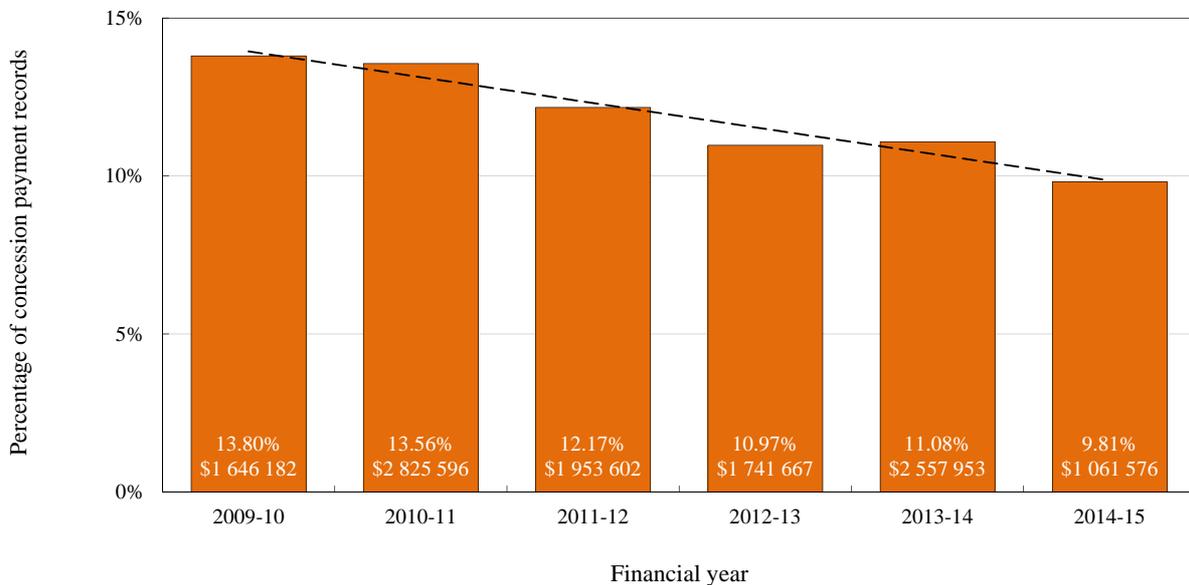
The Scheme states that, in order to issue an energy concession, DCSI needs to approve:

- a fully completed application submitted by the client to DCSI
- the customer’s eligibility for an energy concession based on the set criteria.

As shown in the above graph, the proportion of concession payments not matching a CARTS energy application has decreased from 2.08% in 2009-10 to 1.42% in 2014-15.

#### 4.4.4 Concessions paid where DCSI did not approve an energy concession application for the applicable period

Finding: \$11.79 million of concessions paid where DCSI did not approve an energy concession application for the applicable period



Based on the data reviewed, we identified concession payments where DCSI did not approve an energy concession application at the time the energy retailer applied a concession. However, we note that clients did submit initial applications for these concession payments. The total amount of these payments is \$11.79 million between 2009-10 and 2014-15.

The Scheme requires DCSI to approve a fully completed application before issuing an energy concession to a client. Once an application is approved, DCSI staff from Community and Organisational Support record the approval within CARTS.

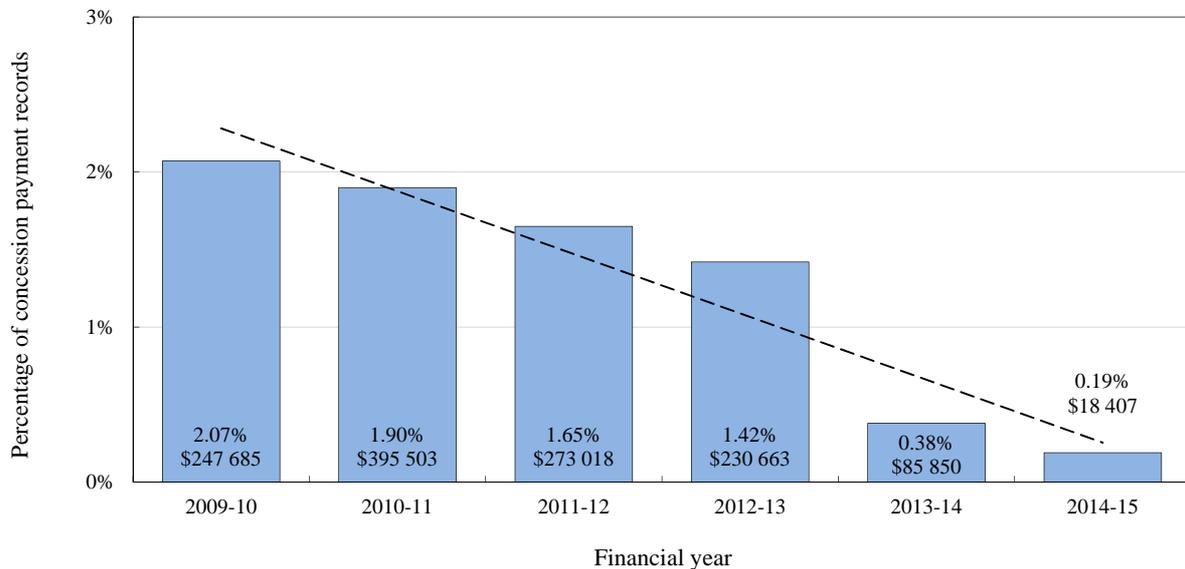
We inspected a sample of energy concession applications that were not approved at the time the retailer applied a concession. Based on this inspection, we noted that there were several causes for applications not being approved, including:

- concession applications that were set to a deferred status, due to DCSI awaiting confirmation about the client's personal details
- concession applications that were marked as declined, due to incorrect or insufficient information being supplied by the client
- clients moving to a new residential address and not notifying DCSI. In these instances, DCSI would not have the correct NMI on file or have assessed client eligibility based on the new address.

As shown in the above graph, the proportion of concession payments without an approved energy concession application has decreased from 13.8% in 2009-10 to 9.81% in 2014-15.

