

Western Australian Auditor General's Report



WA's Transition to the NDIS



Report 25: 2019-20

18 June 2020

**Office of the Auditor General
Western Australia**

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

WA's Transition to the NDIS



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

WA'S TRANSITION TO THE NDIS

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

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed whether the Departments of Communities, the Premier and Cabinet, and Treasury are effectively preparing Western Australia (WA) to move onto the National Disability Insurance Scheme (NDIS).

I wish to acknowledge the entities' staff for their cooperation with this report.

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

CAROLINE SPENCER
AUDITOR GENERAL
18 June 2020

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Auditor General's overview

This report contains the findings from my Office's performance audit of Western Australia's (WA) transition to the National Disability Insurance Scheme (NDIS). At the time of this report, WA is in the third year of a 6-year transition.

The December 2017 announcement that the State would transition to the Commonwealth administered NDIS marked a substantial change in the way Western Australians with a permanent and significant disability would receive funding and access the disability services they need to realise their potential and participate in the community.

The scheme is expected to double the funding for disability services in WA to nearly \$2 billion a year, and improve access to support services for over 40,000 eligible Western Australians by 30 June 2023. Under the NDIS, overall funding for disability services is demand-driven and uncapped with the Commonwealth paying 50% of the costs. This compares with pre-NDIS arrangements where the Commonwealth covered approximately 19% of the cost of public disability services in WA (Table 1).

I acknowledge the complexity of this significant social reform and the considerable potential benefits for people with disability, their families and carers. I also acknowledge that change on this scale is particularly challenging, as it involves many responsible parties and participants, and so many varied systems, processes and case-specific judgements, each of which has a very real human impact.

State entities have drawn on WA's long experience in delivering disability services across a vast geographic area, and learnt from the experiences of other jurisdictions, to effectively manage the early risks to WA from transitioning to the NDIS. Lengthy negotiations and studies that analysed actual disability prevalence in WA resulted in savings of potentially several hundred million dollars in contributions to the Commonwealth scheme (Table 2).

I recognise the State and Commonwealth entities' commitment to ensuring the transition achieves the best possible outcomes for all Western Australians with disability. However, the State's transition to the scheme has not been without its challenges for people with disability, government entities and service providers. This is underscored by the rate of transitioning participants to the NDIS, which has not progressed as planned.

While State entities to date have addressed many emerging challenges, this report highlights the need for these entities to continue to closely monitor and manage ongoing transition risks so the expected benefits of the scheme are fully realised for people with disability and the State. This includes the important step of formalising documentation to ensure the State only pays the Commonwealth for the actual number of participants in the scheme from 1 July 2020 to 30 June 2023.

This early implementation review, conducted in parallel with WA's peak transition activities, provides transparency to the Parliament and the community on the nature of the changes, how implementation is tracking and the key risks in a significant area of State service delivery and expenditure. It also provides foundational understanding that will support ongoing scrutiny of disability service provision in WA.



Executive summary

Introduction

This audit assessed whether the Departments of Communities, the Premier and Cabinet, and Treasury (entities) are effectively preparing Western Australia (WA) to move onto the National Disability Insurance Scheme (NDIS) by asking:

1. Are entities set up and on target to achieve a successful move to the NDIS?
2. Are entities proactively managing the risks to WA in moving to the NDIS?

Background

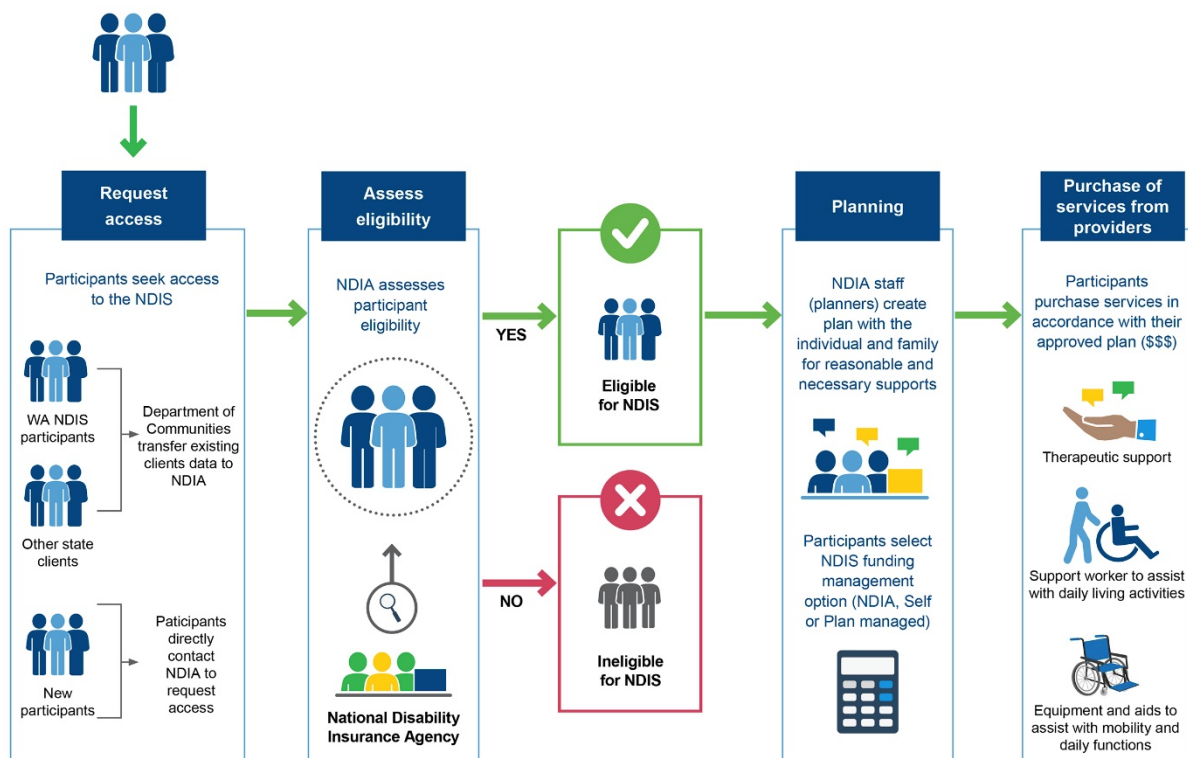
WA's disability service system was established in the early 1990s. It included State-funded support services from the former Disability Services Commission (now Department of Communities), and delivery across a number of departments, such as Health, Transport and Education. From July 2014 to 2019, in addition to these services, WA administered a state-based NDIS (WA NDIS) in selected areas. The WA NDIS operated under the *Disability Services Act 1993* (WA) and subsidiary legislation.

On 12 December 2017, the WA and Commonwealth governments announced that the State would transition to the nationally administered NDIS. The move will be completed by 30 June 2023. A timeline for the transition is included in Appendix 1. The NDIS is considered to be the largest national social reform since the introduction of Medicare.

Central to the values of the NDIS is the principle that people with disability have the same rights as other members of society to realise their potential for physical, social, emotional and intellectual development. They should be supported to participate in and contribute to social and economic life.

The National Disability Insurance Agency (NDIA) is now responsible for delivering the NDIS in all states and territories across Australia, and assumed full responsibility for the administration of NDIS in WA from 1 July 2018. The NDIA is a Commonwealth organisation established under the *National Disability Insurance Scheme Act 2013* (the Act). However, the State, through the Department of Communities, continued to deliver the WA NDIS to existing participants and other state-funded support services until the WA NDIS ended in 2019.

The key for people to access support through the NDIS is an individual plan approved by the NDIA. The plan contains information on the types of reasonable and necessary support required for participants and their allocated funding. NDIA assesses eligibility of potential participants and plans for delivery of support. The actual delivery of the services then relies on people choosing and purchasing services from available providers in accordance with their NDIA approved plan (Figure 1).



Source: OAG using Department of Communities information

Figure 1: Process to access the NDIS in WA

NDIS providers are individuals or organisations that deliver disability-related support or products. They must register with the NDIA to deliver services and support for NDIS participants who have their funding managed by the NDIA.

Participants can choose 1 or a combination of the following 3 options for managing their NDIS funding:

1. NDIA managed – the NDIA pays the providers on behalf of the participants.
2. Self managed – the participants are provided with funding to directly purchase the support that will best assist them achieve their identified goals. Under this option participants can purchase services from both registered and unregistered providers.
3. Plan managed – the NDIA provides funding for the participant to pay a plan manager who pays the providers on the participant's behalf. The plan management provider must be registered but participants can receive support from unregistered providers.

In WA, the NDIS support packages are funded jointly by the WA government, which currently pays a 60% contribution per person for actual WA participants, and the Commonwealth which pays the other 40% (as was the case in all other jurisdictions). From 1 July 2020, each party is required to pay an equal 50% contribution towards agreed package cost for:

1. 39,488 participants in 2020-21
2. 39,883 participants in 2021-22
3. 40,282 participants in 2022-23.

The joint funding will pay for participant support and local area coordinators such as:

- assistance with daily living activities (for example cleaning, cooking, shopping, self-care)
- help to access and maintain employment
- participation in community, social and civic activities
- purchasing equipment and technology that enables people to perform tasks that they would not otherwise be able to
- home modification to enable safe access and easy movement
- therapy support to improve or maintain functional capacity (for example speech, occupational and physiotherapy, counselling and dieticians).

The Commonwealth is responsible for all NDIS administration costs.

The WA Executive Steering Committee (ESC) is responsible for managing WA's transfer and transition to the NDIS. It is co-chaired by representatives of the Department of Communities (Communities) and the NDIA. At the time of our audit, its membership included representatives from the Department of the Premier and Cabinet (DPC) and the Commonwealth Department of Social Services.

In this report we use the term 'transfers' to refer to activities undertaken to support the movement of WA NDIS participants to the NDIS. 'Transition' is used for activities to support people with disability from other existing state funded services or new participants to access the NDIS.

Audit conclusion

WA State government entities have been largely effective in preparing for the transition to the NDIS, and responsive in addressing many emerging challenges. However, clear determination of WA's role going forward, further monitoring and close management of transition risks, and negotiations on interim transition targets and agreement on payment obligations are required.

The most significant early fiscal risk to the State with transition to the NDIS has been effectively managed by Communities, DPC and Treasury. WA potentially avoided having to pay several hundred million dollars a year to the Commonwealth for people not receiving services by not accepting the default agreement, which was based on the normative population profile of other jurisdictions. The State undertook substantial actuarial analysis, closely examined implementation issues in other states and engaged in extensive negotiations with the Commonwealth to achieve this cost mitigation.

From 1 July 2020, the Bilateral Agreement requires the State to pay financial contributions based on a minimum estimated number of Western Australians being on the NDIS. Delays in achieving full and timely implementation present the risk of the State paying for services that Western Australians are not accessing. DPC and Treasury have told us that WA's financial contributions from 1 July 2020 to 30 June 2023 will be based on the actual number of participants in the scheme, rather than what is documented in the Bilateral Agreement, and that the State will not be required to pay for non-participants. However, at the time of the audit this remains to be formalised in documentation with the Commonwealth.

