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Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

**Reference: Review of the ANAO Audit Report 1998-99: Management of tax file
numbers**

MONDAY, 6 MARCH 2000

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION

Members: Mr Hawker (*Chair*), Mr Albanese, Ms Burke, Ms Gambaro, Mrs Hull, Mr Latham, Mr Pyne, Mr Somlyay, Dr Southcott and Mr Wilton

Members in attendance: Mr Albanese, Ms Gambaro, Mr Hawker, Mrs Hull and Mr Wilton

Terms of reference for the inquiry:

The House of Representatives Standing Committee on Economics, Finance and Public Administration will investigate administrative, policy and client service issues of TFN management, as recently reported by the Australian National Audit Office in audit report no. 37 1998/99. The committee will also inquire into other aspects of the TFN system in Australia.

The committee will pursue its investigation under House Standing Order (324b), which states that the reports of the Auditor-General stand referred to the relevant committee for any inquiry the committee may wish to make.

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Committee met at 9:15 a.m.

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Economics, Finance and Public Administration. The basis of the committee's investigation is an examination of the Australian National Audit Office audit report on the management of tax file numbers as part of the committee's examination of audit reports within its area of portfolio responsibility. In their audit the ANAO found significant weaknesses in the tax file number system and made recommendations to address these. The economics committee is interested in investigating the Audit Office findings and broader issues in relation to the tax file number system.

At today's hearing the committee will hear from Centrelink and from the Department of Immigration and Multicultural Affairs. Centrelink and the Department of Immigration and Multicultural Affairs are both ideally placed to comment on the internal practices of government departments that must deal with large numbers of clients and large amounts of data. They also, in their operations, confront some of the more difficult policy issues raised by this inquiry, including identity fraud and privacy. The committee looks forward to hearing from today's witnesses about their views on the tax file number system, the Audit Office recommendations and the broader policy issues that have been raised in this inquiry.

BASHFORD, Mr Graham John, Acting Deputy Chief Executive Officer, Centrelink

HOGG, Mrs Carolyn, General Manager, Gateway, Centrelink

MAIN, Mr Geoffrey William, Business Manager, Identity Fraud Section, Detection and Review Team, Centrelink

MILLER, Mr Douglas Edward, Manager, Data Matching, Detection and Review Team, Centrelink

NELSON, Mr Stephen John, Business Manager, Gateway Projects Group, Centrelink

PACEY, Mr Brian, National Manager, Detection and Review Team, Centrelink

CHAIR—I welcome representatives from Centrelink to today's public hearing. I remind you that the evidence that you give at this public hearing is considered to be part of the proceedings of the parliament. I therefore remind you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament. The committee has received submission No.12 from Centrelink, which has been authorised as a confidential submission. Are there any corrections or amendments you would like to make to that submission?

Mr Bashford—No.

CHAIR—Mr Bashford, would you like to proceed with an opening statement before I invite members to put questions?

Mr Bashford—We do not have an opening statement, Mr Chairman. We think that the submission covers pretty well all the things we would like to say.

CHAIR—Maybe we could start looking at some of the questions that the committee might like to put to you. I guess identity fraud is a good place to start. I was wondering whether you would like to comment on the question of how widespread you think identity fraud is. By way of preface, I bring to your attention that the committee heard in Sydney a couple of weeks ago that Westpac did a small survey amongst about 35 branches and, when it came to people opening new bank accounts, they found that in 13 per cent of cases people were using false birth certificates, which I found to be a rather staggering figure, and I think other members of the committee did as well. What is your experience on this question of identity fraud?

Mr Bashford—From a Centrelink perspective, last year we detected about \$12 million worth of fraud from identity. Mr Pacey might be able to add some details on that.

Mr Pacey—The Centrelink strategy is twofold. First of all, what we try to do is prevent people accessing benefits through the use of a false identity. So we have strategies at the front end—which we will be happy to talk about; and also some ideas that we have put in our submission on ways in which that could be improved—and at the back end we have the detection unit. So we aim to have what we call a tight front door to stop people getting on benefit who are not entitled. Obviously, the circumstances are that people are in need, their need is immediate, so we are not wanting to put them in a position where we are going to get them going through a long period of having to prove identity over an extended period. Quite a lot of these people have only got informal identity, anyway. What we need to do is to address their immediate need but, equally, in the background, to have systems in place to detect any attempt to defraud us. What you are seeing in the figure that Mr Bashford gave there is \$12.5 million in 1999-2000 in terms of the frauds that we have identified in the background.