#### 4.4.5 Concessions paid where Centrelink data indicates that the client was ineligible

Finding: \$1.25 million of concessions paid where Centrelink data indicates that the client was ineligible



We identified that \$1.25 million of concession payments were approved by DCSI (and paid by energy retailers) when Centrelink had advised that the client was not eligible for a concession.

When an energy client is first assessed for eligibility, an online portal is used to manually verify the client's eligibility with Centrelink.

Additionally, DCSI advised that all energy concession applications should be reviewed every 90 days. Based on a rolling cycle, client eligibility is assessed using a Centrelink batch validation service using data from CARTS.

As shown in the above graph, the proportion of concession payments approved where Centrelink has flagged an ineligible concession client has dropped from 2.09% of payments in 2009-10 to 0.22% of payments in 2014-15.

Where Centrelink has advised (via the batch validation service) that a client is not eligible, this may include one or more of the following errors:

- the client's full name, address and/or postcode submitted by DCSI do not match Centrelink records
- the client's customer reference number does not match Centrelink records
- Centrelink has suspended or cancelled a payment to the client
- the client does not hold any concession card or receive any payment from Centrelink
- the client is deceased.

DCSI applies a 13-week grace period to any concession payments after receiving notification that a client is deceased. During this period, the concession continues to be applied to the client’s accounts.

The grace period is provided so that a bereaved spouse or family member has a reasonable period of time to arrange the transfer of the energy account. After the 13-week grace period, DCSI should cease the payment of applicable concessions until a new application is received.

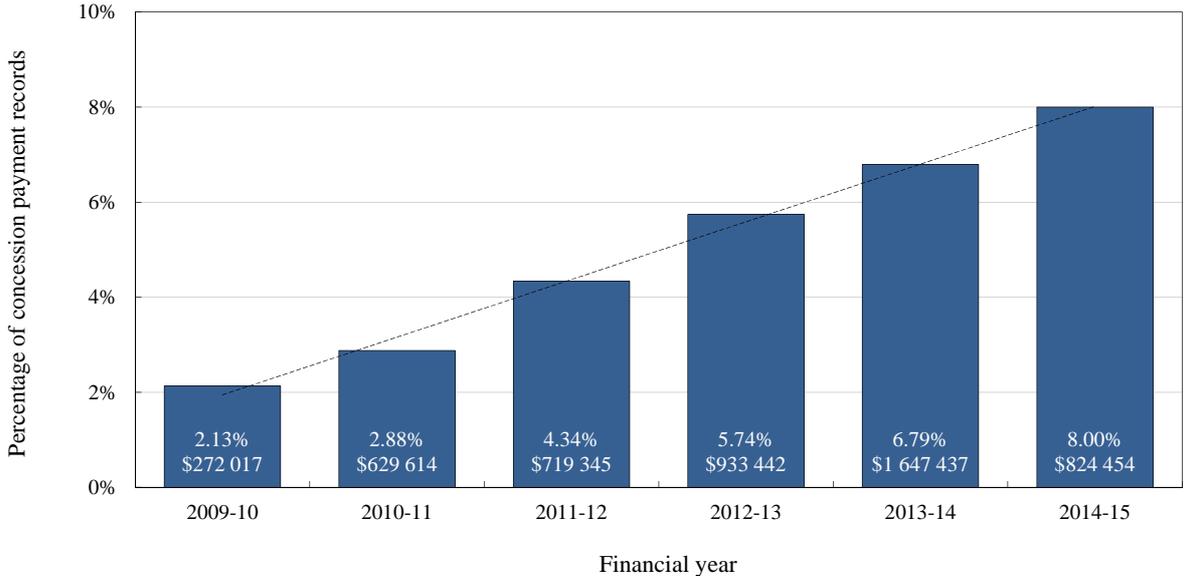
Our testing identified that there were concession payments approved by DCSI and paid by energy retailers to a household where the nominated applicant was deceased, outside of the 13-week grace period. We identified 2001 payments to deceased clients within the \$1.25 million of payments described above. An additional 2349 payments to deceased clients were identified based on further interrogation of the data.

Analysis of these payments identified that 2412 payments were made between one to eight years after notification that the client was deceased. Our testing, however, indicates that the incidence of deceased client concession payments has decreased between 2009-10 and 2014-15.

DCSI advised that it believes it is highly likely that the surviving spouse (where applicable) of a deceased client would also be eligible for a concession. We note that the concession process requires this to be evidenced by a new concession application for approval within the grace period.

**4.4.6 Concessions paid without sufficient validation of eligibility with Centrelink**

Finding: \$5.03 million of concessions paid without sufficient validation of eligibility with Centrelink.