The original transitional targets for moving people onto the NDIS throughout 2018 and 2019 were not met. Up to the end of the audit period at 31 December 2019, approximately 76% of the total planned number of participants at the time had moved to the NDIS. Western Australians that were on the WA NDIS and had not transferred by the time the WA NDIS

ended in 2019 continued to receive support. However, there is a risk of delayed access to the NDIS for new participants and those accessing other State services.

The original NDIS governance structure, set up by NDIA and Communities, did not effectively mitigate the early implementation challenges and risks. However, State entities demonstrated a keen willingness to learn lessons from NDIS implementation in other jurisdictions, and WA's own early experience delivering disability services across a vast and sparsely-populated state. The establishment of the NDIS Interface Steering Committee (NISC) goes some way toward strengthening governance. NISC aims to specifically improve collaboration and delineation of responsibilities between the Commonwealth and State and manage risks across the entities. The Executive Steering Committee (ESC) will continue to be responsible for managing WA's transition to the NDIS.

In addition, entities, through the NISC, need to continue to effectively monitor the interaction between the NDIS and State services such as health, including mental health, education and transport. This is important in order to reduce the risk of shifting or duplication of costs and services. Entities should also monitor for potential administrative savings. Because the transition is not due to be completed until 30 June 2023, it is too early to determine with any certainty how effectively responsible entities will mitigate the remaining risks.

Key findings

NDIS is a major and complex reform that will significantly change disability funding and service delivery in WA

The NDIS is expected to provide more choice and control for participants and guarantee funding support into the future. More people in WA are planned to access NDIS than were able to access the State's disability schemes. By 1 July 2020, an estimated 39,000 people were expected to have transitioned to the NDIS in WA, with the scheme modelling capacity for up to 48,000 by 2022-23.

Since the early 1990s, WA has had a mature disability service system which included funding allocated to providers in response to local decisions about client disability needs. However, resourcing limitations resulted in some people being unable to access all the disability support they needed. Under the universal care model of the NDIS, funding obligations by the Commonwealth and State are determined by need rather than a defined annual appropriation that effectively rations services within a fixed funding bucket.

During the 6 years of transition to 2023, the State estimates it will pay approximately \$740 million per year to support Western Australians in the NDIS. Disability funding will double from an average of \$877 million per year between 2013-14 to 2016-17 (Table 1) to \$1.9 billion a year of combined State and Commonwealth contributions in 2022-23 (Table 2). The fixed annual contributions for the full scheme from 2023-24 will be determined in 2023, based largely on the number of participants in the scheme.

Fully moving from the 3 separate schemes and adding new entrants to NDIS (Figure 2) is particularly challenging for WA. Until July 2018, there were 3 different ways that people with disability could access support, depending on where they lived. The State has long provided its own disability support services scheme. Between 1 July 2014 and 30 June 2018 two separate trials of the NDIS were run in WA. One was administered by NDIA and one by the State through WA NDIS. All 3 schemes had some difference in eligibility, administration and information requirements.

In WA, Communities is the lead entity for disability support and transition to NDIS, but implementation is a shared responsibility between entities at a national and state level. DPC has a governance and ongoing monitoring role while the Department of Treasury (Treasury) is responsible for providing advice and managing the financial impact of NDIS on the State

finances and budget arrangements. Due to the shared responsibilities of entities sound collaboration from all parties involved and close monitoring of progress is important.

Initial targets for moving people onto the NDIS were not met, but the rate of transition has increased

Initial planned targets for moving people onto the NDIS were not met. By 31 December 2018, 9,517 (56%) of an expected 17,054 participants had moved onto the NDIS, which included 45% of WA NDIS participants. By 31 December 2019, only 24,132 (76%) of an expected 31,741 people had moved onto the NDIS. DPC and Treasury have told us that the State will only pay for the actual number of participants on the scheme from 1 July 2020 to 30 June 2023.

Despite an acceleration in the number of people moving across to the NDIS in the first 3 quarters of 2018-19 and the 2nd quarter of 2019-20, the rate of transition onto the NDIS will not be sufficient to reach the planned target of 39,097 participants by 1 July 2020. To achieve the planned target, 14,965 people need to be accepted onto the NDIS in the second half of 2019-20.

Communities has little influence on how quickly people are accepted onto the NDIS as eligibility is assessed and plans are developed by NDIA. Almost all WA NDIS participants have already moved across, leaving around 9,100 other State participants to move. These people receive a range of support. The differences between the existing support and the NDIS mean that their NDIS planning is effectively that of new entrants. Participants are re-assessed by NDIA and need to provide evidence to NDIA of their disability.

A mix of the slow roll-out in the early stages and the fact that there will be people who are ineligible for NDIS support, means that there are people that are not getting support early enough or may not receive support. The extent and impact of this is unclear because State entities are not adequately monitoring how many people are missing out. Many are not known to the entities because they have not previously accessed State-funded disability services.

According to data from the NDIA at 31 December 2019, around 3,800 West Australians with disability were found to be ineligible for NDIS. The majority of these people were not previously accessing State services. It is unclear whether these people are eligible for support from State disability services or other entities. This may impact on the extent of ongoing non-NDIS services the State will need to provide. Consequently, this needs to be closely monitored by the State.

Governance has been enhanced to manage remaining implementation risks

NDIA and Communities-led governance arrangements that were in place from the start were not initially comprehensive. Other State entities such as the Department of Health and the Mental Health Commission were not effectively represented in the structure. However, at the end of 2018, the NISC was established to improve collaboration and manage risks across State entities affected by the NDIS.

There were challenges in how Communities and NDIA worked together and implementation difficulties which had some impact on moving people onto NDIS. These included a lower than expected number and rate of staff transfers from Communities to the NDIA, gaps in the setup of working arrangements that delineate responsibilities between the parties, and the lack of availability of participant data in the required digital format.

The mechanisms for ensuring quality and safety of NDIS services to protect vulnerable people with disability in the State are not being fully applied during the transition period. At March 2019, about 125 providers who were providing services under NDIS were not registered on Communities' WA Disability Services Providers Panel (DSPP). This means that

Communities has limited ability to enforce compliance with quality requirements and standards.

Effective interaction between NDIS and other State services such as health, transport, education and mental health has emerged as a key risk that needs to be managed to prevent shifting or duplication of costs and services. People who need support but do not qualify for NDIS may need to access these State services. The NISC has been established to focus on this risk. However, the extent of the ongoing need for State provided services will only become clear over time as the scheme matures. The Disability Reform Council (DRC) has also recognised that further work is required to clarify the interface between the NDIS and mainstream services including mental health and transport.

The cost risks to the State have been effectively minimised in the short term, but delays increase the risk of WA paying for unused services

The cost risks to the State at December 2019 have been effectively minimised. Until 30 June 2020 WA is only paying contributions for people that have been accepted onto the NDIS, consistent with the transition arrangements that were in place in all other jurisdictions.

For 2020-21 to 2022-23, initially the Commonwealth wanted WA to pay fixed contributions, aligned with an agreed higher number of people even though the State was not in control of the transition process, and where WA analysis showed there was not expected to be that many participants. However, the State effectively negotiated with the Commonwealth before entering into the Bilateral Agreement and, from 1 July 2020, is only required to pay a minimum contribution based on a lower agreed estimated number of people in WA being on the NDIS (Table 2). As it looks more likely that there will be delays in getting that number of people onto the NDIS, there is a risk that unless documentation with the Commonwealth is formalised the State could be required to pay for services that Western Australians are not accessing and pay for State services for longer than expected.

It is not yet clear what level of State delivered disability services will be needed and how much it will cost. The State has commissioned a Functional Review to identify what services the State will need to continue to administer and the potential cost from 1 July 2020. Communities advised us that the review is now complete and the final report is with the Expenditure Review Committee (ERC) of Cabinet for consideration.

Changes to funding and pricing of services under the NDIS has caused some concern in the sector about the long-term financial sustainability of some disability service organisations. Providers we interviewed expressed concern that the NDIS prices were inadequate and did not sufficiently meet the actual cost of service delivery. During the audit, the Commonwealth announced in June 2019 an increase to price limits for NDIS service providers, including for regional and remote providers in WA, but it is still too early to determine the impact of the announced changes.

Recommendations

1. The Department of the Premier and Cabinet and the Department of Treasury should formalise documentation with the Commonwealth on the number of participants to be paid for by WA from 1 July 2020 onwards.

DPC/Treasury response: Agreed.

The Department of the Premier and Cabinet and the Department of Treasury accept this recommendation. As noted in the report, the NDIA has not met participant transition targets in the NDIS Transition Bilateral Agreement. Therefore, the transition (including of existing State-administered disability service clients) is ongoing. During this period, the State will continue its current approach to funding arrangements by providing contributions based on the actual number of participants in the NDIS in accordance with the agreed understanding with the Commonwealth. The State has worked constructively with the Commonwealth throughout transition and we expect that this will continue as arrangements for the remainder of the transition period are worked through.

Implementation timeframe: ongoing

2. The Department of the Premier and Cabinet should monitor the interaction between NDIS and State services to reduce the risk of cost shifting or duplication of services.

DPC response: Agreed.

The Department of the Premier and Cabinet accepts this recommendation. As noted in the report, the Department of Communities is leading the transition implementation. The Department of the Premier and Cabinet will continue to support the Department of Communities in this role and other agencies affected by the transition in identifying and addressing risks associated with potential cost shifting or duplication of services.

Implementation timeframe: ongoing

3. The Department of Communities should:
 - a. after the completion of the Functional Review, determine the State's role in future service delivery.

Communities response: Agreed.

Communities accepts recommendation 3(a) and notes the sole purpose of the Functional Review is to determine the State's future role in the delivery of disability services. Existing services will continue to be delivered until such time as a decision has been reached by State Government.

Implementation timeframe: in 2020-21

- b. continue to ensure providers registered under the NDIS meet the Disabilities Services Provider Panel registration requirements during transition and for future services provided by the State up until the NDIS Quality and Safeguards Commission assumes responsibility for regulating providers.

Communities response: Agreed.

Communities accepts recommendation 3(b) and notes that prior to the Disability Services Provider Panel (DSPP) closing on 14 April 2020, Communities and relevant Commonwealth agencies worked collaboratively to ensure registered service providers delivered quality services that align with the National Standards for Disability Services.

The State Government reached agreement with the Commonwealth to delay transition to the NDIS Quality and Safeguards Commission to 1 December 2020. Communities is continuing work with the Commonwealth regarding the registration of NDIS disability service providers from 1 July 2020 until 1 December 2020.

Until 1 December 2020, Communities will continue to measure, monitor and actively contract manage all NDIS providers in Western Australia registered with Communities, ensuring the highest quality services to people with disability.

Responsibility for the quality and safeguarding of disability services for people in Western Australia not connected to the NDIS, remains with the State.

