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December 2008

Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021, Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

I am writing in relation to Centrelink's appearance at the Committee hearing of 12 November 2008 into the review of the Australian National Audit Office (ANAO) Audit Report:

- **42 of 2007-2008 Management of Customer Debt (Human Services Portfolio).**

At the hearing Centrelink took a number of questions on notice. The summary of responses to these questions is at Attachment A. Attachments B to E provide more detailed tables of information for the Committee.

I trust this information is helpful to the Committee. If you require more information please contact:

- Peter Cotterill on the above number or
- Gary Rees on (02) 61551270.

Yours sincerely

Carolyn Hogg
Deputy Chief Executive Officer
Centrelink

RESPONSES TO QUESTIONS AT HEARING

Page 4 – Breakdown of debt base by payment type.

Please see the table at Attachment B. Note that total debt includes all Centrelink debt; 'benchmark' debt excludes debt from Family Allowance reconciliation payments. The ANAO audit on Centrelink customer debts *only* considered 'benchmark' debt. 'Benchmark' debt includes 'lump sum' one-off payments.

Page 4 – Number and percentage of the overall debt base (broken down into each category) that are lump sum debts.

In the 2007-8 Financial Year, \$3.1m was raised for debts from 'lump sum' payments. This represents 0.17% of the total Centrelink debt raised for the financial year. The amount owing from 'lump sum' payments at 30 June 2008 was \$1.7m, which represents 0.07% of the total Centrelink debt base. Comprehensive debt data for previous financial years is not available.

Family Tax Benefit (FTB) A and B and Child Care Benefit may also be paid in 'lump sums', but these are a customer's regular fortnightly entitlements rolled in a single annual payment at the customer's request. Any debt from this entitlement would not be recorded as a 'lump sum' debt.

Page 5 – What is the average time that elapses between an overpayment start date and the debtor being notified of their debt

For non-automated benchmark debt in 2007-8, the average (mean) time from when a debt is identified to the date a debtor is notified of that debt is 17 days.

Research into non-automated benchmark debt has also established that for 2007-8

- Mean* number of days from the start of an inaccuracy# resulting in a debt to notifying a debtor of that debt = 173.5 days
- Median* number of days from the start of an inaccuracy# resulting in a debt to notifying a debtor of that debt = 33 days

*Where mean is the average of all values and median is the middle value of all numbers.

The start of the inaccuracy can be earlier than the date Centrelink detected the debt.

Page 6 – Breakdown of debt over 4 years in age, including recovery of that debt.

Please see the table at attachment C. Data shows 65% of Centrelink 'benchmark' debt over 4 years old is under recovery.

Page 7 – Have past lump sum bonuses been used to recover debts, and if so, which ones?

No lump sum one-off payments made by Centrelink since 2002 have been withheld to recover Centrelink debts. The exception to this is where a customer directly contacts Centrelink to request that this occurs.

Page 9 – How many real estate valuations does Centrelink conduct?

In the last financial year, Centrelink has undertaken the following valuations through the Australian Valuation Office (AVO):

| Year | Non-visual Assessments | Roadside Assessments | Full valuation Assessment | TOTAL |
|-------------|-------------------------------|-----------------------------|----------------------------------|--------------|
| 2007-08 | 19,517 (26%) | 54,336 (72%) | 1,181 (2%) | 75,034 |

Note that a customer's own home is generally exempt as an asset and would not be subject to a valuation.

Page 12-13 – How is Centrelink identifying and adopting new and better work practices?

Centrelink is analysing Random Sample Survey data to identify incorrect payments and practices. New and better work practices are then developed to address the issue(s). Outcomes will be measured against future Random Sample Survey results.

Page 15 – What are the causes of Age Pension debts over \$20,000?

Please see the paper provided to you by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) that contains this information.

Page 16 – Breakdown of the debts waived, by reason.

\$67m of Centrelink debt was waived in 2007-8. Please see Attachment D for a detailed breakdown of the reasons. Waiving either all or part of a debt is a permanent bar to recovery.

Page 17 – Breakdown of the debts written off under Section 1236 of the Social Security Act 1991, by reason.

A write off under the Social Security Law refers in practice to either *temporarily* suspending recovery e.g. until a customer's current address is found, or ceasing recovery *permanently* e.g. a customer is deceased and there is no estate. Debts referred to mercantile agents for recovery are included as temporarily written-off debts as Centrelink is not attempting to recover the debt at this point. \$491m of Centrelink debt was *temporarily* written off and \$24m permanently written off for the 2007-8 financial year. Please see Attachment D for a full break down of figures.