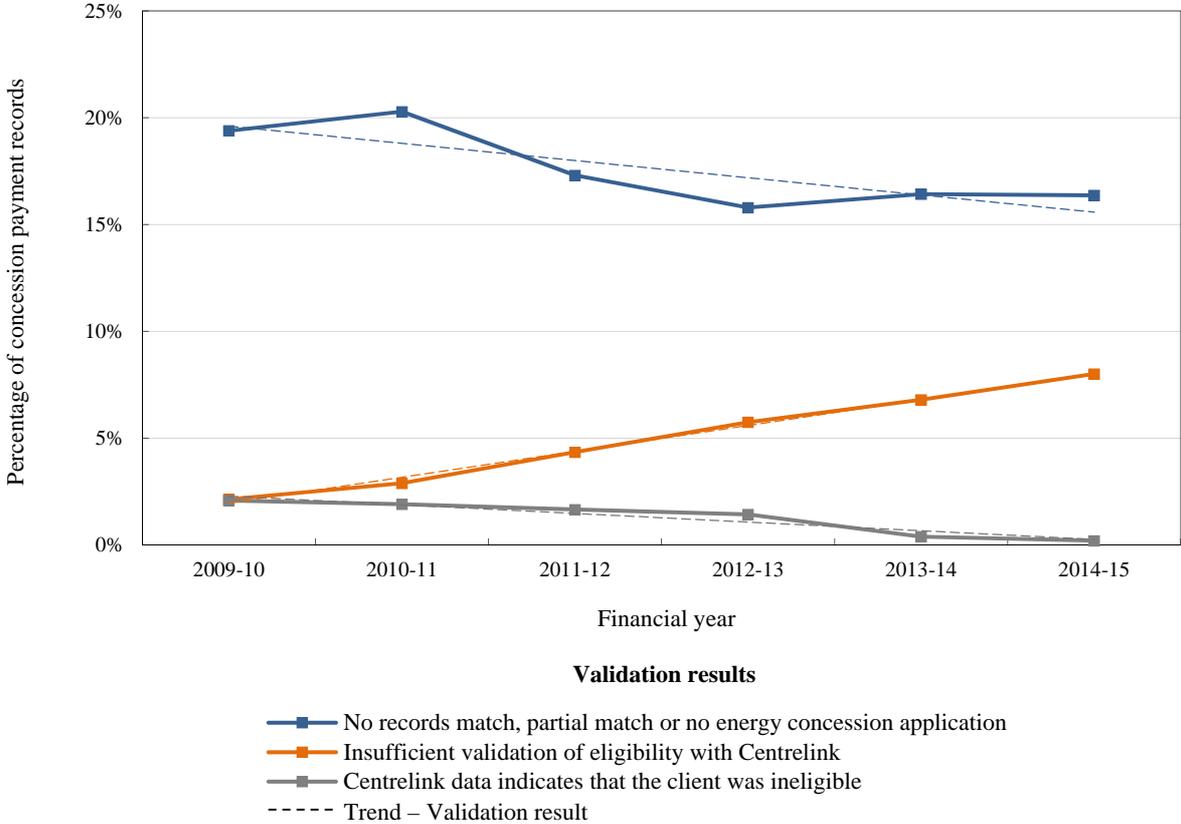


All energy concession applications should be validated with Centrelink every 90 days on a rolling cycle in line with energy retailers' billing periods. We identified that there were \$5.03 million of concessions paid where there was no or limited validation.

We acknowledge that in certain cases, DCSI may validate a client's energy concession application manually with Centrelink. However, concession payments for many of these concession applications appear to have been approved in multiple billing periods without any evidence of validation being performed.

Between 2009-10 and 2014-15, the proportion of concession payments without sufficient Centrelink validation has increased from 2.13% to 8%. Discussions with DCSI and a review of the data indicate that:

- not all concession applications are being regularly validated (see section 5.3). For energy concessions approved closer to the end of our review period, there may not have been any validation performed. Alternatively, DCSI may have validated the client's eligibility manually at the time of approving the application but not since
- there is a system issue in CARTS affecting the validation of energy concessions. DCSI advised us that this prevented energy concession applications from being correctly validated with Centrelink every 90 days
- as more concession payments are being matched to energy concessions and concessions have been approved for the correct periods (as shown in previous sections), a greater proportion of records with insufficient validation will be identified. This is reflected in the graph below.



#### **4.4.7 DCSI review of our observations**

In order to verify the accuracy of our initial observations, we selected a sample of records from each of the energy validation categories above for further review and confirmation, with the assistance of DCSI personnel.

Based on feedback from DCSI, we refined our testing approach in a number of areas, including the techniques used to match energy retailer records to CARTS data. Additionally, we further incorporated manual validation records (through comment fields in CARTS) to our testing to identify where validation occurred outside of the standard Centrelink batch process. Our findings, as detailed above, have incorporated these refinements.

DCSI asserted that many of the concession payments included in our samples for each validation type were legitimate. This is because there may be certain circumstances preventing us from comprehensively validating the data, such as:

- DCSI staff may have manually approved a concession payment but not documented this decision or noted the approval by entering a comment in a notes field in CARTS
- there may be mismatches between client names in CARTS and energy retailer data (such as using their legal name with DCSI, but their anglicised (or abbreviated) name with the energy retailer)
- DCSI staff may have used a client's historic eligibility for water concessions to assess their current eligibility for an energy concession. This approach does not meet the requirements of the Scheme to approve concessions based on specific eligibility for an energy concession.

However, DCSI cannot confirm that all of the concession payments we identified with validation issues are legitimate payments. To comprehensively perform this process, DCSI would need to review the 697 000 records individually. This would involve checking each concession payment manually against CARTS data and revalidating each client's eligibility with Centrelink. Given the effort required, DCSI would need to assess the extent of checking as part of a risk-based approach.

#### **4.4.8 Conclusion – energy concession validation issues**

Our review, based on an expanded scope and more detailed validation testing than DCSI's prior assessment, identified energy concession payments with validation issues.

We acknowledge that a proportion of the concession payments we analysed may be legitimate payments, based on the limitations described above. However, the overall number and amount of validation issues we identified suggests that there was a systemic issue with the quality of CARTS data, reconciliation processes and eligibility checking processes throughout the six-year review period.

Based on the data we reviewed, we are unable to verify that all energy concessions were paid to eligible clients. There is insufficient evidence within the available data to substantiate all of the payments made.

As described in section 3.6, DCSI implemented a process in March 2015 to reconcile energy retailer data with CARTS data to ensure concessions are being paid to eligible clients. Following the commencement of our audit, DCSI advised it was implementing additional controls as part of a detailed reconciliation process. From late December 2015, DCSI performed additional checking on the reconciliation data provided by energy retailers as part of each billing cycle, including:

- ensuring that a Centrelink batch validation is performed for all clients that are included within the given data file (to verify client eligibility)
- categorising results into full matches, partial matches or mismatches
- manually reviewing mismatches individually
- amending CARTS client and energy concession application records as required (such as where a client's account number has been updated but all other details remain valid).

Payments to energy retailers will only be made for clients that can be fully matched to DCSI records. DCSI advised that energy retailers will be required to provide further details, amend their records, or ask customers to contact the Concessions Hotline. A new Reconciliation Statement can be provided for the remaining (previously unpaid) customers once customers' eligibility is confirmed.