Implementation timeframe: 1 December 2020

Response from the Department of Communities

The implementation of the Australia-wide NDIS across Western Australia is the most significant social policy reform undertaken by government in the past 45 years. Reform of this magnitude is not without its challenges. Since the commencement of the transfer and transition process in April 2018, the Department of Communities (Communities) has focussed on developing constructive working arrangements with all stakeholders, implementing sound governance structures, applying transparent reporting mechanisms and developing clear and consistent messaging for people with disability, their families, carers and disability sector organisations.

The considerable passage of time that has elapsed since this audit commenced in May 2018 has resulted in significant progress on a number of the working arrangements between Communities and the National Disability Insurance Agency. The implementation of additional processes that ensure people with disability and disability sector organisations in Western Australia are afforded a voice around the table has also been Communities' priority.

Communities will continue to work in partnership with the Commonwealth, other State Government agencies and relevant stakeholders to ensure that people with disability, their families, carers and disability sector organisations in Western Australia can maximise the benefits of the NDIS.

Response from the Department of the Premier and Cabinet

The Department of the Premier and Cabinet (the Department) welcomes the proposed audit conclusion that *"WA entities have been largely effective in preparing for the transition to the NDIS, and responsive in addressing emerging challenges"*. As noted in the report, the Department of Communities is leading transition implementation in Western Australia. The Department of the Premier and Cabinet will continue to support the Department of Communities in this role and other agencies affected by the transition in identifying and addressing transition risks to ensure the best outcomes for people with a disability in Western Australia.

Response from the Department of Treasury

The NDIS Transition Bilateral Agreement, entered into in December 2017, was based on a range of projections and assumptions at the time, including that 25,665 existing State-administered clients and a further 13,432 clients not known to the State would transition to the scheme by 30 June 2020.

As the report notes, transition is currently behind schedule, and timeframes have not been met. As at 15 May 2020, the NDIA had transferred and transitioned 77% (around 30,000 participants) of the Agreement's 30 June 2020 participant target (39,097).

In the absence of the NDIA meeting the participant targets, the State will continue its current approach to funding arrangements by providing contributions based on the actual number of participants in the scheme in accordance with the agreed understanding with the Commonwealth. The State has worked constructively with the Commonwealth throughout transition and we expect that this will continue as arrangements for the remainder of the transition period are worked through.

Audit focus and scope

The audit assessed whether the Department of Communities, the Department of the Premier and Cabinet, and the Department of Treasury (State government entities) are effectively preparing WA to move onto the National Disability Insurance Scheme (NDIS). It focused on 2 key criteria during the audit period mid-2018 to December 2019:

1. Are entities set up and on target to achieve a successful move to the NDIS?
2. Are entities proactively managing the risks to WA in moving to the NDIS?

In conducting the audit, we:

- reviewed the December 2017 Bilateral Agreement and the Western Australia operational and transfer plans
- reviewed minutes of the governance committees including: WA Executive Steering Committee, the Operational Working Group and Communities' internal executive committee
- examined records and analysed data including on people seeking to transfer or transition onto the NDIS
- reviewed complaints and other related information provided to both Communities and Health and Disability Services Complaints Office (HaDSCO)
- interviewed local coordinators responsible for supporting people with disability yet to transfer or transition to the NDIS
- interviewed other key staff from Communities, DPC and Treasury
- met with representatives from the National Disability Insurance Agency (NDIA).

We also visited the Bayswater district office in the metropolitan area and the Kalgoorlie regional office of the Department of Communities.

Other stakeholders we engaged with included:

- Activ
- Carers WA
- Ethnic Disability Advocacy Centre
- Explorability Inc.
- Goldfields Individual and Family Support Association (GIFSA)
- HaDSCO
- Hope Community Services
- Individual Disability Advocacy Service (Goldfields)
- Life Without Barriers
- National Disability Services (NDS)
- People With Disabilities WA

We did not look at the merits of the decision by the State government to join the NDIS or the quality of services delivered under the NDIS. The costs and effectiveness of Communities' ongoing role in delivering and regulating quality and safety of residual services to Western Australians may be the subject of future audits by this Office.

This was a performance audit, conducted under Section 18 of the *Auditor General Act 2006*, in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was \$667,000.

Audit findings

NDIS is a major and complex reform that will significantly change disability funding and service delivery in WA

Historically, WA has had a mature disability service system with key features similar to the NDIS in place

Since the early 1990s, WA has had a system for disability services that included local area coordination and individualised funding. In addition to participant choice, these features are key to the nationally delivered NDIS. The extent of access to State-funded support depended on available funding. This resulted in waitlists and, for some, a high chance of not accessing all the disability support they needed.

The former Disability Services Commission spent approximately \$877 million per year on disability services between 2013-14 and 2016-17. The majority (74%) of the funding was allocated to not for profit organisations (NFP) to provide support services.

The Commonwealth also contributed around 19% of funding for State-administered disability support prior to the commencement of the NDIS.

Table 1 outlines the disability services funding source and distribution in WA from 2013-14 to 2017-18, prior to the NDIA assuming full responsibility for the NDIS in WA.

Financial Year	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	2017-18 (\$m)	
Funding source						% Average
State appropriation	642.87	701.77	725.97	714.59	866.84	78%
Commonwealth	146.15	165.10	157.71	190.55	238.64	19%
Income from other sources	16.97	18.69	17.01	31.45	47.94	3%
Total Funding	805.99	885.56	900.69	936.59	1,153.42	
Distribution (Paid to)						% Average
Communities (former Commission)	226.29	231.15	236.33	235.87	241.13	26%
Not for profits	567.83	641.83	674.42	697.55	788.74	74%
Total expenditure	794.12	872.98	910.75	933.42	1,029.87	

Source: OAG using information from Communities

Table 1: Disability funding source and distribution in WA since the start of the NDIS trials

In 2012, the former Disability Service Commission launched the 'My Way' system. This system embedded individualised funding and local area coordination to support people with disability. It was rolled out in 4 areas across the State:

- Perth Hills
- Cockburn-Kwinana

- Goldfields
- Lower South West.

‘My Way’ provided more choice and greater flexibility than was previously available. ‘My Way’ became the WA NDIS in July 2014.

When the Bilateral Agreement between the WA and Commonwealth governments was signed in December 2017, around 26,090 people were receiving disability-related support from the State, at a cost of over \$1 billion per year. Communities employed approximately 1,450 full time equivalent staff in its disability services area. This included staff who were part of the corporate services division.

NDIS is a significant reform with potential benefits for an estimated 48,000 Western Australians with a disability by 2023

The NDIS is a large and complex national reform that is being rolled out in all states and territories across Australia. It is changing the way disability support is provided and up to 48,000 Western Australians with a disability are modelled to be in the scheme by 30 June 2023, almost double the number who were accessing State services in 2017. The NDIS aims to help people by:

- providing eligible people with access to an insurance-based scheme that covers the cost of reasonable and necessary disability support
- providing people with disability more choice and control over their support
- guaranteeing funding for support into the future
- increasing Commonwealth and WA funding into the WA disability sector from an average of \$877 million a year between 2013-14 and 2016-17, up to \$1.9 billion in 2022-23.

The rollout of NDIS is being phased and implemented by geographical region with planned targets for when people will enter the scheme. By 1 July 2020, an estimated 39,000 people are planned to participate in the NDIS. This will include both people who are moving across from State disability services, and new entrants. The estimated annual intake of participants for the first 3 years of the transition is outlined in Table 2.

From 2020-21 to 2022-23, the NDIS will provide additional capacity for new participants that are currently not accessing State services. Participation is modelled to reach up to 48,000 by 2022-23. This was based on the Commonwealth’s original estimate of 46,531 eligible participants by 2019-20, plus population growth of 1% per annum.

In WA, Communities is the lead entity but implementation is a shared responsibility

The Commonwealth, State government, NDIA and individual entities impacted by the NDIS have a shared responsibility to ensure a successful transition to the scheme. In WA, Communities is the main State entity responsible for implementing the WA operational and transfer plans. These plans serve as a road map to transfer existing WA NDIS participants and transition to the full implementation of the NDIS in WA. Both plans set out the key deliverables agreed between NDIA, and the State and Commonwealth governments. Representatives from Communities also co-chair the committee responsible for overseeing the transition to the NDIS.

As there is a bilateral agreement that includes joint funding, DPC and Treasury also have some ongoing involvement. Specifically, DPC monitors and supports progress and

governance processes. Treasury is responsible for providing advice and managing the financial impact of the NDIS on the State finances and budget arrangements.

Since July 2018, the NDIA has been responsible for the administration of the NDIS in WA. Due to the shared responsibilities of entities at a national and State level, it will be important for Communities to effectively track progress against the 2 plans to ensure the transition progresses as planned.

The State agreed to pay around \$740 million per year to support Western Australians accessing the NDIS

In the 6 years from 2017-18 to 2022-23, the WA government will pay on average \$740 million a year to support Western Australians accessing the NDIS. The scheme is jointly funded and until 30 June 2020 the WA government will pay a fixed 60% contribution per person for actual WA participants and the Commonwealth will pay 40%.

From 1 July 2020, the WA government and Commonwealth will each pay an equal contribution but this will be based on a planned number of participants instead of people actually accessing the NDIS. By 2022-23, it is estimated that \$1.9 billion a year of State and Commonwealth contributions will be available to support Western Australians with a disability in the NDIS.

Table 2 outlines the estimated annual contributions for the WA government and the Commonwealth over the 6 year transition. Because not all participants roll in at the beginning of the year, full year equivalents were used to calculate WA and Commonwealth funding contributions.

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Weighted average package cost	\$43,041	\$43,965	\$46,166	\$45,815	\$46,612	\$47,408
Agreed funding share for WA	(59.4%)	(59.4%)	(59.4%)	(50%)	(50%)	(50%)
Agreed funding share for Commonwealth	(40.6%)	(40.6%)	(40.6%)	(50%)	(50%)	(50%)
Minimum financial contribution estimates						
Minimum estimates for full year equivalents	10,892	17,479	31,844	39,292	39,685	40,082
WA contribution (\$ million)	\$280.8*	\$460.3*	\$880.6*	\$900.1	\$924.9	\$950.1
Commonwealth contribution (\$ million)	\$188.0	\$308.2	\$589.5	\$900.1	\$924.9	\$950.1
Minimum total funding (\$ million)	\$468.8	\$768.5	\$1,470.1	\$1,807.4	\$1,871.8	\$1,938.2
Maximum financial contribution estimates						
Estimated maximum full year equivalent (number of people)				40,569	43,515	46,465
WA contribution (\$ million)				\$929.3	\$1,014.2	\$1,101.4

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Commonwealth contribution (\$ million)				\$929.3	\$1,014.2	\$1,101.4
Maximum total funding (\$ million)				\$1,858.7	\$2,028.3	\$2,202.8

Source: OAG using information from Treasury and the December 2017 Bilateral Agreement

* Payments are due only for actual participants in the scheme for the first three years.

