



Australian Government



Data-matching Program

Report on progress

2008-09

Centrelink
and the
Data-Matching
Agency



Australian Government



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The Hon Tanya Plibersek MP
Minister for Human Services
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Dear Minister

In accordance with section 12 (2B) of the *Data-matching Program (Assistance and Tax) Act 1990*, I present a Report on Progress of the Data-matching Program for the period 1 July 2008 to 30 June 2009.

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
Chief Executive Officer
Centrelink
November 2010

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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 (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 financial year, 1 July 2008 to 30 June 2009.

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 DMA, a virtual agency within Centrelink, to match data provided by agencies participating in the Program. These agencies are known as Source Agencies. Source Agencies make financial assistance payments to people and are also known as Assistance Agencies.

Under section 12 of the Act, the DMA and each Source Agency have been required to table reports in both Houses of Parliament. The Schedule to the Act details the information to be included in the 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 and Chapter 2 provides an overview of developments in the period 2008-09. 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 National Support Office Business Manager, Business Integrity Division, Fraud and Intelligence Branch, Data Matching Team, 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. The measures included:

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

The first exchange of data under the Program took place in April 1991 and there were 93 subsequent exchanges (known as ‘cycles’ under the Act) to 30 June 2009.

Objectives of the Data-matching Program

The Program aims to:

- detect people who may be receiving incorrect payments from an income support agency
- verify the accuracy of customers' income 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, and
- 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 DMA 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 Chief Executive Officer of Centrelink is required to ensure that there are officers of the Agency who are responsible for the matching of data. These officers form an entity known as the DMA. While operating as part of the DMA, these officers do not have access to customer information other than that provided to the DMA by the Assistance Agencies.

Data used in the Program

The data provided by the Assistance Agencies for the Program includes 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 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 2008–09, the DMA conducted four cycles. Although the Act allows for up to nine cycles per year, it has been found to be administratively more effective to undertake only four to six cycles 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 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 Program cycle:

■ Step 1

The DMA 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

The DMA 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

The ATO extracts taxable income and personal identity data for each record. It then passes this information back to the DMA.

■ Step 4

The DMA undertakes identity matching. In this process, the DMA 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 that 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

The DMA undertakes payment matching and income matching.

In the payment matching process, data provided to the DMA 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 DMA compares income details of Assistance Agency customers and, where appropriate, their partners and parents, 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

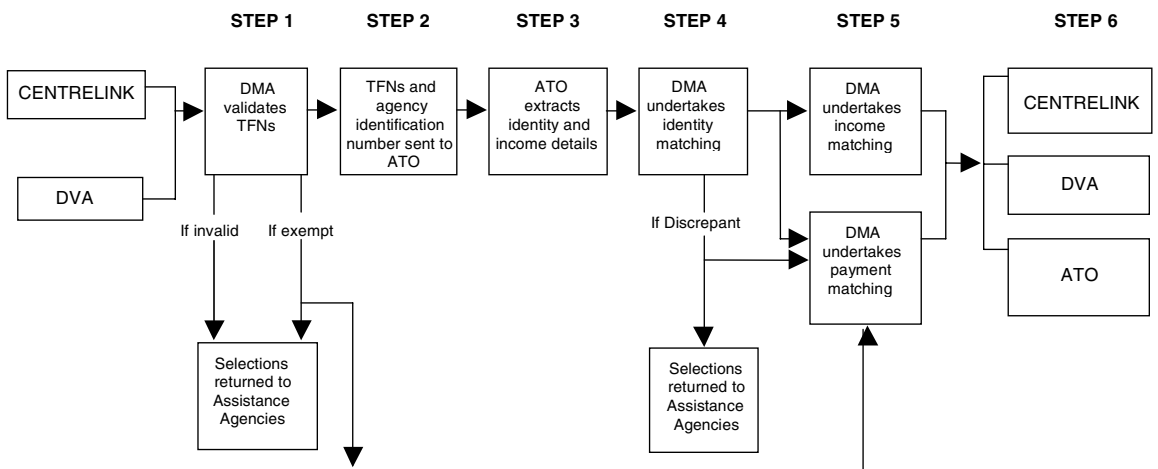
The DMA gives the raw output to the Source Agencies. Under section 9(3) of the Act, the DMA must do this within seven days after the completion of step 5.

Personal information used in a Program cycle, that does not indicate a discrepancy, is destroyed by the DMA 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 Program cycle is below.

Data Matching Program Cycle



Agency follow-up procedures

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

Centrelink Business Integrity Teams conduct the reviews and 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 DMA 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 Program cycle. If additional information is required to conduct the review, Centrelink formally approaches the other agency that is a party to the match, in writing.

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

Privacy safeguards

The Program operates within a framework of comprehensive and strict privacy safeguards that 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 DMA for any longer than is 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 DMA 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, and
- information no longer required is destroyed.