DCSI's detailed reconciliation process includes assessing the specific clients in a given billing period and confirming whether data for those clients requires updating in CARTS. The process does not include assessing data quality of all other energy concession clients in CARTS, nor the cleansing of data for those clients. No historic data will be reviewed.

### **Risk exposure**

The validation issues we identified confirm that there is a significant risk of energy concessions being approved for payment to clients who are ineligible, or duplicate concessions being applied.

Our review excluded certain energy records based on a conservative validation approach. These exclusions mean that there is a risk that the total amount of energy concession payments with validation issues may be higher than the amount we identified.

### **Audit recommendations**

We acknowledge that manually performing a validation process over all records highlighted in our review may not be feasible from a resource and risk perspective. However, given the extent of the validation issues that we identified, DCSI should consider further reviewing historic energy concession payments between 2009-10 and 2014-15. This would confirm whether a portion of the validation issues we identified represent payments to ineligible clients.

In addition, for future processing DCSI should also review CARTS records regularly to ensure that energy concession applications have been correctly updated to reflect their current status (eg approved). Despite the system limitations with CARTS (described in section 3.3), CARTS should record as much information as possible about client eligibility and decisions made. Where sufficient information cannot be consistently recorded in CARTS, it should be recorded in another system or in a spreadsheet.

We also recommend that DCSI continue with the recent detailed reconciliation process to verify that energy concessions are not approved for payment where there is insufficient evidence that the client is eligible.

Further recommendations regarding reconciliation processes have been made in section 5.8.

**Department response**

DCSI responded that to ascertain the extent of payments to ineligible clients over the six-year review period, it would need to review 697 000 customer records individually. This would involve checking each concession payment manually against CARTS data and revalidating each client’s eligibility with Centrelink. Centrelink validations can only be performed up to two years prior to the date the validation is conducted. Therefore the majority of records identified by the audit could not be assessed by this methodology. DCSI will consider the viability of this review but notes, in light of the scope of work required, it is important to focus resources on the upgraded detailed reconciliation of current energy billing accounts.

DCSI will more regularly review CARTS records to check that energy concession applications have been correctly updated to reflect their current status. As recommended, customer service officers are now recording greater detail about client eligibility and decisions made. This information is being recorded in CARTS.

DCSI will continue with its recent detailed reconciliation process to strengthen verification that energy concessions are not approved for payment where there is insufficient evidence that the client is eligible. DCSI will also work to further improve its validation and reconciliation processes.

**4.5 Concessions data quality issues identified**

As noted in section 2.3, there are limited validation controls applied to data at the time data is entered into CARTS.

Based on the extract received in November 2015, we reviewed the quality of data in CARTS to assess the extent of data quality issues. This included client data and concession applications data for the three concession types reviewed.

Our review identified a number of issues with CARTS data quality, as shown in the following table:

| Data quality test   | Number of clients |
|---|-------------------|
| Clients with more than one approved concession form of the same concession type | 5 006             |
| Potential duplicate clients by full name and address                            | 1 508             |
| Clients with incomplete addresses   | 124               |
| Clients with missing or incomplete names  | 19                |

As noted in section 4.4, DCSI has recently commenced a detailed reconciliation process for energy data. This process does not include reviewing CARTS clients or concession applications data, other than where a specific issue is identified when reviewing the energy retailer data.

### **Risk exposure**

Poor quality data limits the ability of DCSI to reconcile energy retailer data to CARTS data. Where data quality issues exist, there is an increased risk of duplicate or ineligible concession payments being approved for payment.

### **Audit recommendations**

DCSI should review all clients and concession applications data in CARTS for data quality issues and update data as required. Concession applications should be closed if no longer required.

We also recommend that DCSI regularly reviews data quality to ensure that there are no clients with missing details, duplicate clients or duplicate approved concession applications.

We acknowledge the known issues with CARTS functionality. Given these issues, DCSI could improve data quality by developing a stand-alone validation process (such as a database script) using a regular extract of CARTS data. This process could operate in a similar way to the existing energy reconciliation process.

### **Department response**

DCSI has commenced a process of regularly reviewing clients and concession applications data in CARTS. Data is updated where required. Concession applications are being closed or declined where they are no longer required. Given the size of the data in CARTS, this process is ongoing. DCSI is strengthening its training of CARTS users to address data quality issues.

DCSI has also commenced a process of reviewing data quality on an ongoing basis, which is aimed at ensuring that there are no customers with missing details, duplicate client records or duplicate applications.

DCSI will investigate the feasibility of improving data quality through developing a stand-alone validation process (such as a database script) using a regular extract of CARTS.

## **4.6 Deficiencies in format of files transferred between the Department for Communities and Social Inclusion and energy retailers**

Energy retailers provide reconciliation files to DCSI each billing cycle. These files include the details of each client being paid a concession, including the client's full name, their NMI meter number, and a reference number. The files also include the number of billing days and the concession amount that has been applied to the client's bill.

The format of these files has been set by DCSI in line with contractual requirements outlined in the Scheme.

Our review identified the following deficiencies in the format of energy reconciliation files provided by energy retailers:

- **Concession amounts** – there are inconsistencies in how retailers represent concession claim amounts in the data. For example, some retailers include positive billing days and negative concession amounts for claims, with adjustments shown as negative billing days and positive concession amounts. Other retailers use different methods of representing concession claims and adjustments.
- **Backdated payments** – these are processed when a new energy concession client is established and their eligibility date (known as the date of grant) has been backdated. Where a backdated payment is being processed, energy retailers do not consistently provide the number of days for which the backdated payment applies. Therefore, a DCSI staff member must manually review the record against known backdated payments to be processed in order to confirm whether the payment amount is valid.

### **Risk exposure**

Where correct concession amounts or backdated payments cannot be easily identified in energy retailer files, there is an increased risk that DCSI is unable to reconcile these records back to client records in CARTS. This may lead to the processing and approval of concession payments to ineligible clients.

### **Audit recommendations**

DCSI should liaise with energy retailers to use a consistent format for concession claims and adjustments. Where possible, concession adjustments and backdated payments should be flagged in the data using a specific field.