Table 2: WA and Commonwealth annual funding contribution to the NDIS during the transition

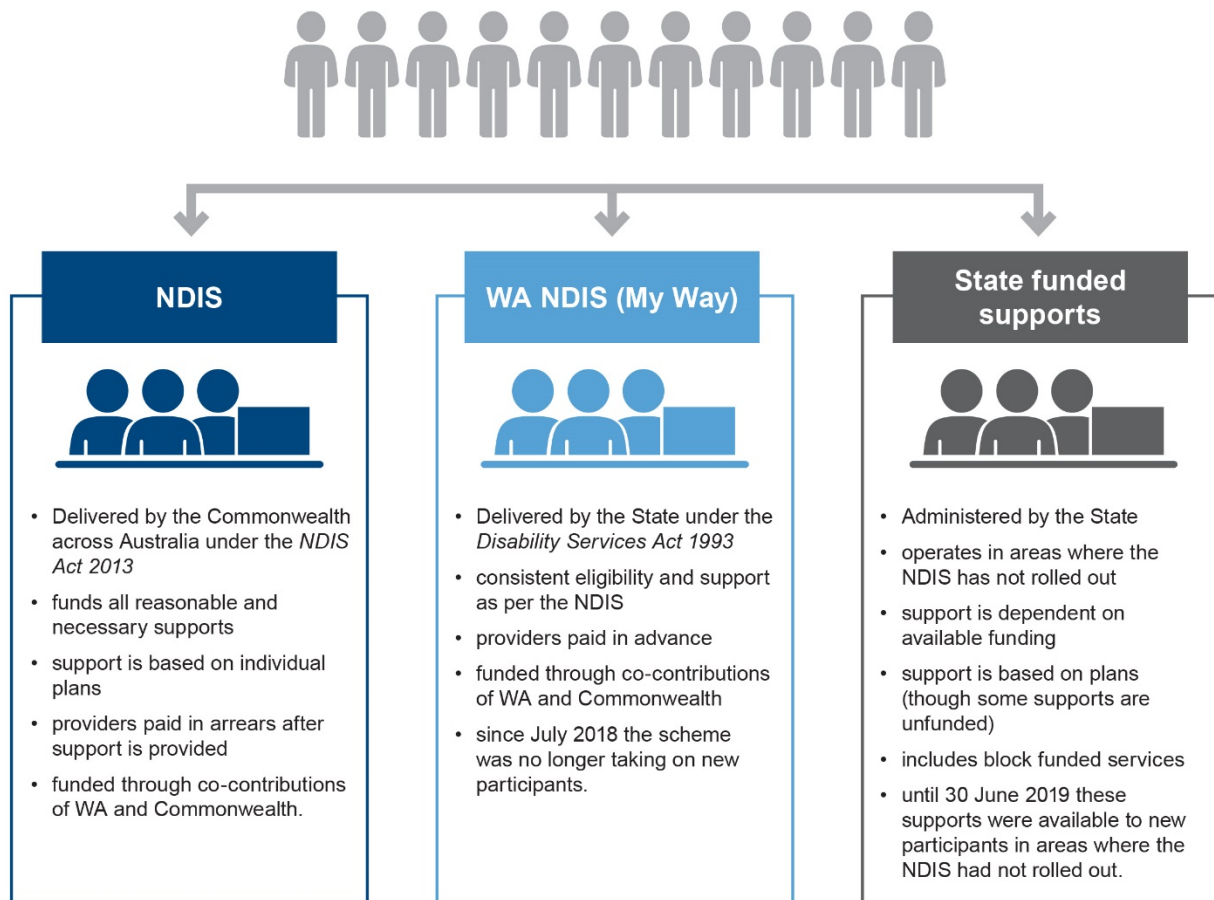
In 2018-19, WA spent around \$1.3 billion on the delivery of disability services, of which \$325 million was its contribution to the NDIS. Commonwealth grants and contributions to the State amounted to \$274 million while the State appropriation was \$922 million in 2018-19. The lower actual contribution to the NDIS compared with minimum estimates for that year (Table 2, \$460 million) highlights the slower rate of transition to the new scheme.

The Commonwealth is responsible for all administration costs of the scheme. Joint NDIS funding will pay for local area coordinators who assist people to develop, implement and monitor the progress of participant plans and support.

Moving to NDIS in WA is not straightforward because people were previously on 3 different schemes

The State and Commonwealth agreed to a longer transition period of 6 years for WA rather than the average 3 years in other jurisdictions. WA was the only state in Australia to run its existing disability scheme while 2 separate trials of the NDIS were operating. One of the trials was administered by Communities and the other by the NDIA. Consequently, until July 2018, there were 3 different ways that people with disability could access support (Figure 2), depending largely on where they lived. Having 3 separate systems meant that the transition was particularly challenging.

Support for people with disability in WA



Source: OAG using Communities information

Figure 2: Support for people with disability in WA at July 2018

An estimated 8,711 (actual 7,597) participants needed to transfer from WA NDIS to the nationally delivered NDIS. This transfer involved more work by Communities compared to those not in the WA NDIS. Communities staff had to:

- seek consent from all WA NDIS participants transferring to the nationally administered NDIS (including meetings with the individual/family, where requested)
- give NDIA participant data and information (individual's details, primary contact and how complex their disability is) in the required format.

To manage the increased workload from the transfer process, Communities advised us that it recruited an additional 6 staff in the local operations area between June and December 2018.

Initial targets for moving people onto the NDIS were not met, but the rate of transition has increased

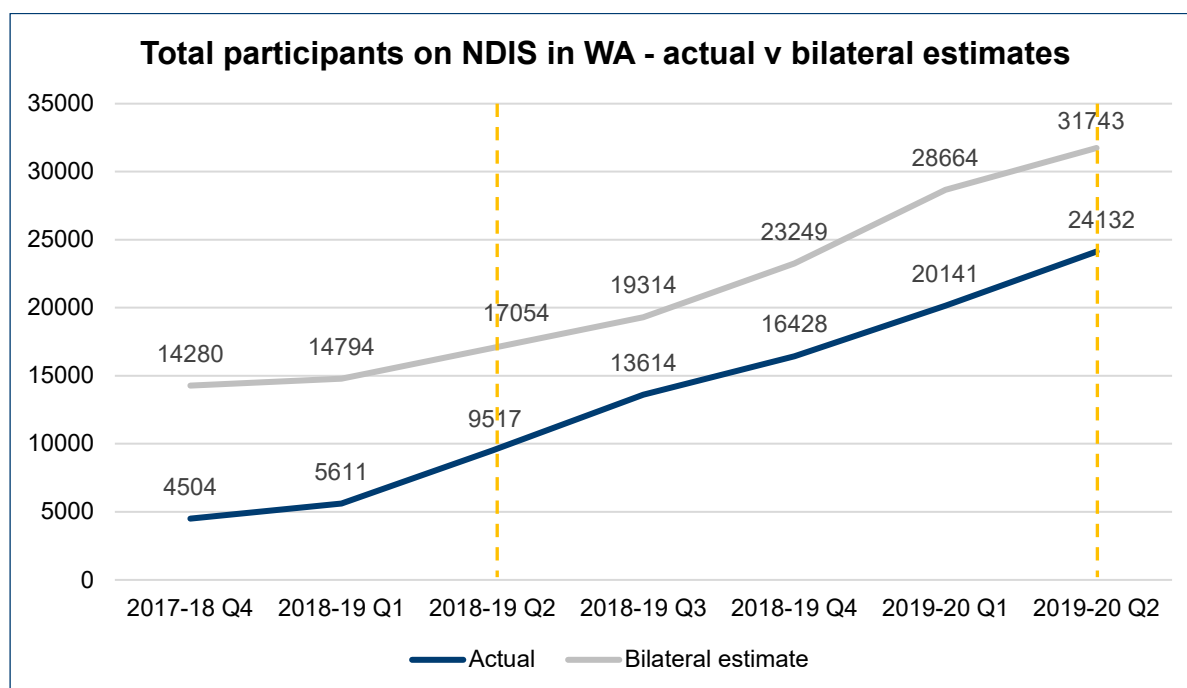
Original targets for moving people onto the NDIS were not met

Because 2 separate trials were run in WA (1 by the State and the other by the Commonwealth), there were 2 approaches to moving people onto the NDIS:

- ‘transfers’- the movement of existing participants of the WA NDIS onto the NDIS
- ‘transition’- the movement of all other eligible participants onto the NDIS.

The WA and Commonwealth governments agreed to transfer and transition 17,054 people onto NDIS in 8 out of 12 regions (Appendix 2) by 31 December 2018. However, only 9,517 (56%) of the expected total had moved to the NDIS by the agreed date which included 45% of WA NDIS participants.

By 31 December 2019, 24,132 (76%) of an expected 31,743 people had moved to the NDIS including 98% of WA NDIS participants. This means that for some it will take longer than originally expected to access the scheme and access support. (Figure 3)

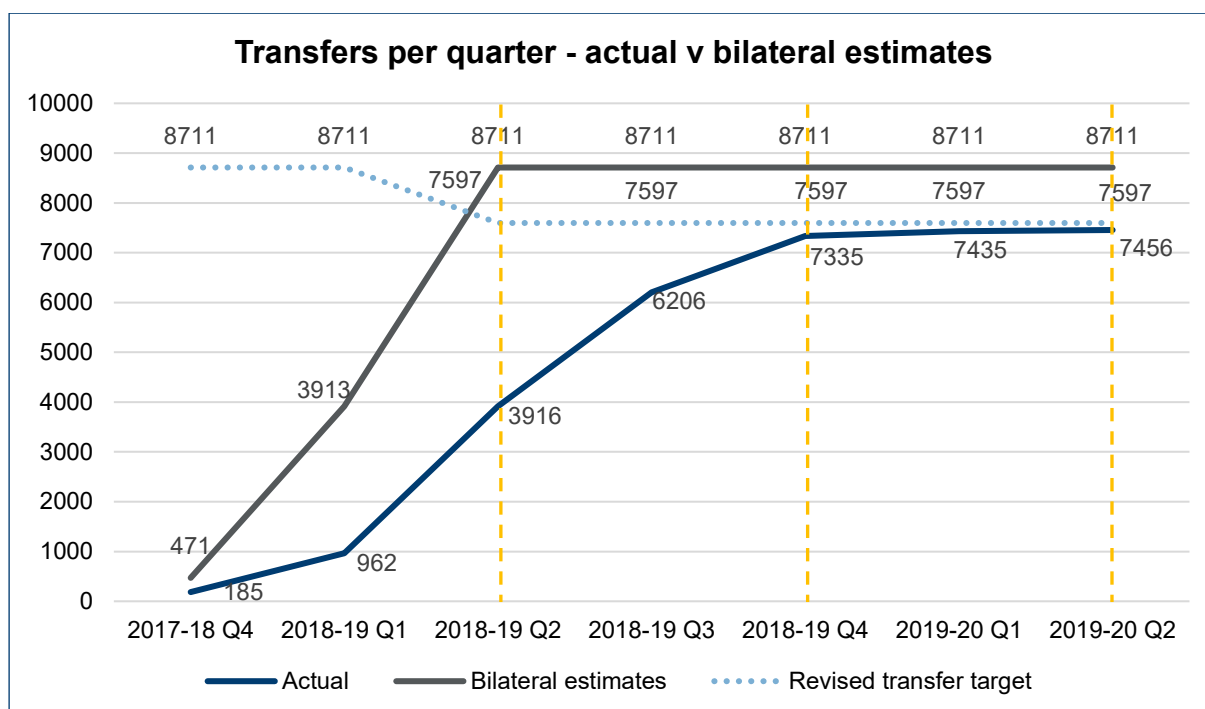


Source: OAG analysis of Communities, Bilateral Agreement and NDIA information

Figure 3: Total number of all participants moved onto the NDIS at 31 December 2019

People on the WA NDIS were expected to transfer by 31 December 2018. The Bilateral Agreement estimated this to be 8,711 people. But only 3,916 (45%) had moved by that date (Figure 4). In response to the emerging challenge, the State and the Commonwealth agreed to extend the transfer through to the end of June 2019. At 30 June 2019, around 4% of the revised total had not moved to the NDIS. Communities and the NDIA revised the final transfer numbers down to 7,597 based on operational experience leaving 262 WA NDIS participants still to move onto the NDIS. The revision did not include amendments to the Bilateral Agreement.