CHAIR—Could you just put that in perspective. How many people applied in the last year? You are talking about 73 frauds detected. How many people applied last year?

Mr Pacey—There used to be about 800,000 new claims on Newstart.

Mrs Hogg—It would be around 800,000.

Mr Pacey—Yes. These were detected for internal and external fraud. There are two elements to the work that we are doing there as well. There are the people who are attempting externally to defraud the organisation who come in with false identities, and there are, unfortunately, a number of people within the organisation who also attempt to manipulate the records to change identities to their own benefit and receive money there.

CHAIR—You raise two points there. Given that most of the evidence the committee has been hearing either directly or indirectly is that proof of identity fraud is growing, why do your figures show that overall there seems to be a trend down? Are you running that good an outfit?

Mr Main—We have been doing this work for 20 years now and I think that is a significant point. The work is data matching and statistical work involving looking for anomalies. We have recourse through various government initiatives to quite a lot of external reference data that we can compare and contrast our beneficiary population against, looking for that whole spectrum of false identity. I am including in that spectrum something that is really false and that has never existed as a real name anywhere, through to people who are assuming or stealing another person's identity. There is a definite trend in that latter element at the moment.

CHAIR—I come back to this proof of identity matter. One of your major documents is a birth certificate. I just mentioned earlier that in a small study 13 per cent of people opening bank accounts had false documents. Doesn't that concern you a little bit, that it might need a little more digging?

Mr Main—The work we do in the background is completely independent of the documents that people show when they come to Centrelink to prove their identity. The work that we do is totally independent of that. We look to other data to see if there is any support for that identity being valid. I am having difficulty at the moment mentioning the methodologies we use. I did not want to go into detail at this stage but I am quite happy to when it is appropriate.

CHAIR—Mr Pacey, the other point you raised in your answer was internal problems. Can you explain that a bit more?

Mr Pacey—Yes. It is possible for people to manipulate the records of genuine customers and to change some of the details on those records to make a payment to their own bank accounts. We are very much aware of this possibility. It is also possible for a staff member to manufacture a completely false identity for a customer who does not exist and to make payments to that person. Again, we have a strategy in place and we have looked at the risks of this occurring. We have looked at the different scenarios in which it might take place and we check for all of those scenarios in a background process on a daily basis.

CHAIR—How many people have you detected doing it?

Mr Main—We had quite an increase in internal fraud about 18 months ago. The typical number of internal frauds that we found between 1980, when we first started keeping these figures, up to 18 months ago, was between four and six per year. But in that 18-month period we found 67. Our detection processes worked in finding those. All the frauds we are talking about here are those that we detect proactively. We have got that figure back to normal in recent times. It is trending back to where it should be. That was brought about by our staff members highjacking legitimate people's benefits for periods of time and diverting funds, usually additional funds, to their own bank accounts, or by way of electronic benefit cards..

CHAIR—What happened to those people?

Mr Main—A lot of them are being prosecuted at the moment. Those that have been prosecuted are normally serving jail sentences.

Mr WILTON—Mr Bashford, would you care to compare and contrast with those of other major agencies—notably the tax office—the processes that you are putting in place in terms of identity for detection?

Mr Bashford—Mrs Hogg is probably better able to answer that. But certainly our customers, if you like to call them that, often do not have the documents that perhaps normal people paying tax would have and so we do have to put in place some other arrangements on occasions. But we are looking to tighten up our people identity activities by this three-tier process. I will get Mrs Hogg to talk about that three-tier process.

Mrs Hogg—At the moment we have a system of primary documents. Potential customers must produce one primary document, such as a birth certificate, and two others to support the information on the primary document. We apply that process to everybody. So if you come to Centrelink to get some assistance with a health care card or with something where we are not actually going to pay out a primary benefit, we still ask for the same level of proof of identity—whether you are claiming a payment which you could receive for many years or something that is not in fact a payment at all but entitles you to some other service.