CHAPTER 2

2008–09 - AN OVERVIEW

This chapter details relevant events in the period 2008–09. Further information is contained in a Chronology of Events at the end of this report.

Assessments of the Program

During the period 2008–09 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 reporting progress during 2007–08 financial year.

Privacy Commissioner

The Office of the Privacy Commissioner is 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 the output from the Program and of the performance of individual projects is an important part of the refinement process. In the period 2008–09, 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 DMA, details the input and output from the Program cycles. The second part details the action taken on discrepancies by Centrelink for the period 2008–09.

Data-Matching Agency input and output

The legislation requires that the following details of the information processed by the DMA be provided:

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

‘Matches undertaken’ was previously defined in guideline 2.2 of the Schedule to the Act. It referred to the total number of records received by the DMA 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).

Table 1.1 shows the total number of matches undertaken in the four Program cycles in 2008–09, 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 1.2.

Section 10 (3) of the Act 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 2008–09 there were no extensions granted.

Table 1.1: Data-Matching Agency input and output for all agencies in 2008–09

Agency	Input from Assistance Agency (a)	Matches undertaken	DMA output	DMA output as percentage of total agency matches
Centrelink	66 697 806	66 469 389	1 419 546	2.1
DVA (b)	1 820 498	2 073 190	51 708	2.5
Total	68 518 304	68 542 579	1 471 254	2.2

(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: Results of discrepancies released for action 2008–09

	2008–09 Centrelink payments
1 The number and proportion of discrepancies which resulted in a notice under section 11 of the Act being sent	61 751 67.9%
2 The number and proportion of discrepancies which resulted in action being taken	35 608 39.2%
3 The number of cases in which action proceeded despite a dispute as to the accuracy of the data	227
4 The number and proportion of discrepancies which did not proceed to action after the individual was contacted	18 753 20.6%
5 The number of cases where an overpayment was identified	38 665
6 The number of cases where recovery action was initiated	32 852
7 The number of cases where the debt was fully recovered	24 158

- 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 Program. Customers 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 is 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 overpayment cases identified, including the number of debts waived.
- 6 The statistics show the number of cases where recovery action was commenced on a debt. 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 2008–09. It also shows the actual direct costs for the period 2008–09. 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, and
- the stopping of payments to new customers for failure to comply with TFN 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 repaying 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 a payment or 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 a payment or the same rate of payment for 26 fortnights. This means, for example, stopping a pension payment in 2008–09 will produce direct savings in that year, in 2009–10 and also in 2010–11. 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 2008–09

In the period 2008–09 the Program resulted in a total of \$174.5 million in savings. Net savings for 2008–09 are set out in Table 2.

Costs of the Program

Methodology

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

- administrative costs, and
- salary costs.

Administrative costs

The direct administrative costs fall into two categories:

- computer and associated costs, as the operation of the computer equipment used to run the Program cycles has some ongoing administrative costs associated with computer hardware and software maintenance, and
- 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, and
- those associated with Centrelink Network review activity and management and co-ordination of this activity.

Assistance to the Office of 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 Office of the Privacy Commissioner to facilitate monitoring of the operation of the Program. The allocation for the operating cost of this assistance in 2008–09 was \$339,069.

Direct cost–benefit summary

When the costs and the benefits (direct savings) are compared, the net benefits of the Program are significant. In 2008–09 the net benefit of the Program was \$149.7 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.

Actual costs for 2008–09 are set out in Table 2.

Table 2: 2008–09 Direct cost–benefit Summary

	2008–09 \$000 Actual
Benefits (a)	173 117.7
Costs	23 463.8
Net benefits (b)	149 654.0
Cost-benefit ratio (c)	1:7.4

(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 occurred in the period 2008–09. For details prior to this date please refer to previous reports on the Program.

11 August 2008	Cycle 3/2008 commences
27 –28 August 2008	Privacy Commissioner’s staff visited teams in Area Brisbane
4 Sept & 8 Sept 2008	Step 5 cycle 3/2008 run
10 September 2008	Cycle 3/2008 completed
10 November 2008	Cycle 4/2008 commences
19 –20 November 2008	Privacy Commissioner’s staff visited teams in Area Sydney West
4 December 2008	Step 5 of cycle 4/2008 run
10 December 2008	Cycle 4/2008 completed
27 January 2009	Cycle 1/2009 commences
16 February 2009	Step 5 of cycle 1/2009 run
23 February 2009	Cycle 1/2009 completed
15 –16 April 2009	Privacy Commissioner’s staff visited teams in Area Melbourne East
28 April 2009	Cycle 2/2009 commences
18 May 2009	Step 5 of cycle 2/2009 run
25 May 2009	Cycle 2/2009 completed