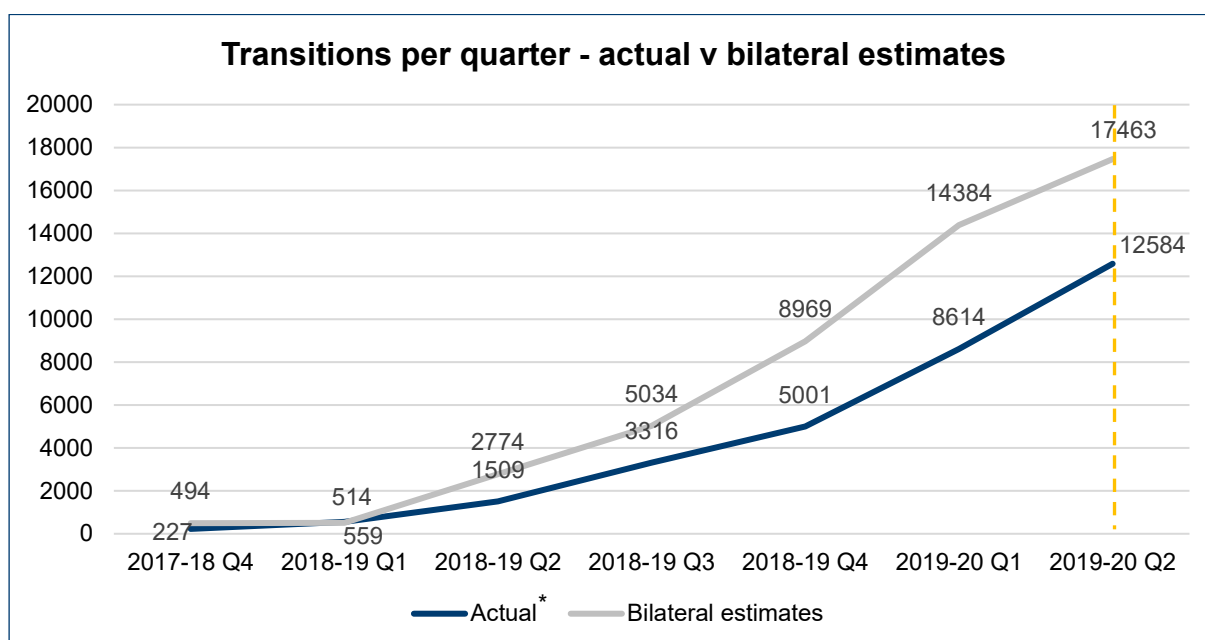
These transfers were originally expected to be straightforward because the 2 schemes were similar. With delays and 260 WA NDIS participants still to transfer at 30 June 2019, it shows that this process was not as easy as initially thought. We note that processes have been in place throughout to ensure that participants previously on the WA NDIS continue to receive services. At 31 December 2019, 98% of these participants had moved.



Source: OAG analysis of Communities and NDIA information

Figure 4: Number of participants in the WA NDIS transferred to the NDIS

The number of people who have transitioned to the NDIS has also been lower than planned targets. At 31 December 2019, 76% of those expected to have moved to the NDIS had done so. Unlike the targets for transfers from WA NDIS, the targets for transitions have not been renegotiated. As a result, the plan remains to have a further 14,965 participants in the scheme by 30 June 2020. Given the progress to date, this will be challenging. (Figure 5)



Source: OAG analysis of Communities and NDIA information

Figure 5: Total number of participants transitioned to the NDIS

*Actual does not include the 4,092 participants that were in the NDIA administered trial of the NDIS between July 2014 to April 2018

Slower than expected rollout and a difference in eligibility mean that some people may be without support in the short to medium term

A combination of the slower than planned transition and some people being ineligible for the NDIS means that there are people who could be missing support or waiting longer than planned. The extent and impact of this is unclear because State entities are not actively monitoring how many people are affected, and those who are not already receiving support from State services may be unknown. Communities could better utilise reports on the status of all participants provided to them by the NDIA to monitor the number of people affected.

There are currently 3 categories of people potentially not receiving support or waiting longer:

- people who may have a disability but are ineligible for support from the NDIS
- people who have not been recipients of State disability support and live in areas where the NDIS has not yet been established
- those assessed by the NDIA as having met eligibility requirements but who do not have an approved plan.

At 31 December 2019, there were 3,829 people who had been assessed as ineligible for the NDIS. The majority of them were not already accessing any State-based disability services. These people were not currently receiving services from either the NDIS or Communities.

At the end of December 2019 there were 1,207 new people assessed as eligible for the NDIS that were still waiting for their planning to commence. Of these, 192 had been assessed as requiring high or very high levels of support. Almost 60 of these had been waiting for their planning to commence for 4 months or more. However, Communities cannot accept new people with a disability in need of support in areas where the NDIS is available. Consequently, these people may not receive adequate support while waiting for their NDIS plans to commence.

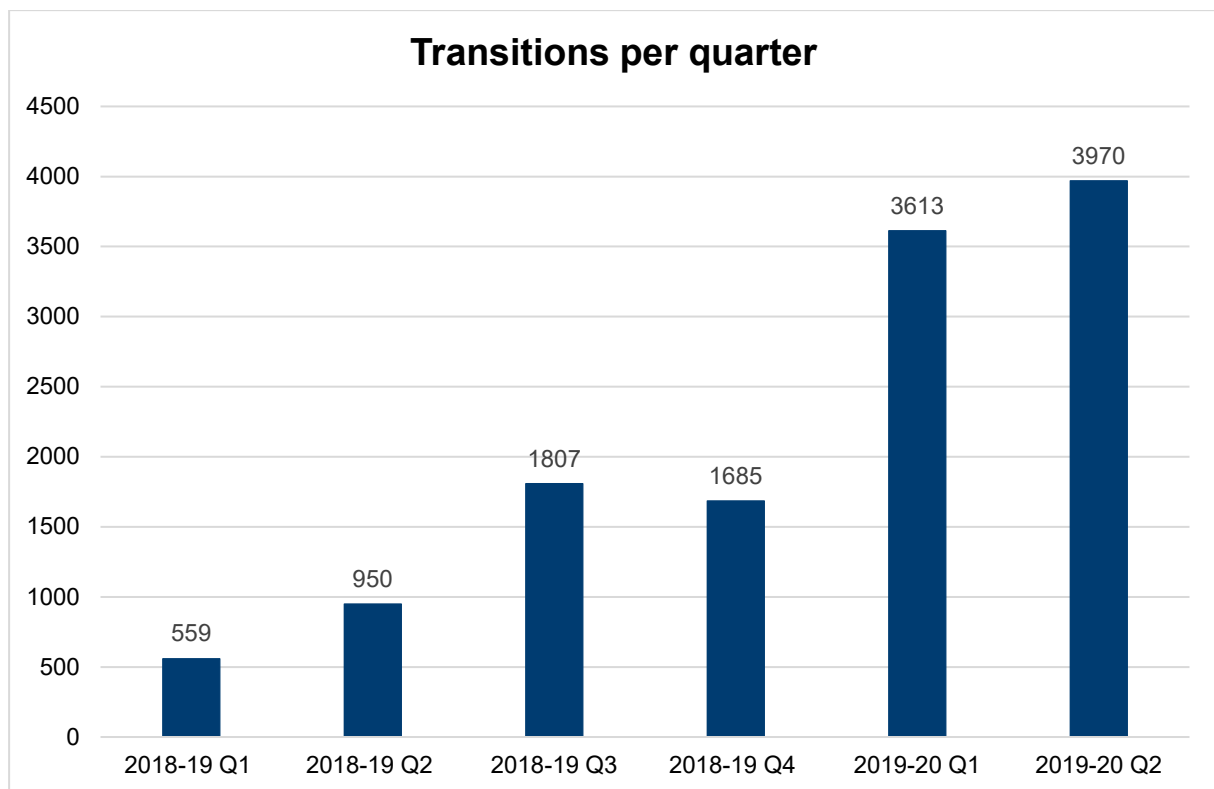
Communities needs to work with the NDIA to closely monitor and reduce delays in people receiving the support they need.

The rate of moving people onto the NDIS will need to increase to meet 2020 targets

There was an acceleration in the numbers of people moving across to the NDIS in the first 3 quarters of 2018-19. Although the number of people moving across reduced in the 4th quarter of 2018-19, the rate of transition still represented a 77% increase (from 950 to 1,685) compared to the 2nd quarter. This further increased by over 130% in the 2nd quarter of 2019-20 compared to the 4th quarter of the previous year. This rate of rolling people onto the NDIS will not be sufficient to reach the planned target of 39,097 participants by 1 July 2020. To achieve the planned target, 14,965 people need to be accepted onto the NDIS in second half of 2019-2020, at a rate of 7,483 people per quarter.

Communities has little influence on how quickly people are accepted onto the NDIS. Nearly all WA NDIS participants (98%) have already moved across. This leaves around 9,100 other State participants, that were not on the WA NDIS, to potentially move. These people are on a range of support. The differences between the existing support and NDIS mean that their NDIS planning is effectively that of new entrants, which requires more assessment to prove eligibility.

Figure 6 shows the quarterly rate of participant transition onto the NDIS from July 2018 to December 2019.



Source: OAG analysis of Communities and NDIA information

Figure 6: NDIS quarterly transitions

Governance has been enhanced to manage remaining implementation risks

There are risks that the State needs to manage as implementation progresses, and governance arrangements have changed in response

The key risks at the outset of the NDIS in WA related to implementing the Bilateral Agreement, establishing both NDIS and NDIA in WA, and planning for the transition of people in State services. Responsibilities to address these risks naturally focused on Communities and NDIA. This was reflected in the governance arrangements, and the joint actions that they prioritised, including:

- developing and agreeing working arrangements for the transition
- sharing of information
- moving staff to the NDIA
- preparing Commonwealth and WA programs for transition
- preparing participants and providers.

As implementation has progressed, these priorities have changed and governance arrangements have been adapted in response to the changing risks.