We have suggested that perhaps we should move to a more risk based approach—and you will see this from the submission—where we become tighter on proving people's identity depending on the scale of assistance they can actually get from the Commonwealth. At the moment that model is being discussed by the various

client agencies that we do work for, notably Family and Community Services. That is one that could apply to the process of identity for tax file numbers, depending on what the Australian Taxation Office believed was the level of risk. It is almost like a menu, if you like, that you can choose from.

What it also does is to give us the opportunity to apply this across the Commonwealth. If agencies actually elected to take the highest level of assurance for most of their programs and if common principles were applied, you could in fact prove your identity once for the Commonwealth and we could have a process of making sure that that was shared across other agencies—if that was an option seen as desirable and the general public believed it was appropriate to do that.

CHAIR—Could you expand on that. This once-off process is not coming back to an Australia card?

Mrs Hogg—No. I think an obvious risk is that that is the easy and quick interpretation of what it might be. But you could have various options. I think we have given some numbers of the scale of options. For example, every agency could keep its single identifier and there may be some process of background matching to match those. You could take it to its simplest form where in fact we just have common procedures and requirements for proof of identity, which I think are variable across the Commonwealth now.

Mr WILTON—Do you have a handle on which countries are world leaders in this particular field and whether we are approaching their standards in levels of detection?

Mrs Hogg—I personally do not.

Mr Pacey—In terms of detection, I would be quite happy to say that we are the world leaders, because Australia faces different problems from other countries. Many other countries with similar social security systems have a national identity number as a starting point. Because over a period of years they have had contact with their customers and they have been paying contributions for 30 years, it is most unlikely a person who has paid contributions for 30 years is going to be somebody who is an opportunistic fraudster. So we start from a different set of problems, and that is why we have had to become far better at detection. It is on the basis that the information we get may, on the face of it, be sufficient to grant a benefit. But what we then do by way of background is to say, 'Perhaps there are some other factors we should take into account to see if this benefit should continue.' That is where we have got very good at matching against external data, which are third party reference files we use, against other government information and against information from the private sector which would help to build up a profile or a picture of a person and which would then give us more confidence that we have got the person we think it is.

Mrs HULL—With regard to a common reference number across all government departments, or a client service number, I am wondering whether you, or somebody, might be able to expand upon how you think that that could possibly work—the advantages and the disadvantages—bearing in mind that CSA are now able to link in with Centrelink. There are some advantages but there are also some disadvantages in that—it creates, at times, an enormous amount of anomalies and additional paperwork, et cetera, for the clients. I am just wondering whether you might be able to expand upon how a common client service number across all government departments could actually function to our benefit.

Mr Nelson—I guess an opening comment on that, from a customer's perspective, is that one number to deal with multiple Commonwealth agencies certainly would simplify those interactions. So I think we would start from the customer's perspective in that respect.

Mrs HULL—Everything is different. Every asset test for every Austudy allowance, child allowance, et cetera, is so different. How much can you actually put together to enable a clear picture to be seen when you are looking at that file for another purpose? If you combine all the information, doesn't that then open up the ability to be able to get a complete picture of a person who, potentially, may be looking to defraud the system?

Mr Nelson—I do not think we are looking at combining all the information. All we are suggesting here—I think it is option 6 in our paper—is that if there were a common reference number which would tie together the identity information about customers across multiple organisations, then that would make it potentially easier to detect frauds. Would you agree with that, Brian?

Mr Pacey—It is a matter of whether, in fact, you want to bring all this information together at a point in time, which is the sort of work that we are doing in the background, or whether you need to hold it all permanently in one place. That is where the privacy and the customer service mesh. I guess the interesting part for administration is to say, 'At what point do you say that you are pushing the privacy bounds to the limit, or customer service?' We have customers who would come to us and say, 'I have changed my address. I would like to think that you will now tell all of the government agencies where I am living so that I do not have to tell five different government agencies—six different state agencies, dog licences, car licences, et cetera.' In terms of customer service, we would see that as a possible positive or plus, the danger being, of course, that there are some people who would not wish their addresses to be promulgated to other agencies. You mentioned child support; there are certain people who would not wish that.

