



Australian Government



Data-matching Program

Report on progress
2004–2007

Centrelink
and the
Data-Matching
Agency



Australian Government



The Hon Chris Bowen
Minister for Human Services
Parliament House
CANBERRA ACT 2600

Dear Minister

In accordance with section 12(2C) of the *Data-matching Program (Assistance and Tax) Act 1990*, I present a report on progress of the Program for the three-year period 1 July 2004 to 30 June 2007. This report covers the Data-Matching Agency, a discrete agency within Centrelink, and Centrelink in its role as the Service Delivery Agency.

Yours sincerely

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

Carolyn Hogg
Acting Chief Executive Officer
20 October 2009

CONTENTS

Introduction	1
The Program	1
Chapter 1—The Data-matching Program	3
Background	3
Objectives of the Data-matching Program	3
How the Program works	4
Privacy safeguards	8
Chapter 2—2004–2007 – An Overview	9
Assessments of the Program	9
Program enhancements	9
Chapter 3—Statistics	11
Data-Matching Agency input and output	11
Action taken on discrepancies by Centrelink	11
Chapter 4—Benefits and Costs	15
Direct savings – Methodology	15
Direct savings achieved in the period 2004–2007	16
Costs of the Program	16
Direct cost-benefit summary	17
Chronology	19

REFERENCE

Diagram

Data-matching Program Cycle	7
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Tables

Table 1.1: Data-Matching Agency input and output for all agencies in 2004–2005	12
Table 1.2: Data-Matching Agency input and output for all agencies in 2005–2006	12
Table 1.3: Data-Matching Agency input and output for all agencies in 2006–2007	13
Table 1.4: Results of discrepancies released for action 2004-2007	14
Table 2.1: 2004–2007 Direct Cost-Benefit Summary	17

INTRODUCTION

Centrelink was established to provide services on behalf of a number of Commonwealth Government agencies, including payments under the *Social Security Act 1991* and student assistance payments under the *Student Assistance Act 1973*.

This report covers the progress of the Data-matching Program (DMP or the Program) for the Data-Matching Agency (DMA), and for Centrelink as an assistance agency. As required by the *Data-matching Program (Assistance and Tax) Act 1990*, this report covers the progress of the Program in the three financial years, 1 July 2004 to 30 June 2007.

The Program

The legislation covering the Program, the *Data-matching Program (Assistance and Tax) Act 1990* (the Act), received Royal Assent on 23 January 1991. The Act provided authority for the establishment of a Data-Matching Agency, a virtual agency within Centrelink, to match data provided by agencies participating in the Program. These agencies are known as Source Agencies. Those Source Agencies which make financial assistance payments to people are known also as Assistance Agencies.

Under section 12 of the Act, the Data-Matching Agency and each Source Agency have been required to table reports in both Houses of Parliament at specified times. The Schedule to the Act details the information to be included in these reports and, in accordance with these requirements, the relevant agencies have tabled reports on their progress with the operation of the Program since 1991.

Chapter 1 of this report outlines the role and operation of the Program, while Chapter 2 provides an overview of developments in the period 2004–2007. Statistical details and the costs and benefits arising from the Program are discussed in Chapters 3 and 4.

Enquiries about this report should be directed to the Business Manager, Intelligence Team, Fraud and Intelligence Branch, Centrelink.

CHAPTER 1

THE DATA-MATCHING PROGRAM

This chapter describes the administration of the Program, including the privacy safeguards.

Background

In the 1990 Budget, the Government announced measures to detect incorrect payments in the income support system. These measures included:

- the requirement for most people claiming government assistance to provide Tax File Numbers (TFNs) as a prerequisite for payment
- increased computerised matching of data held by various Commonwealth agencies.

The first exchange of data under the Program took place in April 1991 followed by 84 subsequent exchanges (known as 'cycles' under the Act) to 30 June 2007.

Objectives of the Program

The Program aims to:

- detect people who may be receiving incorrect payments from an income support agency
- verify the accuracy of customers' incomes declared to agencies that make income support payments
- encourage voluntary compliance including deterring people from attempting to claim payments to which they are not entitled, the voluntary surrender of payments to which people may not be entitled and the voluntary disclosure of changes in circumstances which affect rates of payment
- identify debtors who have resumed receiving an income support payment
- detect fictitious or assumed identities.