Page 21 – What is the current value of outstanding customer debt, and the number of Centrelink customers with outstanding debt?

Please see Attachment E

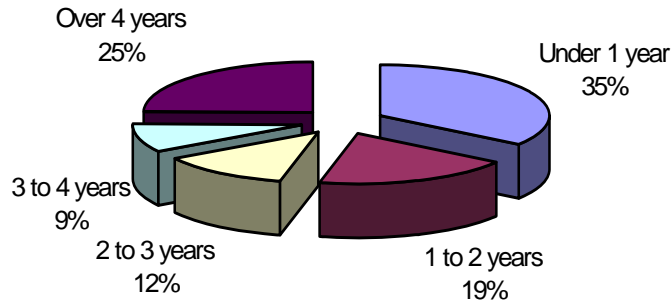
ATTACHMENT B

| Outstanding Debt by Payment Group | | | | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|
| Customer Payment Group | Outstanding 1 JULY 2007 | | Outstanding 30 JUNE 2008 | |
| | No. Debts | Balance (\$m) | No. Debts | Balance (\$m) |
| TOTAL DEBT | 1,252,716 | 2,107.5 | 1,238,721 | 2,267.6 |
| Benchmark Debt (as per ANAO audit) | 959,453 | 1,402.0 | 968,718 | 1,522.9 |
| Age Pension | 28,356 | 84.9 | 29,723 | 95.8 |
| Age Pension Related Payments | 691 | 2.5 | 627 | 2.3 |
| Disability Support & Sickness Allowance | 61,118 | 164.3 | 66,055 | 178.2 |
| Disability & Sickness Related Payments | 16,585 | 39.0 | 18,352 | 42.2 |
| Newstart Allowance | 372,495 | 342.9 | 368,008 | 354.5 |
| Newstart Related Payments | 7,102 | 26.8 | 5,518 | 25.3 |
| Youth Jobseeker | 43,646 | 30.6 | 47,303 | 28.8 |
| Youth Student, Apprentice & Austudy | 112,925 | 161.8 | 104,664 | 160.4 |
| Abstudy | 18,149 | 26.6 | 17,070 | 25.4 |
| Assistance to Isolated Children | 644 | 0.5 | 617 | 0.5 |
| Youth & Student Related Payments | 7,225 | 6.3 | 6,035 | 5.3 |
| Family Tax Benefit | 96,673 | 55.1 | 102,334 | 60.4 |
| Childcare Assistance | 1,053 | 14.1 | 1,033 | 14.4 |
| Family Related Payments | 5,575 | 13.6 | 4,452 | 12.7 |
| FAO Reconciliation | 293,263 | 705.5 | 270,003 | 744.6 |
| Parenting Payment | 174,282 | 358.6 | 184,636 | 443.2 |
| Parenting Related Payments | 4,744 | 42.0 | 4,003 | 39.4 |
| Special Circumstance | 6,227 | 25.0 | 6,172 | 26.0 |
| Recovered on Behalf of Other Agencies | 1,770 | 5.8 | 1,934 | 6.6 |
| Other | 193 | 1.8 | 182 | 1.6 |

Source: Debt Management Information System (DMIS)