In terms of good government, you might say that we should be doing that. If there is some possibility of defrauding the government, then perhaps we should be doing it. But what we are having to deal with, with guidance from you and people like you, is to find where you feel that line should be drawn for balance. So, at the moment, we can give you an assurance that, because we do these things at points in time—the sort of work Mr Main does—we make it very difficult for people to slip through the net, the fraudsters. That is fine from that aspect, but we are not able to offer, as Mrs Hogg is outlining, different tiers of customer service if they are willing to give us more information. I think the key to our submission is that if people wish to give more information and tell us what they would like us to do with that information, we are happy to act as their brokers to spread that information around.

Mrs Hogg—It is the individual's choice per se. If the government wanted to work that way, to give individual citizens the choice of sharing their identity information across the Commonwealth if they deal with more than one agency, then we could do that.

Mrs HULL—I see that as an advantage, to a point—as you say, with guidance to be able to consolidate and have that as a primary number. Do you see that would be an advantage to you as a Centrelink agency?

Mrs Hogg—Yes. Certainly, if we move to this sort of arrangement, to a risk based approach to the level of proof of identity that one has to establish, then the number of times that you can deal with Centrelink if you are unemployed is very regular. If you are in and out of casual work, et cetera, at the moment, our processes are that every time your benefit ceases and you come back to Centrelink we go through the whole process again. It is not a process of just saying, 'We have got your documents.' We ask potential customers to re-establish who they are.

If we have gone through a stringent process the first time that the customer has dealt with us, then it should just be a process of authenticating that that is the same person that produced that level of proof of identity. So it would save time for us and there would be less inconvenience for the customer. Then, if that person is also dealing with another agency, for instance the Taxation Office, the Child Support Agency or whatever, and if they have said, 'Now that I have been through that rigorous approach I would like you to share that information,' or, 'I would like it if the Taxation Office could access that information and I could authenticate myself with that agency through a different process,' then we could do that. The risk is that that would be seen and interpreted as going too far in terms of sharing information across the Commonwealth, and there would be the privacy issues. You would always have to have the option for an individual to choose whether they wanted that or not, rather than a mandated approach.

CHAIR—Mr Pacey, I want to come back to the question of why you are so confident you are getting a proof of identity right. The list of documents, the primary documents and secondary documents, includes birth certificates. I have mentioned a survey, albeit a small one, indicating that 13 per cent of a particular group had forged birth certificates. In hearings we have already been told that there are between five and six million more tax file numbers on issue than there are taxpayers, and that is another of your possible proof of identity documents. There have been reports in the papers of hundreds of forged driving licences out on there on issue, because people are using them. I notice that another thing you talk about is the proof of age card. Let me tell you, if you have anything to do with the younger generation you should know that one of the great things to say when you are 17 is, 'Look what I have got. I can go to the pub.' These are not just small numbers, they are probably quite large numbers, yet you are saying you are very confident that you have got a system that appears to be better than anywhere else.

Mr Pacey—I will pass back to my colleague on this, to give you the technical details. As we have suggested, up front there are some checks. I agree that there are opportunities at the front end to do more checks. One of the things in the submission is that each agency itself, and each source agency for the source of all this information, has got to be improved. We talk about lifting the bar to make it a bit harder. So I would agree with you that, if it were more difficult for a person to get a false driving licence, that would certainly help us. We need to look at all of those source documents coming in, from a Centrelink perspective, to get more integrity in each of those. We also need each government agency to require more integrity on its individual proof of identity procedures, which again is part of our submission. What we are saying is that then, if each of them does that, we gradually lift the bar.

In the background it is possible to do some checking. We have had discussions with people such as the state registrars and we have access to deaths information already. We are talking to them about accessing births information, following our budget initiative last year, and there is a possibility of that this year. We would see the opportunity, potentially, again as outlined in the submission, of doing online checks in the future. Some of those can be done now, so if there is some suspicion it is possible to go back to the source agency. This is again at the front end, but now what we are saying is: here we are, the person has been granted a benefit, so we have a look to see what sort of information has been there. All of this information is now recorded on the Centrelink

systems—we record the document and the reference number—so if necessary we can go back to the agency, the source, the registrar, the driver's licence or whatever to check.