The Program also provides a mechanism that can be used to identify customers who may be receiving less than their correct entitlements.

The Program plays an important role in detecting dual payments, and undeclared or understated income that cannot be detected by other control measures. It is part of

Centrelink's comprehensive system of controls that enables it to detect incorrect payments and fraud.

How the Program works

The Data-Matching Agency and Source Agencies

Section 4 of the Act provides for the establishment of a Data-Matching Agency to match data supplied by Source Agencies.

Source Agencies are the Australian Taxation Office (ATO) and Assistance Agencies. The Assistance Agencies are:

- Centrelink, and
- the Department of Veterans' Affairs (DVA).

Under the Act, the CEO of Centrelink is to ensure that there are officers of the Agency who are responsible for the matching of data. This entity is known as the Data-Matching Agency. While operating as part of the Data-Matching Agency, these officers do not have access to customer information other than that provided to the Data-Matching Agency by the Assistance Agencies.

Data used in the Program

The data provided by the Assistance Agencies for the Program include details of identity and declared income for customers and, where applicable, their partners, children and parents.

The Assistance Agencies also provide details of former customers who owe a debt to the Commonwealth.

The ATO provides details of the identity and taxable income of people in receipt of personal assistance payments and, where relevant, similar details for their partners and parents.

Program cycles

The Act specifies that a Program cycle must be completed within two months of its commencement and that a new cycle cannot commence until the previous one has finished. No more than nine cycles may be conducted each year.

In the period 2004–2007, the Data-Matching Agency conducted 12 cycles. Although the Act allows for up to nine cycles per year, it has been found to be administratively most effective to undertake only four to six per year. This is because a full cycle takes at least six weeks to complete, and time must be allowed between cycles for improvements and maintenance.

A significant part of each cycle is devoted to checking Tax File Number (TFN) validity (step 1), obtaining information from the ATO (step 3) and verifying this information (step 4). These steps are conducted to enable income matching in step 5.

There are six steps in each full DMP cycle:

■ **Step 1**

In step 1 the Data-Matching Agency checks the validity of the records given to it by the Assistance Agencies. Records with errors, including invalid TFNs, are then referred back to the relevant Assistance Agencies.

■ **Step 2**

In step 2 the Data-Matching Agency extracts the Assistance Agency identification numbers and TFNs and passes this information to the ATO. The Assistance Agency identification numbers are the numbers that the Assistance Agencies assign to each record.

■ **Step 3**

In step 3 the ATO extracts taxable income and personal identity data for each record. It then passes this information back to the Data-Matching Agency.

■ **Step 4**

In step 4 the Data-Matching Agency undertakes identity matching. In this process, the Data-Matching Agency compares the identity information given to it by the ATO with identity information for customers provided to it by the Assistance Agencies. The purpose of this matching is to verify that the details held by the ATO for a particular TFN are the same as those held by the Assistance Agencies.

Any cases which fail the identity matching process are referred back to the relevant Source Agencies. Only the records with confirmed identities continue through to income matching.

■ **Step 5**

In step 5 the Data-Matching Agency undertakes payment matching and income matching.

In the *payment matching* process, data provided to the Data-Matching Agency by the Assistance Agencies is compared to detect people in receipt of two payments from different agencies where the receipt of one of the payments precludes, or limits the amount of, the other payment.

Details of debts owed to the Commonwealth are also included in payment matching to identify whether people may now be in receipt of a payment

from another Assistance Agency from which withholdings can be made to repay the debt.

In the *income matching* process, the Data-Matching Agency compares income details of Assistance Agency customers (and their partners and parents where applicable) with taxable income details provided by the ATO. The purpose of this matching is to identify customers who have failed to advise one or more agencies of the correct information about their or their partner's or parents' income and so may be receiving incorrect agency payments, or paying less tax than they should.