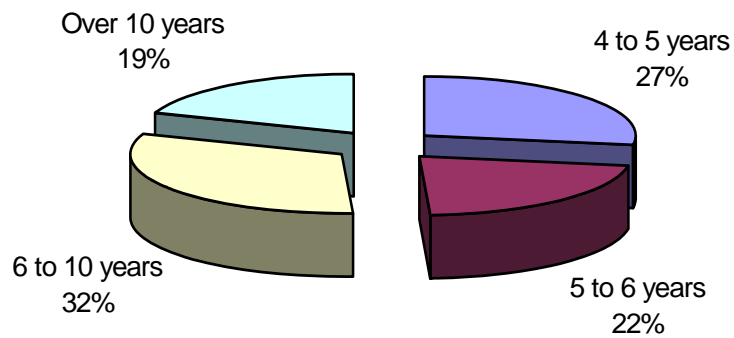
Age of all 'benchmarked' debt

Age of Outstanding Debt October 2008



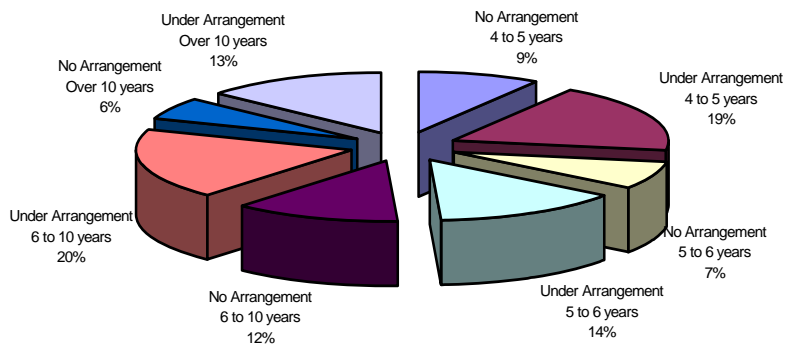
Age of all 'benchmarked debt' over four years old

Age of Outstanding Debt More Than 4 Years Old



Proportion of 'benchmarked debt' under an arrangement to recover the debt

Age of Outstanding Debt Over 4 Years Old



ATTACHMENT D

| <p align="center">Waiver Reasons Period 01 JUL 2007 to 30 JUN 2008</p> | | |
|---|-------------------|----------------|
| Waiver Reason | \$\$ Value | Number |
| Notional Entitlement to Family Allowance | 9 | 1 |
| Underestimate of Assets | 294,903 | 500 |
| Extreme and Unusual Circumstances | 9,478,613 | 2,946 |
| Judgement Interest | 82 | 1 |
| Penalty Interest | 1,218 | 2 |
| Discount Present Value | 318,454 | 109 |
| Administrative Appeals Tribunal Settlement | 814,761 | 415 |
| Notional Entitlement to Parenting | 27,611 | 16 |
| Less than Fifty Dollars; not cost effective to recover | 14,108,881 | 866,899 |
| System Error | 5,639,636 | 8,594 |
| Clerical Error | 34,352,080 | 32,368 |
| FTB Transitional Waiver | 880,732 | 1,314 |
| Child Care Transitional Waiver | 885,507 | 2,264 |
| Class of Debts (Instrument 1237AB) | 192,084 | 20 |
| Waiver under the Financial Mgt Act | 3,440 | 5 |
| Other | 3,403 | 1 |
| All Reasons | 67,001,413 | 915,455 |

Source: Debt Management Information System (DMIS)

| <p align="center">Permanent Write-Off Reasons Period 01 JUL 2007 to 30 JUN 2008</p> | | |
|--|-------------------|---------------|
| Write-off Reason | \$\$ Value | Number |
| Outcome of Review | 16,669 | 1 |
| Written off at Data Conversion | 1,538 | 1 |
| Deceased – None or Insufficient Estate | 14,488,208 | 9,049 |
| Irrecoverable at Law | 1,726,744 | 112 |
| Statute Barred | 3,951,615 | 11,458 |
| Bankruptcy Discharged | 3,973,687 | 2,152 |
| All Reasons | 23,798,459 | 22,773 |

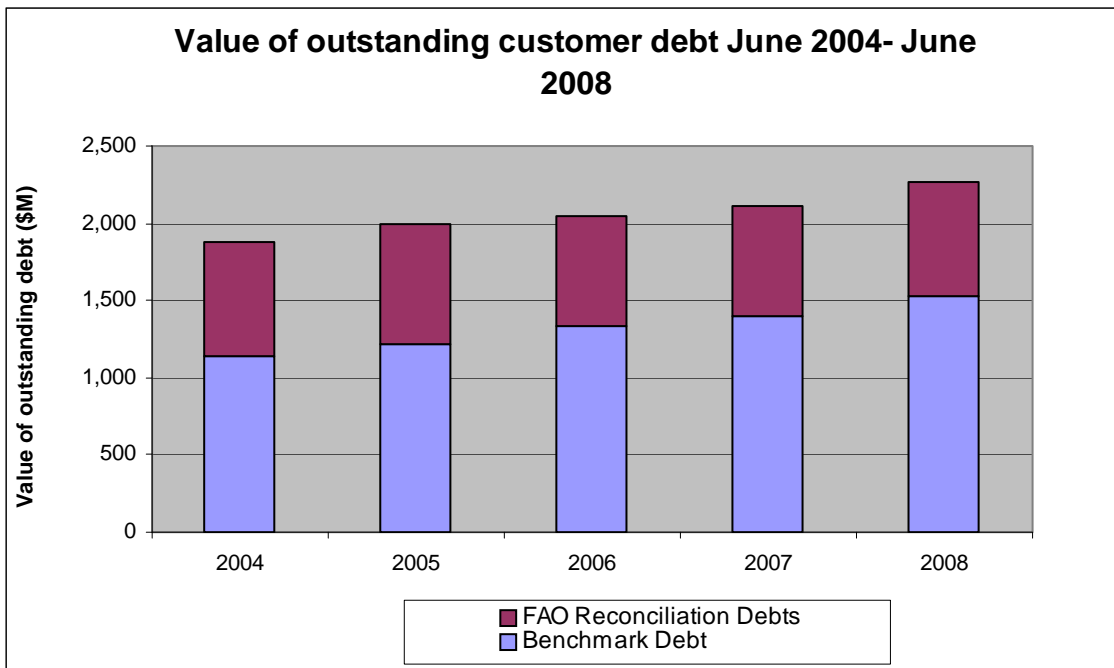
Source: Debt Management Information System (DMIS)