CHAIR—But the point about it is that, if that is what appears to be a valid piece of information and yet it is a forgery, you are not going to be able to detect that from what are you doing.

Mr Pacey—The point there is that we should get onto the temporal issues. If it is a newly created document, then it does not have any history anywhere else. The sort of work that Mr Main's team is doing is to look at where these documents should and would have been used in the past, so we look to external reference files to see if we can find any information on that birth certificate. To give you an example, we have family allowance files going back to 1975, and on those we have got recorded children who were born in the fifties. So what we are saying is that if a person comes into our office and presents for unemployment benefits and they present with a document that was newly created, we can go back to the files from the 1950s and 1960s and say, 'Why aren't you on this file? Why didn't we see a claim there from your mother? Where were you living at the time?' We have an enormous amount of historical information which in itself starts to ring the alarm bells about there suddenly being this piece of information.

Also, in terms of temporal, the person may have a birth certificate but we find that it is dated 1999. What other information have they given us? They may give us a Medicare reference number. When did they apply for this reference number? 1999. This is what I mean about some of the temporal stuff. We would prefer to do some of this in camera because we do not want to go into too much of the details, but, as you can imagine, we have now got a profile of a person who, if you like, was a non-person before 1999, and that is what would cause us to investigate.

Mr Main—We need to acknowledge that people can come to our front door with documents that look to be perfect and that the person at the counter doing all the checks would not pick those up. I think that is the essence of your question. That is where my job starts. We are to account for every single beneficiary or customer Centrelink has, to account that their identity is a real and valid identity. To do that we match that information, that new claim, against the reference information that we have available. We also take the information they give us, the details they give us on their POI documents, and there are some simple things that can be done with those. You can look to make sure in a lot of cases whether that number is valid; you can look to see whether someone else has used that number. Further down the track, if we had recourse to all the source information, you would be able to take that number and match it back against the source files and see if it was the same person.

There are a lot of things that can be done before we even get into our data matching where we try to ensure that that identity is a real one. Very simply, the first thing you would try to do is to make sure that that identity does appear on some other files that we have access to. If it does, the next question becomes: has the time profile of that person been sufficient to ensure that they have been around for the length of time? Have they just come out of nowhere? Has someone gone to the trouble of creating an identity? We see a lot of that. The third question we have to ask ourselves is: is the person who is fronting us who they say they are? Are they Geoff Main, are they pretending to be me? That is where there is an upward trend, in identity theft. We are noticing that all around the world.

CHAIR—Your statistics here are showing a downward trend. Why are the numbers so low? That is the fundamental question.

Mr Main—I think our techniques are working. They are completed cases. There are some cases there for this year where we are noticing some more attacks on our system by people using the sorts of things you were talking about before, some proof of identity documents that are not so good. For example, in Victoria we are noticing a big move in people changing their names by deed poll, particularly young people. There are also some other trends with young people, students around the country, where they are assuming the identity of deceased people who might have been their age now if they had lived. This is typically 18- to 25-year-olds doing this. You are dead right—those things are happening. They are not represented in the figures for this year because those figures we have given you are for completed cases; they are cases that have been through the courts and have been prosecuted.

CHAIR—All these other figures are going up—and I mentioned all those other things earlier—yet, according to this, you have a very low detection rate. As you would know, Centrelink is the sort of place that people would like to go to to help themselves to some money. Why wouldn't they?

Mr Main—If I could just reiterate: we have been doing this work since 1980 and building these techniques. We are confident that we have a good handle on this.

Ms GAMBARO—I would like to ask you about your procedure on matching when people leave the country and when there is a death. I notice that, for deaths, you have a monthly matching process and that the ATO

has a quarterly matching process. Is that a much more expensive process? If someone I know dies tomorrow, what is the process?

Mr Miller—We check on a monthly basis with the Registrar-General's office for deaths information so that we can pick up any cases where we have not received a notification from a relative or a nominee in a timely fashion.

Mr Pacey—It commences with the registrars providing us with the information.

Ms GAMBARO—So the registrar notifies you?

Mr Miller—We actually obtain it from a database that the Australian Institute of Health and Welfare holds in Canberra which is drawn from all the state registrars' offices, and that is under an agreement with the state registrars. We have that single source of data, and we draw on that data on a monthly basis to detect people who have died.