■ **Step 6**

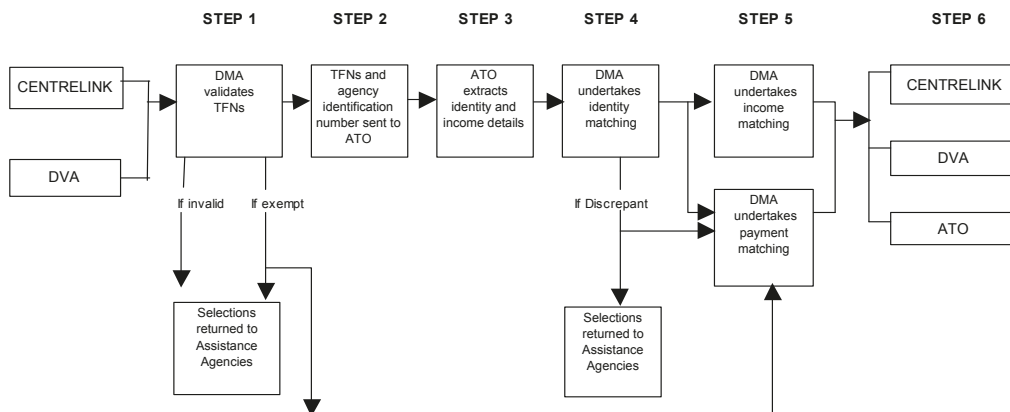
In step 6 the Data-Matching Agency gives the raw output to the Source Agencies. Under section 9(3) of the Act, the Data-Matching Agency must do this within seven days after the completion of step 5.

Personal information used in a DMP cycle that does not indicate a discrepancy is destroyed by the Data-Matching Agency at the completion of the cycle.

A report on the outcome of each cycle is provided to the Source and Assistant Agencies and the Privacy Commissioner.

A diagram of the DMP cycle is below.

DATA-MATCHING PROGRAM CYCLE



Agency follow-up procedures

Upon receipt of the raw output from the Data-Matching Agency, Centrelink undertakes further refinement of the data before releasing cases for follow-up to Centrelink Business Integrity Teams.

Centrelink Business Integrity Teams conducting the reviews adhere to established procedures, developed in consultation with the Office of the Privacy Commissioner.

The customer’s computer record and, if necessary, their paper file are examined to ensure that the information provided by the Data-Matching Agency relates to the customer in question. The file is also examined for any explanation of the discrepancy – for example, the customer may have advised of a change in circumstances after the start of the DMP cycle. If additional information is required to conduct the review, Centrelink formally approaches the other agency which is a party to the match, in writing.

Following these checks, if there still appears to be a discrepancy, a letter is sent to the customer under section 11 of the Act. Under the Act the customer then has 28 days to respond.

Privacy safeguards

The Program operates within a framework of comprehensive and strict privacy safeguards which cover the collection, storage, use and disclosure of personal information. Close attention has been paid to adherence to these requirements.

The main safeguards associated with the Program ensure that:

- Source Agency data is not held by the Data-Matching Agency for any longer than necessary
- Source Agencies cannot link or merge the information used in the Program to create a new, separate, permanent database of information
- the Source Agency data used is as up-to-date as possible
- the data received and generated by the Data-Matching Agency is protected by strict physical and system security arrangements
- Source Agencies establish reasonable procedures for confirming the validity of results
- customers have been advised of the existence of the Program and the use of their information when they began to receive a payment or service from an Assistance Agency; customers are contacted only when a discrepancy cannot be explained following an examination of their records
- information no longer required is destroyed.

CHAPTER 2

2004–2007—AN OVERVIEW

This chapter details relevant events in the period 2004–2007. Further information is contained in a chronology of events at the end of the report.

Assessments of the Program

During the period 2004–2007 Centrelink continued to monitor the operation of the Program closely, in consultation with the other participating agencies and the Privacy Commissioner. Monitoring has taken a variety of forms including monthly reports, audits by the Privacy Commissioner and ongoing project analysis.

Parliamentary scrutiny

In accordance with the legislation Centrelink tabled a report on the Program's progress in Parliament in 2005 and 2006.

Privacy Commissioner

The Privacy Commissioner and employees are regularly consulted on a variety of issues. Each year Privacy Commission officers visit a number of Centrelink sites to ensure that employees are adhering to the principles and procedures outlined in the Act. The Privacy Commissioner provides Centrelink with reports on the appropriateness and effectiveness of its Program procedures.

Program enhancements

Continual monitoring of output from the Program, and of the performance of individual projects, is an important part of the refinement process. In the period 2004–2007, Centrelink continued to rework and consolidate the Program. This ensures data is as refined and accurate as possible and that action is taken to maximise the effectiveness of projects. New projects are introduced into the Program to address identified areas of risk.