**Temporary Write-Off Reasons
Period 01 JUL 2007 to 30 JUN 2008**

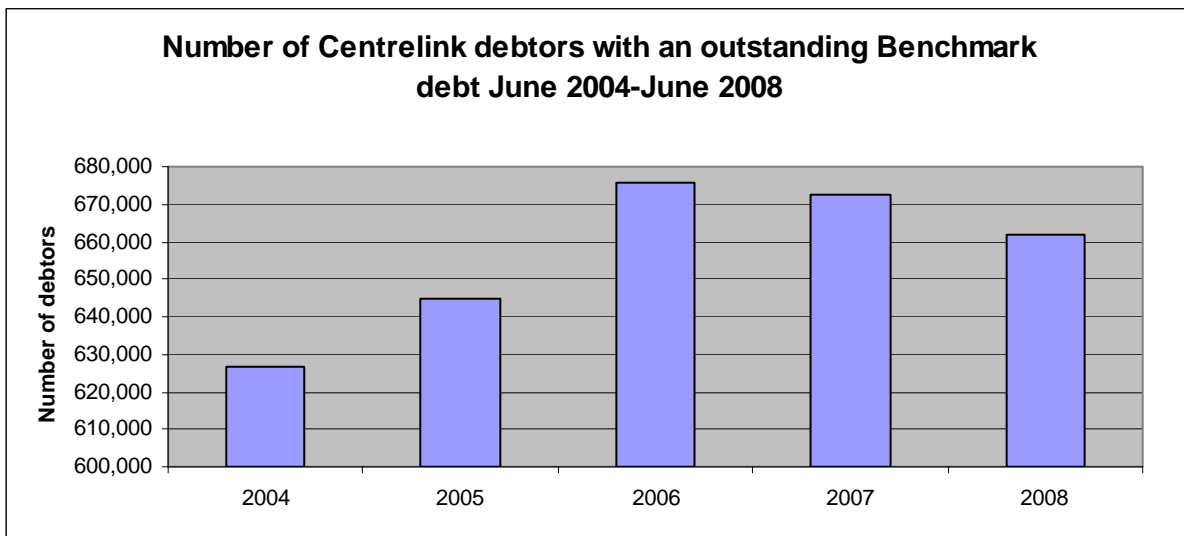
| Write-off Reason | \$\$ Value | Number |
|--|--------------------|----------------|
| Whereabouts Unknown (may include manual referral to Mercantile Agents) | 10,615,446 | 3,054 |
| Not Cost Effective (may include manual referral to Mercantile Agents) | 119,294,760 | 149,731 |
| In Prison | 11,368,053 | 7,199 |
| Bankruptcy | 7,728,591 | 2,193 |
| Short-Term Hardship | 20,634,688 | 13,040 |
| Outcome of Review | 8,362,819 | 1,549 |
| Debtor Overseas | 2,878,262 | 893 |
| Debtor Deceased | 3,996,776 | 1,186 |
| Automatic Referral to Mercantile Agents | 295,544,917 | 195,274 |
| Non-Lodger Separated | 9,777,027 | 1,661 |
| Overseas Appeal | 14,070 | 6 |
| Proceeds of Crime | 562,206 | 17 |
| Other | 263,783 | 128 |
| All Reasons | 491,041,394 | 375,931 |

Source: Debt Management Information System (DMIS)

Current Value of Customer debt – All, benchmark and FAO reconciliation debts



Number of Centrelink debtors with a 'benchmark' debt



Source: Centrelink Debt Management Information System