Ms GAMBARO—Can I just go to the next step. You ascertain that a person has died and then you send out one of those generated letters. How long does it take from when you have received that information to when you send out a letter to the person who is no longer entitled to receive benefits? What is the process?

Mr Miller—Obviously it is not normally a letter to the person who has died but to the relative or to the nominee.

Ms GAMBARO—To the family; that is what I mean.

Mr Miller—That is quite a quick process. We would do the matching here within a matter of days after we get that data.

Mr Pacey—I think the important point is that we would not necessarily generate the letter at the time we match. We would send the selections to our offices around Australia for action by local experts.

Mr Miller—Yes.

Mr Pacey—If there is any delay in sending the letters, it would be because the person who received the information from us perhaps did not act on it as quickly as they might do.

Ms GAMBARO—Mr Main, you were talking about teenagers taking on the identity of other teenagers who have died at their age. Can this system pick up what Mr Main was talking about, if you have you been given information from the Registrar-General?

Mr Miller—We have a filtering process that we apply in Canberra before we put this information out to our investigators in our area offices. Any case that looks like something a bit funny might have been going on gets referred to Mr Main.

Mr Pacey—That would be only for deaths within the last month. The scenario that Mr Main was outlining was where people have died some years ago. So in fact this particular type of matching would not trap that one. What we would need to do in that instance would be to check the primary documents when they were given to Centrelink against the registrar's main database and say, 'Here is a person who claims to have a birth certificate for a living person.' The registrar would then say, 'No, I have a record of this person and they died 10 or 15 years ago.'

Ms GAMBARO—Would you automatically do that check?

Mr Pacey—I do not know we do that at the moment. I think that is one of the proposals in there.

Ms GAMBARO—That is something we had better look at.

Mr Nelson—Our proposal is that we have much greater contact with Registrars-General departments, and online verification would certainly pick up the situation you have just described.

Ms GAMBARO—But it is not happening at the moment?

Mr Nelson—It is not happening at the front end.

Ms GAMBARO—Not beyond the one-month period? You would do a preliminary one-month check, as you were saying, but you cannot go beyond that at the moment?

Mr Pacey—No.

Mr Nelson—That is the case at the moment.

Ms GAMBARO—But it is something you are looking at?

Mr Miller—I should point out that when we started the deaths matching we got files that went back a number of years. There was a kind of a flushing out process, but the files did not go back 20 years. They would have gone back to the early 1990s, I think.

Mr Pacey—One of the problems was that the registrars were not computerised, certainly not to the same degree, and it was variable as to how many years some of them had gone back for historical information. There

was a cost to them in doing that, and they had to see some sort of benefit. The only benefits they get are from selling information to people tracing their family trees, for example.

Ms GAMBARO—We talked earlier about government agencies like the ATO, for example. You seem to be matching across different periods and there seems to be quite a lot of inconsistency. I know that a number of you spoke about reference points and making them a bit more consistent. Does that make your work harder?

Mr Pacey—It would certainly be to our advantage, yes. If we had available all of that Registrar-General information in real time, that would certainly be an advantage, yes, for checking purposes.

Ms GAMBARO—When people leave the country, what happens? We have just gone through them dying. What happens to the ones who have come to the country and leave? What are the processes?

Mr Miller—It is a similar type of thing. Their departure is recorded when they leave through the Department of Immigration. They obtain all that data. Again there is a monthly matching process with the Department of Immigration. We pick up anybody who has left the country, so we can take action to cancel their payments, or whatever. For example, if you are on a Newstart payment, you would basically lose entitlement as soon as you leave the country. With other payments, longer periods apply. With pensions you have six months. Again, we can take action based on that monthly matching process.

Ms GAMBARO—I have one last question on inactive files. How do you update those and do you have a system in place that gives you information on a regular basis about inactive files? How do you eliminate them from the system? You do not know what I am asking you, do you? If there is a client, do you have a way of detecting inactive files of people—

Mrs Hogg—Once in the system and now not—

Ms GAMBARO—who are not active—people who were once in the system—or do they automatically get deleted through these processes? Are you confident enough in them being taken out of the system through deaths, departures and the information that you are given or do you have another system of going through the information. In the business world, we have customer files. Maybe someone has not been buying from us for a long time but they are still in the system. I would imagine you would have similar people.