Governance arrangements have changed as implementation has progressed

Communities and NDIA-led governance arrangements were in place in WA from the start, and have been adapted as key risks have changed during implementation. The Western

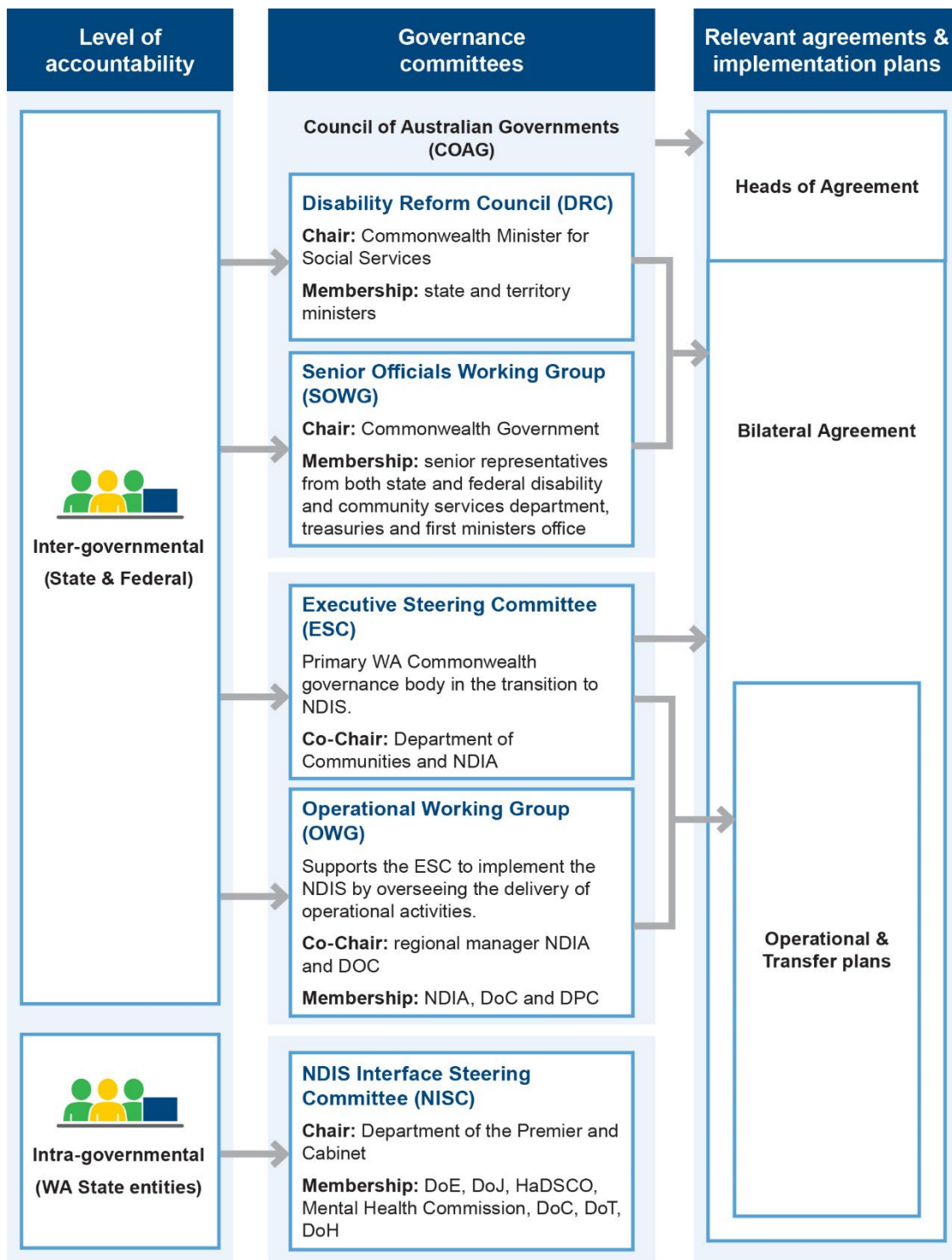
Australian Executive Steering Committee (ESC) has been responsible for managing WA's transfer and transition to the NDIS. It is co-chaired by representatives of Communities and the NDIA. At the time of our audit, it also included representatives from DPC and the Commonwealth Department of Social Services. The focus has been on key elements of the implementation and operational plan, where responsibility is often shared with NDIA.

WA found through joint interagency visits to other states in July 2018 and November 2018 that the NDIA and Communities-led arrangements were not as comprehensive as those in other jurisdictions who had implemented the NDIS earlier. Although the ESC will continue to be responsible for WA's transfer and transition, the NISC has been established to ensure a coordinated and consistent whole-of-government approach to mitigate potential risks to Western Australians with disability and the State. It formally met on 4 December 2018. The NISC was established to identify and recommend strategies to manage potential risks associated with the NDIS, including:

- service gaps created as a result of the transition to the NDIS
- operation and budgetary impacts on State entities arising from the State's participation in the NDIS
- cost shifting onto or between State entities
- workforce issues in the disability and related sectors
- market failure, particularly regarding services for people with complex disability.

Unlike previous governance arrangements, it includes representatives from other State entities including the Department of Health, Department of Education, the Mental Health Commission, the Department of Justice, the Health and Disability Services Complaints Office, and the Office of the Public Advocate.

Figure 7 shows the national and State governance arrangements including the agreements and plans supporting the transition.



Source: OAG using information from the December 2017 Bilateral Agreement

Figure 7: Governance arrangements for the implementation of the NDIS

Effective interaction between the NDIS and other State services has emerged as a key risk, which NISC has been set up to manage

Poor interaction between the NDIS and other State services such as health, mental health, education, employment and justice could present the risk of duplication of services, the creation of service gaps, and cost shifting. To mitigate this risk, clarity and agreement is required for both entities and participants about whether particular support that may have been provided by Communities will now be provided by the NDIS or other State entities. For

example, over 580 people with psychosocial disability have been assessed as ineligible for NDIS support since the start of the NDIS in WA. There is a risk that provision of such services may revert to other State entities.

At a national level, DRC has recognised that further work is required to clarify the interface between the NDIS and mainstream services including mental health and transport. On 9 October 2019, the DRC agreed to an approach to improve the access and experience for participants with psychosocial disability in the NDIS. They also agreed to address interface issues between the NDIS and mainstream mental health systems.

At a state level, NISC has been established to manage this risk across the State, and discussions between key parties are ongoing to establish clear lines of responsibility for NDIS's interaction with other services such as the State health system. An example is how support will be provided for people with permanent functional impairments where:

- they require occasional treatment, such as wound care
- it sustains life, such as respiratory care
- a person may also be receiving palliative care services
- behaviour support is required in a hospital setting
- rehabilitation services, similar to disability support to maintain functional capacity, are available at lower cost in the health system.

In regional areas, Western Australia Country Health Service (WACHS) is the provider of last resort, for therapy and other allied health services. Although these services are considered reasonable and necessary under the NDIS, the lack of an adequate number of providers increases the reliance on WACHS, but it is not yet clear if these services will continue to be funded under the NDIS or by the State.

The extent and cost of residual services that the State will need to provide is not yet clear

The impact of NDIS on other State services such as education, early childhood, housing, and transport will need to be adequately monitored by the State.

Because not all people with disability in WA will be eligible for NDIS, the State will have some ongoing role in providing support. However, it is not yet clear what level and types of services will be needed and how much this is likely to cost. As part of these considerations, the Expenditure Review Committee (ERC) approved the establishment of a Functional Review (Review) of Communities on 20 March 2018. The aim of the Review is to assess:

- the type and level of disability services to be provided and funded by the State from 1 July 2020
- the functions, structure, resourcing and capacity of Communities in providing these services.

A steering committee chaired at the time of our audit by the Director General of Communities and comprising senior representatives from DPC and Treasury is overseeing the Review. The results of the Review were originally due at the end of June 2019 but this was extended to December 2019. Communities advised us that the review has now been completed. The final report is with the ERC for consideration.

There are concerns that the changed funding and pricing model may affect quality of support and sustainability of providers

Central to participant choice and quality service provision under the NDIS are well-functioning and financially viable disability service organisations. Without these, people with

disability and their families may not have the choice and quality of support promised under the NDIS.

Changes to the funding and pricing of services with the introduction of the NDIS has caused concern among providers about the long-term financial sustainability of some disability service organisations. Specifically, organisations now receive payment in arrears and not in advance, as was the case prior to the NDIS. Also for some, the cost of service delivery does not match the prices offered under the NDIS. Providers told us that the impact of these changes is likely to be most significant for small providers and those working in regional and remote areas.

For example, 1 organisation working in a regional area of WA expressed concerns that the prices offered under the NDIS for organisations in that region were similar to those in metropolitan Perth. However, the distance, challenge of attracting and retaining staff, and cost of delivering services, were vastly different.

On 25 June 2019, the Commonwealth Minister for NDIS announced an increase to price limits for NDIS services. Specifically, from 1 July 2019, remote and very remote areas of the State would have a 40% and 50% loading on price limits. This includes a reclassification of some outer regional areas to account for the practical difficulties and costs of service delivery.

The NDIA is responsible for setting prices for support services under the NDIS. However, there is a role for key State entities to monitor and mitigate the risk of market failure. As part of the transition, the WA Government provided \$20.3 million over 2 years to assist registered service providers with the transition to the NDIS. However, State entities need to continue to monitor the viability of providers and to identify any emerging risks to the availability and quality of services for Western Australians with disabilities.

There are gaps in the mechanisms to ensure quality of NDIS service and protect participants

All parties agree that robust quality and safeguard standards are vital to support the large number of participants moving onto the NDIS. However, there are gaps in the transition mechanisms that affect how well the system can protect vulnerable people with disability. The State and the NDIA have a joint responsibility for registering providers to deliver services under the NDIS.

From 1 July 2020, the NDIS Quality and Safeguards Commission (Commission) was expected to assume responsibility for regulating providers and handling complaints about the quality and safety of NDIS support and services. However, in May 2020 the State government announced that the transition to the Commission has been deferred to December 2020. The entity has far-reaching enforcement powers under the *Commonwealth National Disability Insurance Scheme Act 2013*, including the ability to:

- carry out investigations and monitor provider performance
- issue compliance notices in circumstances where a provider is non-compliant with their obligations
- issue banning orders which prohibit or preclude specific activities by a provider
- deregister non-compliant providers
- compel providers to enter into enforceable undertakings
- seek injunctions against providers
- issue infringement notices and apply for civil penalties against non-compliant providers.

In March 2019, the Australian Parliament's Joint Standing Committee on the NDIS reported that between January and December 2018, the NDIA revoked the registration of 39 service providers for non-compliance nationally. Under current arrangements, there is no single entity within WA's agreed quality and safeguard arrangements with similar enforcement powers to those of the Commission.

Under the Quality and Safety Working Arrangements for Transition to the NDIS in Western Australia, NDIS providers must meet mandatory requirements for registration on the WA Disability Services Provider Panel (DSPP). This process is designed to assess quality, and to safeguard compliance and accountability prior to service delivery. Communities is responsible for registering providers to deliver services to people with disability in WA.