CHAPTER 3

STATISTICS

This chapter contains the statistical details required under guideline 12 of the Schedule to the Act.

The information is divided into two main parts. The first part, which has been compiled for the Data-Matching Agency, details the input and output from DMP cycles. The second part details the action taken on discrepancies by Centrelink as an Assistance Agency for the period 2004–2007.

Data-Matching Agency input and output

The legislation requires that the following details of the information processed by the Data-Matching Agency be provided:

- the total number of matches undertaken, and
- the number and proportion of matches that resulted in discrepancies.

'Matches undertaken' is defined in guideline 2.2 of the Schedule to the Act. It refers to the total number of records received by the Data-Matching Agency from Assistance Agencies after they have been separated into individual records for customers, partners, children, parents, maiden names and aliases.

'Discrepancy' refers to a result of the Program which warrants further action by any relevant Source Agency for the purposes of giving effect to the Program. Discrepancies can result from step 1 (invalid TFNs), step 4 (identity matching) or step 5 (payment and income matching).

Tables 1.1 to 1.3 show the total number of matches undertaken in the 12 DMP cycles in 2004–2007, as well as the number and proportion of matches that resulted in discrepancies.

Action taken on discrepancies by Centrelink

According to guideline 2.2 of the Schedule to the Act, 'action' refers to the actions set out in section 10 of the Act.

Guideline 12 of the Schedule to the Act requires a number of details of the action taken on discrepancies to be reported by each Source Agency. Each of these is addressed in Table 1.4.

Section 10(3) of the *Data-matching Program (Assistance and Tax) Act 1990* requires that "a Source Agency must commence any action in relation to information it receives...within 12 months from the date that it receives the information from the matching agency," although section 10(3A) allows for the granting of extensions of time up to 12 months each. In the period 2004–2007 there were no extensions granted.

Table 1.1: Data-Matching Agency input and output for all agencies in 2004–2005

Agency	Input from Assistance Agency (a)	Matches undertaken	DMA output	DMA output as percentage of total agency matches
Centrelink	66,181,815	65,996,408	1,232,824	1.9
DVA (b)	2,208,339	2,505,552	39,000	1.6
ATO	n/a	n/a	n/a	n/a
Total	68,390,154	68,501,960	1,271,824	1.9

- (a) For data matching purposes, the total number of records refers to the components of an individual customer's record that are used in the matching. Many customers will have more than one component including married, maiden or previous legal names.
- (b) For DVA, maiden and married names are separated into two records after receipt by the DMA.

Table 1.2: Data-Matching Agency input and output for all agencies in 2005–2006

Agency	Input from Assistance Agency (a)	Matches undertaken	DMA output	DMA output as percentage of total agency matches
Centrelink	63,554,484	63,076,001	1,463,475	2.3
DVA (b)	2,115,171	2,296,828	41,243	1.8
ATO	n/a	n/a	n/a	n/a
Total	65,669,655	65,372,829	1,504,718	2.3

- (a) For data matching purposes, the total number of records refers to the components of an individual customer's record that are used in the matching. Many customers will have more than one component including married, maiden or previous legal names.
- (b) For DVA, maiden and married names are separated into two records after receipt by the DMA.

Table 1.3: Data-Matching Agency input and output for all agencies in 2006–2007

Agency	Input from Assistance Agency (a)	Matches undertaken	DMA output	DMA output as percentage of total agency matches
Centrelink	64,425,096	63,903,246	1,062,065	1.7
DVA (b)	2,014,102	2,279,053	43,595	1.9
ATO	n/a	n/a	n/a	n/a
Total	66,439,198	66,182,299	1,105,660	1.7

- (a) For data matching purposes, the total number of records refers to the components of an individual customer's record that are used in the matching. Many customers will have more than one component including married, maiden or previous legal names.
- (b) For DVA, maiden and married names are separated into two records after receipt by the DMA.