Mrs Hogg—The primary responsibility, of course, is for the customer themselves to notify Centrelink of a change in their circumstances. By and large, obviously the vast majority of people we deal with do that. These processes are about validating that and also about picking up information that was not volunteered. In terms of keeping our records, we have electronic records, as you know, and paper records. The processes are that paper records obviously are archived once the record has been cancelled and the records themselves, the electronic records, are also archived, but we keep a history of those. We would be able to call back electronically—not immediately; say, overnight or whatever—a file of a customer over a period virtually indefinitely.

Mr Pacey—Another way of answering your question possibly is that we have a review strategy in place. If a customer does not contact us, that does not mean necessarily that we will never contact them. For pensioners we have a strategy in place. Those who change their income most regularly would be reviewed on a fairly regular basis. Others will be reviewed on a random basis but there is no opportunity for customers to say, ‘I will never be reviewed again.’ If somebody has died and their relatives choose to continue that payment to themselves, there is no guarantee that they will not be asked to complete a review form at some stage in the future. That is the risk that they will take.

Ms GAMBARO—Thank you.

CHAIR—On that point of archiving, how difficult is it to do? The tax office suggested it was rather difficult for them to undertake that. How difficult is it to archive inactive files?

Mrs Hogg—To archive them?

CHAIR—Yes.

Mr Pacey—The physical file or the electronic file?

CHAIR—Whatever—electronically?

Mrs Hogg—I am not an IT expert unfortunately. The only difficulty we have had is the availability of return information. It is very difficult to bring that record up immediately. If you are archiving millions and millions of records electronically, it is very difficult to keep an online history of all of them. We have periods for which we keep the record online. If you are interested, I can get those periods—how long we keep it online since the record was active.

Mr Pacey—It would be for 12 months.

Mrs Hogg—But after that it goes offline, if you like, and we can call it back. We certainly have to have some rules about how much you can actually produce online, because it is very expensive to keep online rec-

ords that you can access straight away. As long as you can actually put in acceptable levels of access, I think that is—

Mr Pacey—That is Mr Main's area. That is a policy of never throwing anything away. We always keep the archive records indefinitely—they do not disappear.

Mr Main—The point you were making before about the history is very important to us. We really need more help in building those histories and being able to retain data. It is looking at the anomalies in time that is very important in working out if someone is stealing someone else's identity. With regard to the death cases that I was talking about, we did not find them because we knew that they were deceased; we only found that out later. We found them because their time profile was insufficient, and they did not match against other source reference files with which we would expect they should. It was only in going back through and exploring those cases and doing the investigation work to see that we did have a fraud that we got in contact with the RGOs and found out that the children had, in fact, died when they were less than one year old.

Mrs HULL—I come from an electorate of high immigration and, particularly with those people working within my electorate, overseas labour. I wonder how you currently establish residency status and work rights within immigration? How do you work closely with immigration to establish that?

Mr Pacey—We have to establish that they are entitled to work in Australia.

Mr Nelson—If they are going to claim a service or benefit, they need to establish that they have an entitlement to be here. That would normally be done via immigration documents.

Mrs HULL—If they have a work permit, they are working here and their income is only a certain level—say XYZ per day for fruit picking—don't they have an ability to gain some form of relief from Centrelink?

Mr Nelson—You are asking an eligibility question about Newstart payment, and I am not an expert on Newstart payments.

Mrs HULL—But do they do that?

Mrs Hogg—We have lots of offices around the country, as you would be aware, that have involvement with seasonal work. If the person is unemployed and in receipt of Newstart allowance or an unemployment benefit, they are still required to report, usually on a fortnightly basis, to Centrelink what their activity has been over that fortnight. You are absolutely right; depending on the level of income that they have received or are entitled to for work they have performed during that fortnight, we assess that against the allowable income rates and then determine if there is money—

Mrs HULL—How do you establish that residency rate or that status with DIMA? What is the procedure that enables you to check whether or not they are able to be collecting that benefit or whether or not they are on a list for deportation? How do you establish that?