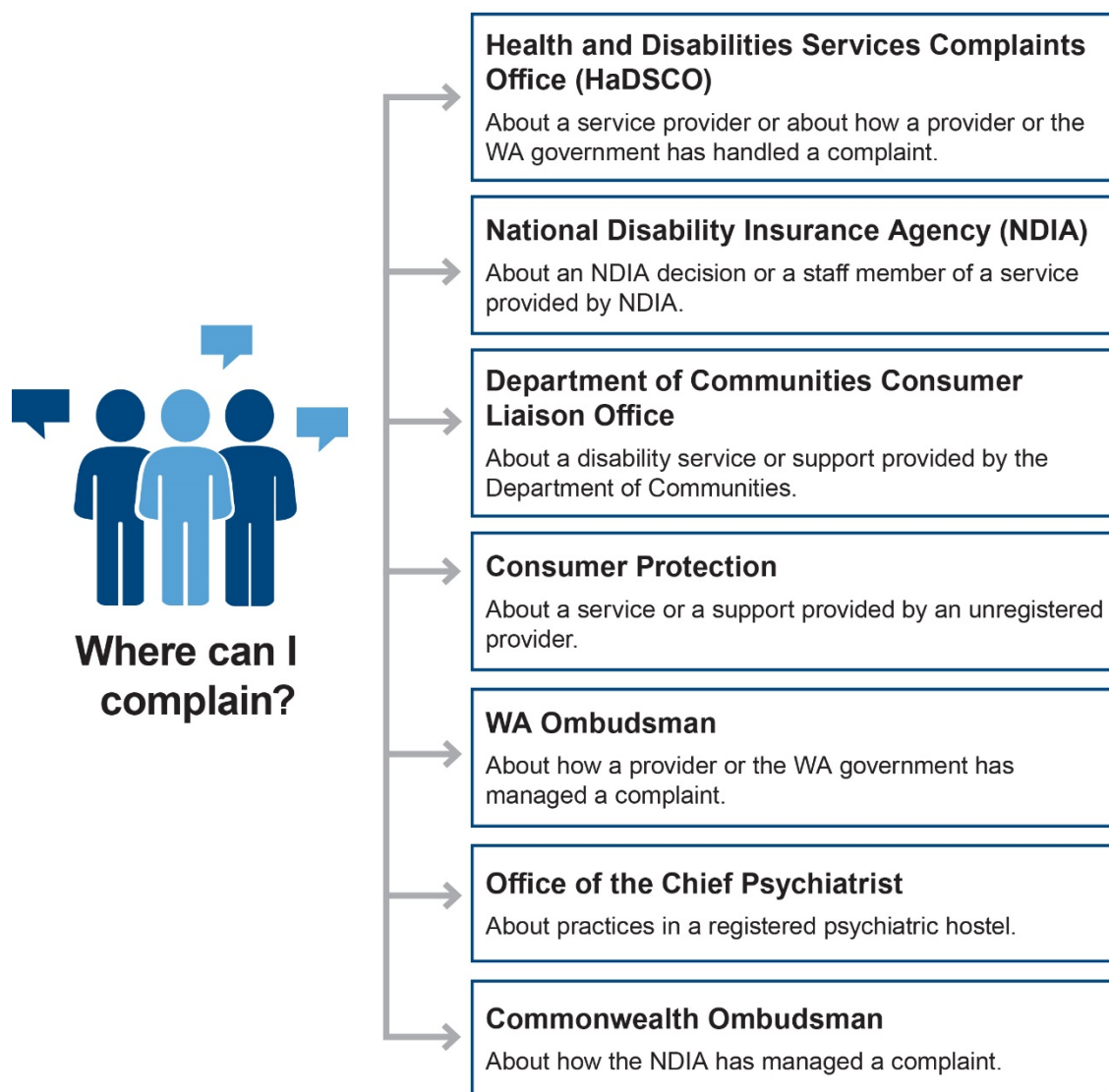
Not all NDIS providers are registered on the DSPP, although they are registered with the NDIA. At March 2019 there were 1,115 providers registered with the NDIA to provide services in WA, and approximately 40% (457) of these were already providing services to NDIS participants in the State. However, only 332 were registered on the DSPP. This means that at March 2019, for 125 providers, Communities had limited visibility or ability to monitor and enforce compliance with requirements under the DSPP.

Currently in WA, there are 7 different avenues for complaints, which include appeal processes. This increases the risk of confusion and people not knowing where to lodge their complaint, and potential delays in addressing their complaints and taking action. Figure 8 shows the different places people can complain as per the current arrangements.

Our review of 230 complaints and enquiries sent to Communities, HaDSCO and the Office of the Auditor General showed the need for a robust quality assurance and safeguard system. These were echoed in our interviews with advocacy organisations and providers. Specifically, concerns raised in the early stages of the transition included:

- uncertainty and fear of losing support during the transition onto NDIS
- poor communication including how information is provided to participants
- not understanding complaints mechanisms.

In the absence of a strong framework for regulating quality and standards during transition to NDIS, it is particularly important that complaints are properly captured, investigated and appropriate action taken to protect vulnerable people.



Source: OAG using Communities information

Figure 8: Current avenues for complaints management in WA

There were challenges in how Communities and NDIA worked together that contributed to initial delays in implementation

The State and Commonwealth governments agree that the transfer and transition of people to the nationally delivered NDIS is a shared responsibility. Each is committed to working together to achieve the best possible outcomes for people with disability, their families and carers in WA.

Communities and NDIA agreed that prior to the start of the rollout, they would ensure that:

- working arrangements have been agreed so that roles and responsibilities are clear and that eligible participants enter the NDIS in a smooth and timely manner
- an adequate number of staff had been deployed and trained
- information on eligible participants was ready in the required form and quality to provide to the NDIA.

The time between WA signing up to the NDIS and the initial roll-out of the NDIS in WA was 4 months. This time was to allow some of the early operational matters to be considered and structures to enable a smooth transition to be put in place. However, these were not all in place from April 2018, which contributed to operational challenges in how Communities and the NDIA have worked together. Working arrangements for transitioning people to the NDIS were not in place in time.







Due to the number of parties involved, implementing a reform of this scale requires sound arrangements that provide guidance and clearly define roles and responsibilities. The State government, the Commonwealth and NDIA agreed to establish and implement around 17 arrangements between July 2018 and October 2018. These were for key activities such as:

- pre-intake preparations and participant readiness
- information and data management
- arrangements for supporting marginalised groups such as culturally and linguistically diverse (CaLD) communities, Aboriginal and Torres Strait Islander groups and people with complex needs
- quality and safeguard standards for transition to the NDIS
- financial matters.

More than half (10 out of 17) of the working arrangements were either incomplete or had not been endorsed by the Executive Steering Committee (ESC) within the expected timeframe. Not having these arrangements in place made it more difficult for the parties to be clear on what they were responsible for, and needed from each other, to ensure a smooth implementation.

For example, the arrangements for participants with complex support needs were due for completion in July 2018. However, these were still not complete at the end of December 2018, even though implementation planning assumed they would be in place 6 months prior to an area transitioning onto the NDIS. Other arrangements that were yet to be completed at the end of 2018 included those covering the continuity of support for people over the age of 65, market readiness and interface with mainstream services.

Table 5 outlines the initial working arrangements, the scheduled completion dates and when they were endorsed by the ESC.

Working arrangement title (deliverable)	Scheduled completion date	Endorsed date	Status at 30 June 2019
Pre-intake Preparation	July 2018	September 2018	
Participant Readiness	October 2018	November 2018	
Working Arrangements for Aboriginal and Torres Strait Islander Communities	July 2018	July 2018	
Working Arrangements for CALD Communities	June 2018	July 2018	
Participants/ Cohorts with Specific or Complex Requirements Working Arrangement	July 2018		
WA Transitional Quality and Safeguarding	July 2018	October 2018	

Working arrangement title (deliverable)	Scheduled completion date	Endorsed date	Status at 30 June 2019
Continuity of Support Working Arrangements for existing clients under 65 years, or Aboriginal and Torres Strait Islander people under 50 years	August 2018	November 2018	●
Continuity of Support Working Arrangements for all existing clients aged 65 and over, and Aboriginal and Torres Strait Islander clients aged 50 and over	August 2018		●
Mainstream Interface Working Arrangements	July 2018		●
Market Readiness Working Arrangements	October 2018		
Transition Financial Management Working Arrangements	July 2018		●
Transition Invoicing Arrangements	July 2018		●
In-kind Working Arrangement	July 2018	July 2018	●
Information and Data Management Working Arrangement	May 2018	May 2018	●
Inter-operability Working Arrangements (arrangements to mitigate any legislative or administrative inconsistencies)	July 2018	July 2018	●
System Stewardship Management Working Arrangements	July 2018		●
Working Arrangements for Rural & Remote Locations	June 2018	July 2018	●

● On time ● Late (2 or more months) ● Overdue

Source: OAG using Communities information

Table 3: Working arrangements as per scheduled completion dates

Recruitment did not progress as quickly as planned, reducing the capacity to move people onto WA NDIS

The Commonwealth and WA governments agreed that the first offers of employment with NDIA would be to skilled WA staff whose roles would discontinue with the introduction of the NDIS. At the same time, the parties also acknowledged that the State would need to retain adequate capability during the transition while NDIA was building its own staff.

The need to maintain adequate levels of State services and transfer skilled staff from Communities on a voluntary basis meant that staff recruitment was slower than intended, and capacity took longer to build up. At January 2019, just 58 out of the 102 Communities staff that NDIA had approached, had accepted offers and transferred. Communities advised us that all staff who accepted offers had been released as part of the process. It also advised that it had negotiated start dates for staff to enable both entities to meet their ongoing operational requirements.

Participant data was not available in the format required by NDIA at the start

In December 2017, NDIA wrote to Communities seeking data for WA clients who were accessing existing support including the WA NDIS. However, at the time, data available to Communities was not all in the format required by the NDIA.

At the start of the rollout, Communities had complete data for 8,659 individuals in receipt of services that potentially met NDIA's requirement. However, there were additional records for 6,954 people that were incomplete (e.g. missing phone number) or not in the required format. Communities contacted all providers requesting information on individuals accessing services in the format required by the NDIA.

By September 2018, records for all WA NDIS participants that had consented to move had been provided to the NDIA. This included contact information, WA NDIS plans and relevant case notes. However, in October 2018, information was still missing from at least 3,550 records of people that had previously accessed State services.

Communities advised that it has since met all timeframes for the release of data. Some of these records were considered incomplete by the NDIA systems.

Our review of NDIA's report to Communities showed that at 31 December 2019, some 4,262 people with disability were withdrawn from the process by the NDIA because the NDIA was unable to make contact with them after 4 attempted phone calls and written correspondence. The majority (2,177) of these were State clients who may have continued to access State support.