### **Department response**

DCSI will continue liaising with energy retailers to try to improve the consistency of the file format for concession claims and adjustments.

#### **4.7 Reconciliation process does not assess duplicate concession claims or match against approved applications**

As previously mentioned, DCSI implemented an updated reconciliation process in March 2015. Additional reconciliation controls were introduced in December 2015.

The reconciliation process includes assessing whether clients listed in energy retailer data match clients in CARTS. Centrelink eligibility checking is also performed via the batch validation process.

The process does not assess whether clients in the energy retailer data match approved energy concession applications in CARTS. Additionally, DCSI advised that the process does not currently include identifying duplicate client concession claims.

## **Risk exposure**

Where insufficient validation is applied to energy reconciliation records, there is a risk that payments will be made to ineligible clients.

## **Audit recommendations**

DCSI should update the reconciliation process to ensure that all records are validated against an approved energy concession application in CARTS. The reconciliation process should also include identification of any duplicate concession claims.

In order to achieve this, DCSI should use existing CARTS data to determine the status of energy concession applications and the start/end dates of the applications.

## **Department response**

DCSI continues to develop its upgraded energy concession reconciliation process, including to validate records against an approved energy concession application in CARTS. The process seeks to identify duplicate records manually at this stage. These are then removed. To improve reliability of results, a new business technology tool to assist with identifying duplicate records electronically is being developed.

### **4.8 Three energy reconciliation files not retained**

As part of our testing of energy concession eligibility, we requested that DCSI provide us with energy reconciliation data. Our request included all energy reconciliation data for billing periods between July 2009 and June 2015 for the selected retailers included in our review.

Under the *State Records Act 1997*, DCSI is required to retain this data for a minimum of seven years.

DCSI provided us with 415 energy reconciliation files for the review period. However, they were unable to locate energy reconciliation files for the following retailers and periods:

- Lumo Energy – July to September 2009
- Origin Energy – July to September 2012
- Simply Energy – January to March 2012.

## **Risk exposure**

Not retaining energy reconciliation data for at least seven years breaches the legislative requirements under the *State Records Act 1997* and DCSI's record retention periods.

If energy reconciliation files are not retained for a given billing period, there is insufficient evidence to verify that DCSI paid eligible clients and that payment calculations were valid. Therefore, there is a risk that ineligible or duplicate payments were made.

## **Audit recommendations**

DCSI should retain all energy reconciliation data for a minimum of seven years in line with the requirements of the *State Records Act 1997*.

## **Department response**

DCSI acknowledges that it is unable to locate three out of the 418 energy reconciliation files we requested for this review. As a result, enhanced records management processes have been put in place for energy reconciliation files.

### **4.9 Key resourcing risks identified**

Throughout our review, we liaised with DCSI's Community and Organisational Support unit. This mainly involved requesting data extracts, querying certain concessions processes and requesting confirmation of client eligibility in CARTS.

During this process, we identified the following resourcing risks:

- only one staff member in Community and Organisational Support was able to address our queries regarding concession processes and the eligibility of payments
- DCSI did not have the required software and/or expertise to extract data from CARTS, including for reporting purposes. An external contractor needed to be engaged to extract the data we requested as part of our review.

The Community and Organisational Support unit advised us that they are subject to a number of personnel resource constraints, due to ongoing operational initiatives. Allocated resources are assigned to priority projects, including:

- administering the COLC, and working on the design of COLIN to eventually administer this concession
- processing mid-year concessions payments
- conducting the recent detailed reconciliation process on energy retailer data
- fixing errors in CARTS identified through a recent Centrelink batch validation.

## **Risk exposure**

There is a risk that staff are not sufficiently familiar with reconciliation processes and procedures, which may lead to the processing of invalid payments.

Additionally, where data cannot be readily extracted from key systems for reporting purposes, there is risk that DCSI cannot effectively review data quality or conduct regular reviews.

## **Audit recommendations**

Where feasible, DCSI should allocate additional resources to the concessions process and the administration of CARTS in order to address the risks identified.

We also recommend that DCSI ensure it has sufficient software and expertise to extract CARTS data as required, including for reporting purposes.

### **Department response**

Within the limitations of its existing budget, DCSI is seeking to allocate additional resources and is reviewing ongoing resourcing requirements.

DCSI is also investigating software and business technology enhancements for the purpose of extracting CARTS data, including for reporting requirements. DCSI is broadening its training to increase the number of staff with knowledge of CARTS data processes, with a particular focus on the energy concession.

## 5 Validity of payment calculations

### Summary of key findings

More than 99% of the concession payments we analysed were correctly calculated in line with specified minimum/maximum amounts and calculation criteria. Our data analytics testing process identified the following initial error rates for concessions paid between July 2009 and June 2015:

- **Energy concessions** – 0.3% errors. Sample testing of these errors confirmed that most were backdated payments, although we identified two duplicate concessions. Energy retailers do not consistently record backdated payments in the reconciliation files they generate.
- **Water and sewerage concessions** – 0.4% errors. Sample testing confirmed that most were due to partial concessions being applied and not calculation errors.
- **Council rates concessions** – 0.8% errors. Sample testing confirmed that these were legitimate backdated payments and not calculation errors.

### Summary of key recommendations

- Update the energy reconciliation data file format in order for retailers to specify which payments are backdated.
- Ensure that energy reconciliation files are reviewed for duplicate concession claims prior to being approved for payment.

### 5.1 Overview

DCSI does not pay concessions directly to clients for energy, water or (former) council rates concessions. Instead, DCSI advises energy retailers, SA Water and/or councils which clients are eligible for a concession. Retailers then apply concessions as a credit to clients' regular bills.

Concession amounts applied should be in line with the set thresholds for each concession type, which are detailed below. Clients' eligibility criteria also determine the amount they receive. Eligibility criteria for each of the concession types analysed are detailed in Appendix 2.

The concession amounts and calculation methods for each type are detailed below.