Table 1.4: Results of discrepancies released for action 2004–2007

	2004-2005	2005-2006	2006-2007
	Centrelink payments	Centrelink payments	Centrelink payments
1 The number and proportion of discrepancies that resulted in a notice under section 11 of the Act being sent.	34,449 38.2%	43,627 56.1%	44,352 52.8%
2 The number and proportion of discrepancies that resulted in action being taken.	20,803 23.1%	25,427 32.7%	26,095 31.1%
3 The number of cases in which action proceeded despite a dispute as to the accuracy of the data.	281	345	221
4 The number and proportion of discrepancies that did not proceed to action after the individual was contacted.	13,508 15.0%	17,607 22.7%	15,110 18.0%
5 The number of cases where an overpayment was identified.	23,267	28,040	28,114
6 The number of cases where recovery action was initiated.	17,418	22,965	22,623
7 The number of cases where the debt was fully recovered.	19,558	17,964	27,347

- 1 Section 11 of the Act requires that customers must be given written notice of any proposed action as a result of information gained through the DMP. Customers then have 28 days in which to respond.
- 2 Following the completion of a cycle, agencies undertake further refinements before releasing the discrepancies for follow-up action. These refinements are designed to reduce the number of unproductive discrepancies that are released.
- 3 In any year there are a small number of customers who challenge the accuracy of the information on which the proposed action is based. In most cases, customers challenge the information because of a lack of understanding of the conditions of eligibility for payment.
- 4 There will always be a number of cases where the customer is sent a notice of proposed action but the action does not proceed. In these cases the customer, or a third party such as an employer, is able to provide details to show that the payments received were correct.
- 5 The statistics show the number of cases where recovery action was commenced on a debt.
- 6 Centrelink recovers debts in two ways; either through withholding part of a customer's entitlement or through cash repayments.
- 7 Recovery of a debt can take place over a number of years and the number and value of debts raised in a year does not necessarily correspond to the number and value of recoveries.

CHAPTER 4

BENEFITS AND COSTS

This chapter sets out the savings and other benefits of the Program. It includes details of direct savings in outlays for the period 2004–2007. It also shows the actual direct costs for the period 2004–2007. Cost-benefit information for the Program has been included in each of the reports since 1993.

Direct savings - Methodology

There are three direct savings components from the Program:

- downward variations in rate or the stopping of payments
- raised debts
- the stopping of payments to new customers for failure to comply with tax file number requirements.

The Program is also used to match details of former customers of each Assistance Agency who owe a debt to the Commonwealth. Detection of these customers means that withholdings can be made from their current entitlement to assist in re-paying their debt.

Centrelink calculates savings for customers whose payments are stopped or reduced, and not restored within six weeks. For pension customers the savings are then calculated on the basis that these customers would have continued to receive the same rate of payment for 52 fortnights. For customers in receipt of a benefit or allowance, it is assumed that they would have continued to receive the same rate of payment for 26 fortnights. This means, for example, stopping a pension payment in 2004–2005 will produce direct savings in 2005–2006 and also in 2006–2007. This approach has been agreed to by the Department of Finance and Deregulation.

The savings methodology also assumes that on average Centrelink will recover a percentage of the total debt raised through the Program. This reflects the fact that it is not possible or cost-effective to recover all moneys overpaid, and is in accordance with the bad debt estimate in the Agency's Financial Statements. Savings generated through the stopping of payments at the new claim stage for failure to comply with TFN requirements are also distributed across financial years from the date that payments are stopped, using the same methodology.

Direct savings achieved in the period 2004–2007

In the period 2004–2007 the Program resulted in a total of \$388.4 million in savings.

Net savings for 2004–2007 are set out in Table 2.1.

Costs of the Program

Methodology

The following are the main cost components that have been taken into consideration:

- administrative costs
- salary costs.

Administrative costs

The direct administrative costs fall into the following categories:

- computer and associated costs, as the operation of the computer equipment used to run the DMP cycles has some ongoing administrative costs, associated with computer hardware and software maintenance
- printing of reports to Parliament and the Privacy Commissioner.

Salary costs

The main salary costs associated with the Program are:

- those associated with the management and support of the Program within Centrelink's National Support Office
- those associated with Centrelink Network review activity, and management and co-ordination of this activity.

Assistance to the Privacy Commissioner

Since the inception of the Program in 1991, funding has been provided by Centrelink, and previously by the Department of Social Security, to the Privacy Commissioner to facilitate monitoring of the operation of the Data-matching Program. The allocation for the operating cost of this assistance in 2004–2007 was \$1.04 million.