The cost risks to the State have been effectively minimised in the short term, but delays increase the risk of WA paying for unused services

The initial cost risks to the State have been effectively minimised

Financial risks to the State have been minimised in the short term because the State has stated that it will only pay for people that have actually moved onto the NDIS. This ongoing approach from 2020-21 removes the risk of the State paying for people that are not being provided services. This arrangement was not a feature of early contract negotiations between the State and the Commonwealth and should be documented with the Commonwealth to avoid the State being required to pay the agreed minimum contribution.

Significantly, prior to signing the agreement in December 2017, the State successfully negotiated to pay for a minimum number of 39,097 participants until 2020-21 which was based on an estimate of WA's share of the national disability prevalence. This is less than the figure initially estimated by the Commonwealth of 46,531 which was based on WA's population share of the national estimate. We were advised that extensive evidence-gathering and negotiation by WA State entities, which involved actuarial studies on the assessment of the NDIS trial in WA and data from the State's long history of providing disability services to its population, more accurately reflected WA's actual disability prevalence. Treasury estimated that this potentially saved the State around \$200 million per annum from 2020-21 in additional payments to the Commonwealth.

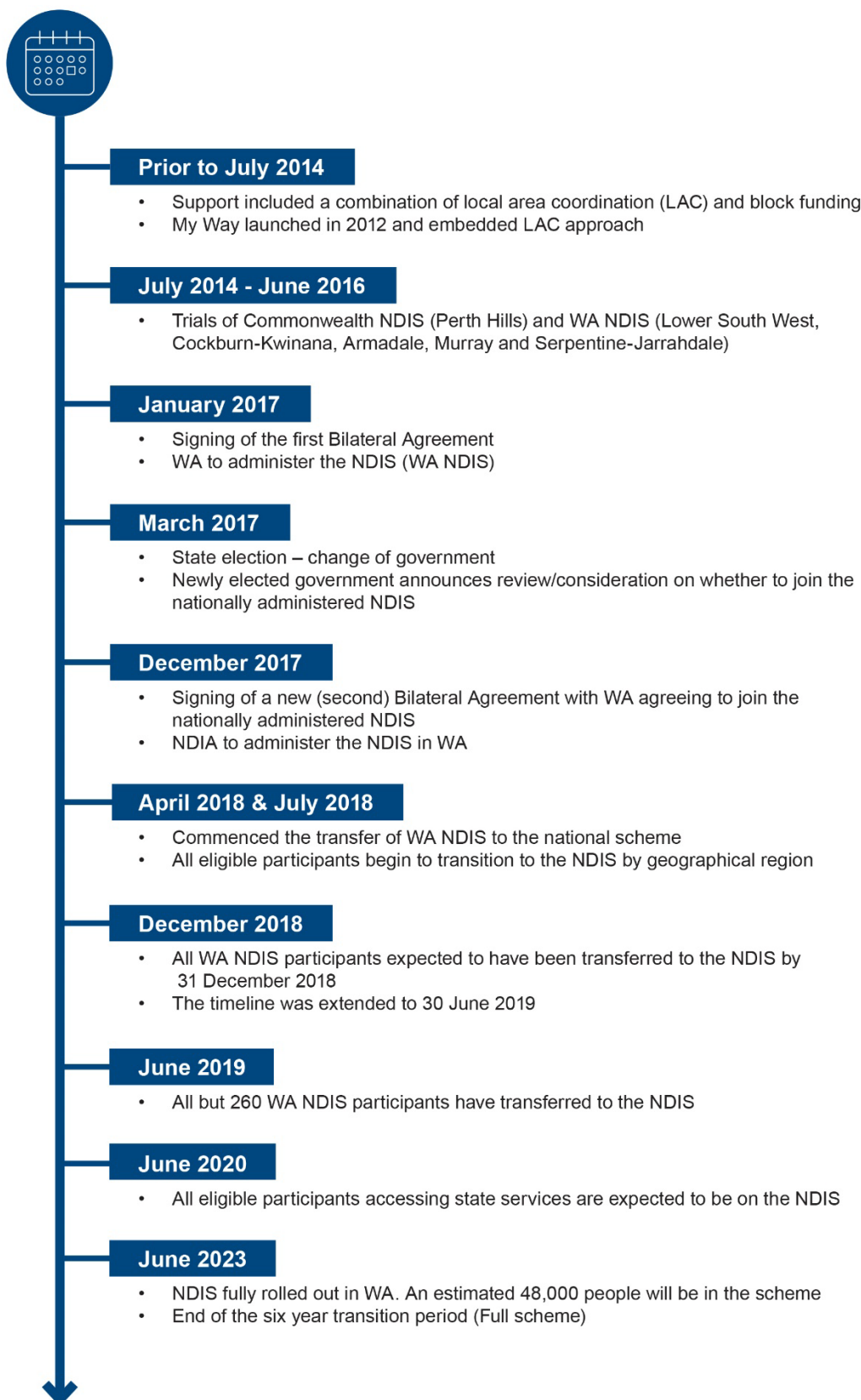
If more Western Australians access the NDIS than the estimated maximum of 48,000 at 30 June 2023, the State will pay 50% of the cost of their services, but the State is not bound to meet minimum 'insurance premium' payments to the Commonwealth for the initially higher estimated number which it does not expect will access the scheme.

Delays in moving participants to the NDIS have increased the risk that WA will pay for unused NDIS services while still paying for State services

From 1 July 2020, the State is scheduled to pay contributions of 50% of agreed package costs for an estimated 39,097 participants, rather than paying only for people who have moved onto the scheme. Consequently, if the forecast numbers of participants are not achieved, which appears likely due to delays in moving people onto the scheme, then the risk will increase that the State will pay for NDIS services that are not being used by WA participants. The State can manage this risk by re-negotiating funding for 1 July 2020 onwards, based on progress of transition, to ensure WA only pays for participants accessing the NDIS.





A number of factors influenced the State's decision to transition to the Commonwealth administered NDIS, including avoiding administration costs of many hundred million dollars over 5 years by the State not having to administer the scheme locally. However, delays in the transition will mean that the State will need to maintain its own supporting infrastructure for longer than planned. It is not yet clear what that impact might be because it is not certain for how long the State may need to maintain its administrative arrangements. To mitigate this risk, progress against roll-in targets will need to be closely monitored by Communities to ensure people are moved to the NDIS in a timely way, and administration costs factored into discussions with the Commonwealth should revised transition arrangements be re-negotiated.

Appendix 1: Timeline of WA's move to the NDIS



Source: OAG using Communities information and Bilateral Agreement

Appendix 2: Original schedule for WA's move to NDIS

NDIS schedule: Western Australia			
Transfer	Transition		
			
April - July 2018	From 1 July 2018	From 1 October 2018	From 1 July 2019
North East Metro Bassendean Bayswater Kalamunda Mundaring Swan Inner Wheatbelt Chittering Northam Toodyay York	Wheatbelt (remaining) Beverley Boddington Brookton Bruce Rock Corrigin Cuballing Cunderdin Dalwallinu Dandaragan Dowerin Dumbleyung Gingin Goomalling Kellerberrin Kondinin Koorda Kulin Lake Grace Merredin Moora Mount Marshall Mukinbudin Narembeen Narrogin Nungarin Pingelly Quairading Tammin Trayning Victoria Plains Wagin Wandering West Arthur Westonia Wickpin Williams Wongan-Ballidu Wyalkatchem Yilgam	Goldfields-Esperance Coolgardie Dundas Esperance Kalgoorlie-Boulder Laverton Leonora Menzies Ngaanyatjaraku Ravensthorpe North Metro Joondalup Wanneroo South West (remaining) Bunbury Capel Collie Dardanup Harvey Waroona	Midwest-Gascoyne Carnamah Carnarvon Chapman Valley Coorow Cue Exmouth Greater Geraldton Irwin Meekatharra Mingenew Morawa Mount Magnet Mullewa Murchison Northampton Perenjori Sandstone Shark Bay Three Springs Upper Gascoyne Wiluna Yalgoo Great Southern Albany Broomehill-Tambellup Cranbrook Denmark Gnowangerup Jerramungup Katanning Kent Kojonup Plantagenet Woodanilling Central North Metro Cambridge Claremont Cottesloe Mosman Park Nedlands Peppermint Grove Perth Stirling Subiaco Vincent South East Metro Belmont Canning Gosnells Victoria Park
July - November 2018 South Metro Armadale Mandurah Murray Rockingham Serpentine-Jarrahdale			
August - October 2018 Central South Metro (part) Cockburn Kwinana			
September - December 2018 South West (lower part) Augusta-Margaret River Boyup Brook Bridgetown-Greenbushes Busselton Donnybrook-Balingup Manjimup Nannup			
October - December 2018 Kimberley-Pilbara Ashburton Broome Derby-West Kimberley East Pilbara Hall's Creek Karratha Port Hedland Wyndham-East Kimberley	Central South Metro (remaining) East Fremantle Fremantle Melville South Perth		
	From 1 July 2020	Christmas Island	Cocos (Keeling) Islands

Source: National Disability Insurance Agency

Glossary

DPC	Department of the Premier and Cabinet
DRC	Disability Reform Council
DSPP	Disability Services Providers Panel
ERC	Expenditure Review Committee of WA Cabinet
ESC	WA Executive Steering Committee
GIFSA	Goldfields Individual and Family Support Association
HaDSCO	Health and Disability Services Complaints Office
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
NDS	National Disability Services
NISC	NDIS Interface Steering Committee
OWG	Operational Working Group
SOWG	Senior Officials Working Group
WA	Western Australia
WACHS	Western Australia Country Health Service
WA NDIS	Western Australia administered National Disability Insurance Scheme

Auditor General's reports

Report number	2019-20 reports	Date tabled
24	Opinion on Ministerial Notification	16 June 2020
23	Opinion on Ministerial Notification	29 May 2020
22	Regulation of Asbestos Removal	21 May 2020
21	Audit Results Report – Annual 2019 Financial Audits	12 May 2020
20	Local Government Contract Extensions and Variations and Ministerial Notice Not Required	4 May 2020
19	Control of Monies Held for Specific Purposes	30 April 2020
18	Information Systems Audit Report 2020 – State Government Entities	6 April 2020
17	Controls Over Purchasing Cards	27 March 2020
16	Audit Results Report – Annual 2018-19 Financial Audit of Local Government Entities	11 March 2020
15	Opinion on Ministerial Notification	28 February 2020
14	Opinion on Ministerial Notification	31 January 2020
13	Fee-setting by the Department of Primary Industries and Regional Development and Western Australia Police Force	4 December 2019
12	Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities	14 November 2019
11	Opinion on Ministerial Notification	30 October 2019
10	Working with Children Checks – Follow-up	23 October 2019
9	An Analysis of the Department of Health's Data Relating to State-Managed Adult Mental Health Services from 2013 to 2017	9 October 2019
8	Opinions on Ministerial Notifications	8 October 2019
7	Opinion on Ministerial Notification	26 September 2019
6	Opinions on Ministerial Notifications	18 September 2019
5	Fraud Prevention in Local Government	15 August 2019
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019

Report number	2019-20 reports	Date tabled
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019

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