#### 5.1.1 Energy concessions

Energy concession amounts are calculated based on a fixed amount, capped at a set maximum for each given financial year. The maximum concession amounts over our review period were as follows.

| Concession type                  | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| Maximum energy concession amount | \$120   | \$150   | \$158   | \$165   | \$165   | \$215   |

Part-period payments are calculated based on the number of applicable days as a fraction of the year, multiplied by the maximum concession amount.

The energy reconciliation process that DCSI implemented in March 2015 is designed to identify concession payments that do not match the expected amount given the number of applicable billing days and set maximum amount.

**5.1.2 Water concessions**

Water rate concessions are calculated at a percentage of an individual client’s total water account over the financial year, subject to minimum and maximum amounts. The maximum concession amount available also depends on whether the client is a home owner-occupier or is renting.

SA Water calculates the concession amount based on DCSI criteria. A minimum concession amount is applied to eligible recipients in the first, second and third quarters of the financial year. The fourth quarter concession is based on actual water usage and is adjusted accordingly.

The following table shows changes to water concession rates over our review period.

| Concession type             | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-----------------------------|---------|---------|---------|---------|---------|---------|
| Water (home owner-occupier) |         |         |         |         |         |         |
| Minimum                     | \$95    | \$100   | \$125   | \$155   | \$185   | \$185   |
| Maximum                     | \$200   | \$210   | \$235   | \$265   | \$295   | \$295   |
| Water (tenant)              |         |         |         |         |         |         |
| Minimum                     | \$55    | \$58    | \$72    | \$90    | \$120   | \$120   |
| Maximum                     | \$160   | \$168   | \$182   | \$200   | \$230   | \$230   |
| Sewerage                    |         |         |         |         |         |         |
| Fixed amount                | \$95    | \$100   | \$105   | \$110   | \$110   | \$110   |

**5.1.3 Council rates concessions**

Council rates concessions were calculated based on fixed amounts applied to clients’ rate notices.

| Concession type     | Amount |
|---------------------|--------|
| Home owner-occupier | \$190  |
| Seniors Card holder | \$100  |

The concession amounts applied to council rates did not vary during the six-year review period.

If a client’s home was connected to a Community Wastewater Management Scheme (CWMS), they may have been entitled to an additional concession amount of between \$105 and \$110.

Concessions were applied annually to the council rates notice, irrespective of whether the client paid council rates in full or in instalments.

## **5.2 Validation approach**

To assess the accuracy of concession calculations, we performed data analytic techniques across available datasets and verified actual payment amounts against expected amounts, based on the information provided. This initial testing then identified a portion of records that did not pass the validation testing. A subset of records for each concession type was provided to DCSI for review and verification.

Data used as part of this validation process included:

- energy reconciliation data provided by five retailers (approximately 1.2 million records)
- SA Water beneficiaries data generated by DCSI (102 414 payments)
- council beneficiaries data for 67 councils (generated by SA Water on DCSI's behalf).

## **5.3 Energy concession payment calculations**

We analysed energy reconciliation records for five retailers to confirm the accuracy of concessions calculations. This data included both beneficiaries and pensioner concessions.

Initial testing using data analytic techniques identified that 99.7% of payments analysed were correctly calculated based on expected amounts.

3298 of the 1.2 million records analysed (approximately 0.3%, representing \$686 000 of energy concessions) did not meet the expected amount. To verify the accuracy of this result, we selected a sample of seven payments for review with the assistance of DCSI personnel.

DCSI confirmed that five of the seven samples reviewed were legitimate backdated payments. The two remaining samples were confirmed as invalid, as the energy retailer applied duplicate amounts to the client's bill. This caused the total concession amount for the financial year to exceed the set maximum.

Backdated payments cannot be consistently identified from energy reconciliation data. Where a backdated payment is being processed, energy retailers do not provide the number of days for which the backdated payment applies. Therefore, a DCSI staff member must manually review the record against known backdated payments to be processed in order to confirm whether the payment amount is valid.

Refer to sections 4.6 and 4.7 for our recommendations regarding identifying backdated payments and reviewing energy reconciliation files for duplicate concessions.

## **Conclusion**

Based on the data analysed, more than 99% of energy concessions were correctly calculated in line with set amounts. Issues were identified with the identification of backdated payments and duplicate concessions.

#### **5.4 Water concession payment calculations**

We also analysed the available SA Water data to confirm the accuracy of concession calculations.

Our analysis was limited to the accuracy of calculations for payments to beneficiaries, as payment information for pensioners is not routinely provided to DCSI. Additionally, pensioner concessions for water is an area of lower risk as pensioner eligibility (eg for the age pension) is less dynamic than beneficiaries. There is also only one retailer (SA Water) for this concession type.

Initial testing using data analytic techniques identified that 99.6% of all concession payments to beneficiaries analysed over the six-year review period were correctly calculated, based on expected minimum and maximum amounts.

328 of the 93 689 payment records analysed (approximately 0.4%, representing \$14 734 of water concession payments) did not meet the expected payment amounts. To verify the accuracy of this result, we selected a sample of seven payments for review with the assistance of DCSI personnel.

Of the seven payments reviewed, one payment exceeded the maximum concession amount. This was due to an incorrect concession amount being applied for one quarter. The remaining six payments reviewed were the result of a combination of a partial water and/or sewerage concession.

#### **Conclusion**

Based on the data reviewed, water concessions were correctly calculated in line with set amounts.

#### **5.5 Council concession payment calculations**

We analysed the available council rates data for beneficiaries to confirm the accuracy of concession calculations.

Our analysis was limited to the accuracy of calculations for payments to beneficiaries, based on the available data. As with water concessions, council rates concessions for beneficiaries represent an area of higher risk. This is due to changes in a concession client's personal circumstances, meaning they may no longer be eligible for a past concession.

Initial testing for this concession identified that 99.2% of all concession payments to beneficiaries analysed over the six-year review period were correctly calculated, based on expected maximum and minimum amounts.

601 of the 78 554 payment records analysed (approximately 0.8%, representing \$199 592) did not meet the expected amount. To verify the accuracy of this result, we selected a sample of seven payments for review with the assistance of DCSI personnel.