Direct cost-benefit summary

When the costs and the benefits (direct savings) are compared the net benefits of the Program are significant. In 2004–2007 the net benefit of the Program was \$344.1 million.

The ratio of costs to direct benefits for the Program continues to be favourable. The direct cost-benefit summary is contained in Table 2.1.

Actual costs for 2004–2007 are set out in Table 2.1.

Table 2.1: 2004–2007 Direct Cost-Benefit Summary

	2004-2005	2005-2006	2006-2007
	\$'000	\$'000	\$'000
	actual	actual	actual
Benefits ^(a)	108,710.7	134,939.1	144,748.9
Costs	13,119.6	14,442.6	16,766.8
Net benefits ^(b)	95,591.2	120,496.5	127,982.1
Cost-benefit ratio ^(c)	1:8.3	1:9.3	1:8.6

(a) Net savings, including the effect of upward variations

(b) Calculated by subtracting costs from benefits

(c) Calculated by dividing benefits by costs

CHRONOLOGY

The events listed below are those which occurred in the period 2004–2007. For details prior to this date refer to previous reports on the Program.

8 July 2004	Privacy Commissioner's staff visited Teams in Area North Australia
26 July 2004	Cycle 3/2004 commenced
20–21 August 2004	Step 5 of cycle 3/2004 run
27 August 2004	Cycle 3/2004 completed
11 October 2004	Cycle 4/2004 commenced
27–29 October 2004	Privacy Commissioner's staff visited Teams in Area West Victoria
6 November 2004	Step 5 of cycle 4/2004 run
12 November 2004	Cycle 4/2004 completed
12 January 2005	Data-matching Program—Report on Progress 2001–2004 tabled in Parliament
31 January 2005	Cycle 1/2005 commenced
1–2 February 2005	Privacy Commissioner's staff visited Teams in Area South Metro NSW
26–27 February 2005	Step 5 of cycle 1/2005 run
4 March 2005	Cycle 1/2005 completed
27 April 2005	Cycle 2/2005 commenced
9–10 May 2005	Privacy Commissioner's staff visited Teams in Area Brisbane
21–22 May 2005	Step 5 of cycle 2/2005 run
27 May 2005	Cycle 2/2005 completed
5 July 2005	Cycle 3/2005 commenced
20–21 August 2005	Step 5 of cycle 3/2005 run
26 August 2005	Cycle 3/2005 completed
29–31 August 2005	Privacy Commissioner's staff visited Teams in Area Central and Northern Queensland
11 October 2005	Cycle 4/2005 commenced
5–6 November 2005	Step 5 of cycle 4/2005 run
11 November 2005	Cycle 4/2005 completed
23 December 2005	Data-matching Program—Report on Progress 2004–2005 tabled in Parliament

30 January 2006	Cycle 1/2006 commenced
23 February 2006	Step 5 of cycle 1/2006 run
2 March 2006	Cycle 1/2006 completed
3–4 April 2006	Privacy Commissioner's staff visited Teams in Area South East Victoria
4–5 April 2006	Privacy Commissioner's staff visited Teams in Area North Central Victoria
26 April 2006	Cycle 2/2006 commenced
18 May 2006	Step 5 of cycle 2/2006 run
25 May 2006	Cycle 2/2006 completed
24 July 2006	Cycle 3/2006 commenced
17–21 August 2006	Step 5 of cycle 3/2006 run
24 August 2006	Cycle 3/2006 completed
25–26 September 2006	Privacy Commissioner's staff visited Teams in Area South Australia
9 October 2006	Cycle 4/2006 commenced
2–7 November 2006	Step 5 of cycle 4/2006 run
10 November 2006	Cycle 4/2006 completed
6–7 December 2006	Privacy Commissioner's staff visited Teams in Area Pacific Central
29 January 2007	Data-matching Program—Report on Progress 2005–2006 tabled in Parliament
29 January 2007	Cycle 1/2007 commenced
22–27 February 2007	Step 5 of cycle 1/2007 run
6 March 2007	Cycle 1/2007 completed
28–29 March 2007	Privacy Commissioner's staff visited Teams in Area Hunter
10 April 2007	Cycle 2/2007 commenced
3–9 May 2007	Step 5 of cycle 2/2007 run
16 May 2007	Cycle 2/2007 completed