Of the seven payments identified, we confirmed that all seven were valid payment amounts. The available data used for our initial validation did not consistently identify where concessions included both the council rates and CWMS components. Additionally, certain concessions included a backdated payment. No council rates concession payments analysed exceeded the combination of two years' worth of council rates and CWMS concession (\$600).

## **Conclusion**

Based on the data reviewed, council rates concessions were correctly calculated in line with set amounts.

## **Appendix 1: Energy concessions data matching process and criteria**

### **Differences between DCSI’s 2013-14 assessment and our review**

There are key differences between DCSI’s 2013-14 assessment of energy clients and the validation testing that we performed as part of this review.

DCSI’s review included an assessment of all current customers (at that time) for each energy retailer. However, DCSI’s analysis did not include assessing customers who had previously been customers but had since changed provider or ceased to be eligible.

The DCSI validation approach did not consider Centrelink eligibility, nor whether the concession was approved in CARTS.

Our approach includes analysing data over a longer period and applying more comprehensive validation techniques. Specifically:

- DCSI reviewed the eligibility of all current concession clients as at November 2013. Where ineligible concession clients were identified, payments were calculated back to 1 June 2008. Concession holders who ceased receiving a concession prior to November 2013 were not included
- Our review included all clients who held a concession between 1 July 2009 and 30 June 2015 (including those concession holders who were no longer current). We also applied multiple categories of validation based on full and partial matches (detailed below).

### **Matching criteria for energy reconciliation data**

We applied several matching combinations for energy reconciliation files provided by retailers. The aim of this process was to match energy reconciliation data back to client records held in CARTS.

An energy reconciliation payment record was classified as a successful match if at least one of the following field combinations could be matched between energy data and CARTS.

| Match type    | Field combinations  |
|---------------|---|
| Full match    | CARTS ID (a unique number assigned to each client in CARTS)   |
|               | Centrelink customer reference number  |
|               | National Meter Identifier (NMI), retailer account number, customer surname and customer given names |
|               | NMI and account number  |
|               | NMI, customer surname and customer given names  |
|               | NMI, customer surname, partial customer given name (ie first name)                                  |
|               | NMI, customer surname, customer given name ‘sounds like’.   |
| Partial match | NMI and customer surname only   |

**Validation categories**

Based on the above matching criteria, we used data analytic techniques to validate energy concession payments. This validation process was split into a number of categories, where energy concession payments:

- did not match any client details in CARTS. Based on the data reviewed, DCSI has no record of these clients being eligible for a concession
- matched client details using a combination of NMI and surname only. We considered these partial matches, as we could not link the energy concession payment to an individual client in CARTS
- matched CARTS client data but did not match any energy concession applications. This suggested that the client never applied for an energy concession, provided an incorrect NMI on their application form or has moved address and did not advise DCSI
- matched a CARTS energy concession application but the application was not approved, or the energy concession payment did not fall within the timeframe that the application was approved
- matched a CARTS energy concession application but Centrelink data indicated that the client was ineligible
- matched a CARTS energy concession application but Centrelink data did not record a validation being performed, and there was insufficient evidence of a manual validation
- were made to a household where the nominated applicant was deceased.

**Energy data exclusions**

Our validation approach applied certain limitations to the validation, aimed to provide a greater degree of integrity to the validation results. Based on the limitations applied, our approach may understate the total amount of payments with validation issues.

We excluded energy data from our results in the following cases:

| Data exclusion              | Comments   | Consequence  |
|-----------------------------|--|--|
| Additional energy retailers | Our review only included the following energy retailers: <ul style="list-style-type: none"> <li>• AGL</li> <li>• Origin Energy</li> <li>• Lumo Energy</li> <li>• Energy Australia</li> <li>• Red Energy</li> </ul> | Total amount of payments with validation issues may be understated, as there may be validation issues present for other retailers that we have not reviewed. |
| Duplicate files             | We manually reviewed energy reconciliation data (showing concession payments made) for the five energy retailers selected and excluded duplicate files in certain billing periods.                                 | Duplicate files have not been included in our analysis.  |

| Data exclusion               | Comments  | Consequence  |
|------------------------------|---|--|
| Incorrect files              | We excluded energy reconciliation data where we could not gain reasonable assurance that the data matched an invoice in DCSI's financial data.  | Our analysis only includes data that we have confirmed matches an invoice payment.   |
| DCSI-identified overpayments | In 2013-14, DCSI identified certain overpayments based on payments to ineligible clients. We have excluded payments from our analysis where DCSI has already concluded that the payment was made to an ineligible client.   | The total amount of energy concession payments with validation issues does not include payments that DCSI has already identified as invalid. |
| Subsequent adjustments       | DCSI has identified certain invalid payments at the time they initially reviewed the energy data, and requested that the retailer process an adjustment in a subsequent billing period. These adjustments have been excluded from our analysis.   | The total amount of energy concession payments with validation issues has not been overstated based on payments that DCSI already adjusted.  |
| Complex validation results   | We excluded records with certain complex validation results: <ul style="list-style-type: none"> <li>energy concession payments that match multiple approved energy concession applications in CARTS</li> <li>results where Centrelink returned both eligible and ineligible results within the same claim period, or where the client was valid with Centrelink over several billing periods before becoming ineligible. Our analysis treats these cases as valid.</li> </ul> | Total amount of payments with validation issues may be understated.  |

## **Appendix 2: Concessions eligibility criteria**

Concessions eligibility criteria were listed in the DCSI brochure 'Are you eligible for a concession?' published in July 2013, as well as the SA Government Customer Concession Scheme for Energy.

Although eligibility criteria for the concessions reviewed are similar, each concession type has certain differences in the payment types or card types recognised. These are detailed below.

### **Energy concessions**

To be entitled to an energy concession, a customer must meet the following eligibility criteria:

- the customer must be named as an account holder on the energy account for the energy concession customer's residential address
- the supply address identified on the energy account must be the customer's principal place of residence
- no one living with the customer who is not a spouse, partner or a dependant has an income of \$3000 or more per year, which is not a benefit or pension from Centrelink or the Department of Veterans' Affairs.

Additionally, the client must hold a prescribed card or be in receipt of a prescribed payment, including (but not limited to):

- a Pensioner Concession Card, or a Department of Veterans' Affairs Gold Card (TPI, EDA or War Widow) or Centrelink Low Income Health Care Card
- receiving ABSTUDY or Austudy (as a full time student)
- receiving an eligible payment from Centrelink (such as Newstart Allowance, Parenting Payment or Youth Allowance)
- a Commonwealth Seniors Health Care Card.

### **Water concessions**

To be entitled to a water and/or sewerages rates concession, a customer must be a homeowner and occupy the property as their principal place of residence.

Alternatively, if the customer rents their accommodation and is responsible for paying for all of the water use, they may be eligible to receive a water concession if they also meet the other eligibility criteria.

The customer must also meet one of the following criteria:

- hold a Pensioner Concession Card or a Department of Veterans' Affairs Gold Card (TPI, EDA or War Widow) or Centrelink Low Income Health Care Card

- be in receipt of an eligible payment from Centrelink
- be on a low income and do not hold a Centrelink Low Income Health Care Card.

A minimum concession amount is applied to eligible recipients in the first, second and third quarters of the financial year. The fourth quarter concession is based on actual water usage and is adjusted accordingly.

### **Council rates concessions**

The council rates concession operated until 1 July 2015. To be entitled to this concession, a customer needed to meet the following criteria:

- own or part-own their home and it is their principal place of residence on the ‘pay by’ date that the council rates account (first quarter) is payable for that financial year
- be responsible for paying the rates on that property.

The customer must also have met one or more of the following:

- held a Pensioner Concession Card or a Department of Veterans’ Affairs Gold Card (TPI, EDA or War Widow)
- held a Seniors Card
- been in receipt of an eligible payment from Centrelink
- been on a low income.

If a client’s home was connected to a Community Wastewater Management Scheme, they may have been eligible for an additional concession amount of up to \$110.

### Appendix 3: Datasets obtained from the Department for Communities and Social Inclusion

The following datasets were used as part of this review

| Source  | System   | Dataset                               | Date range                                       |
|---|--|---------------------------------------|--|
| Department for Communities and Social Inclusion                       | Concessions and Rebate Tracking System (CARTS) | Clients                               | All clients                                      |
|   |  | Energy concession applications        | Active between July 2009 and June 2015           |
|   |  | Water concession applications         | Active between July 2009 and June 2015           |
|   |  | Council rates concession applications | Active between July 2009 and June 2015           |
|   |  | History log - validations             | Validations between July 2009 and June 2015      |
| Centrelink  | Centrelink batch validation service            | Validation responses                  | Validations between July 2009 and June 2015      |
| AGL<br>Origin Energy<br>Lumo Energy<br>Energy Australia<br>Red Energy | Energy retailer billing systems                | Reconciliation statement data files   | Concessions paid between July 2009 and June 2015 |
| South Australian Water Corporation                                    | CARTS data file to be loaded to Eclipse        | Beneficiary concession payments       | Concessions paid between July 2009 and June 2015 |
| 67 local councils   | Excel spreadsheets                             | Beneficiary concession payments       | Concessions paid between July 2009 and June 2015 |

## **Appendix 4: Response from Department for Communities and Social Inclusion**

*DCSI acknowledges that, due to the complexities of concessions administration, particularly the energy concession, there is a need to strengthen its validation and reconciliation processes. The Department has taken steps to strengthen these processes by introducing increased frequency and greater documentation of validation and an upgraded detailed customer-level reconciliation process. DCSI will continue to reinforce its reconciliation and validation processes by pursuing additional business technology solutions. The Department would also welcome the opportunity to work with the Auditor-General's Department to further improve its validation and reconciliation processes.*

*Each year, over 200 000 South Australian households benefit from energy, water and sewerage concessions – with the energy concession being provided to more households than any other concession. The energy concession is highly volatile and experiences a higher level of 'customer churn' than any other concession administered by DCSI. It is estimated that there may be 20% to 30% churn in the energy concession customer base – that is up to 50 000 clients who may come in and out of eligibility each year, change retailers during the year, as well as new customers. Centrelink beneficiaries, such as Newstart recipients, may be eligible and ineligible several times a year. DCSI always strives to support the most vulnerable and disadvantaged – and this is often this cohort.*

*Each billing cycle, energy retailers provide the Department with a Reconciliation Statement setting out details for each customer who has had a concession applied to their energy bill. Due to the number of recipients of the energy concession, the nuanced complexity of the South Australian Government Customer Concession Scheme for Energy (the Scheme) and the business technology limitations of energy retailers and the Department, the parties have implemented the energy concession reconciliation and payment processes in good faith.*

*The database used by DCSI to administer energy, water and sewerage concessions is the Concessions and Rebates Tracking System (CARTS). CARTS is considered a legacy database. The administration and reconciliation of energy, water, sewerage and the former council rates concession are largely reliant on manual effort and intervention. The database has significant limitations, including that detailed customer information, and history, can only be viewed by opening the customer's record. Details of customer eligibility, for example, could only be confirmed by opening customer records one-by-one and reviewing the notes written by Customer Service Officers (CSO) who have interacted with the customer / customer file.*

*Much of the information in CARTS is held in the customer notes section, which requires manual input. As a consequence, data analytics, which has been used for this review, allows for large amounts of information to be interrogated to find matches and trends on specific indicators, but will not provide a complete picture of data records. As outlined in your report, a review of payments where validation issues have been identified through data analytics, would require an individual manual review of hundreds of thousands of customer records to obtain further information about payment validity.*

*DCSI seeks to highlight steps taken to strengthen reconciliation and evidence of validation processes in March 2015, with significant enhancement in December 2015. The current process involves customer-level reconciliation for the energy concession, including detailed reconciliation of current and incoming Reconciliation Statements provided by energy retailers with their corresponding invoice. The process is largely a manual one, although it includes a business technology report that identifies customer records where further manual follow-up is required. Through this process, DCSI is now able to provide energy retailers with the information they need to amend their customer records in order to receive reimbursement for customer concessions in each billing cycle.*