Mr Miller—Part of the front-end check is, for example, that they produce a passport showing which visa class they have entered the country under. We also are able to check with the department of immigration to verify on an individual case-by-case basis the status of that person. We are also looking at a proposal which may be put to government in relation to matching against residency or visa class information from the department of immigration as well. That is something that is currently under consideration.

Mr Pacey—We are hoping that by next year we will be able to match against the information on visa classes to ensure that we will be able to deal with the scenario you are talking about where they might falsely represent their circumstances.

Mrs HULL—Can I say that they do falsely represent their circumstances.

Mr Pacey—Yes, that is right.

Mrs HULL—That is the reason for the question.

Mr Pacey—Yes. We are proposing some additional matching.

Mrs HULL—I believe it is widespread in my electorate. If it is widespread in my electorate, then it is obviously widespread in other seasonal harvesting electorates. How confident are you that you are able to pick it up, or that you are able to do justice to this system?

Mr Pacey—In terms of the information that has been declared to us, I feel that this additional matching will go a long way towards it. There is also the scenario, as I am sure you would be aware, of people working in the cash economy.

Mrs HULL—Absolutely.

Mr Pacey—So you may be aware of the joint activities which Centrelink undertakes with both the ATO and the Department of Immigration and Multicultural Affairs. This work has been greatly expanded in recent times and we are doing some very successful operations now in harvesting. That is again going to be expanded next year because of the success of the operation. At the moment, we are getting in there while the work is taking

place. The success of it is that, because we work as teams with the ATO and DIMA and also the Federal Police and, on some occasions, the state police—the operation goes in as a team—we have detected people who are working and have not declared the income; the tax office have detected people who are working and have not declared it to them; DIMA have detected illegal immigrants, as in a recent operation in Gattton; and the state and federal police have found people with outstanding warrants for arrest. So everybody who went on the operation got something out of it.

We feel now that this could certainly be expanded. As you are probably aware, for seasonal work there is a well-established pattern of where people go around the country. What we would like to think is that that will become more successful, but then we want to get one step ahead of that. We find that sometimes the employers are less than rigorous in asking for the proof of identity and the documentation that is required, so we hope to get in there before the seasonal picking in future, to be suggesting to the employers that they would perhaps do the right thing this year and that we would not then need to detect fraud because at that stage it would not have taken place.

Mrs HULL—From the answer that I am receiving it is obvious that my fear, many times when having interviews with particular people, is justified: this is happening, and it tends to happen as an organised issue, particularly from the metropolitan cities. It is almost like flesh trading. You are quite aware that that is a major issue in those electorates and areas that have seasonal picking, particularly with low income earning people?

Mr Pacey—Yes, we are aware of the issue. Again we need information as to where exactly it is occurring. As you would gather, there are so many places that we cannot be there to check them all, so we do use local information and any more is gratefully accepted.

Mrs Hogg—We can do a level of our own detection against the individual but, where there is collusion with an employer, that is where we potentially do rely on information.

Mrs HULL—That is where I am finding the difficulty. It is almost like an organised issue.

Mr Pacey—Yes. And then, at the end of it, we also get the situation where we would not like to think that the crops were not being picked. That is why we would like to work more closely with employers, to suggest that if they regularise these things they will not be at risk. In fact, on the recent occasion in Gattton we were able to suggest to employers that the ideal outcome for us is for the same people who are doing the crops to still do it, if they are good at it and they want to do it, but to declare that income to both us and Tax. That is the best outcome. Another good outcome was that we offered employers access to other sources of labour, for people who were perhaps looking for work experience to get out there and to replace the ones who should not have been there in the first place.

CHAIR—I understand in some cases you are able to assist in the issuing of a tax file number.

Mrs Hogg—The application for it.

CHAIR—But only for Centrelink customers. Have you had discussions with the tax office about extending that to other people in some of these regional and remote areas where it may be difficult for people to apply for a tax file number? What difficulties would there be in extending that service to anyone who wanted to use it?

Mrs Hogg—I think it would be fair to say that we have talked about a lot of issues about proof of identity, particularly as it relates to the issuing of tax file numbers, with our colleagues in the ATO. It would be possible for Centrelink potentially to act as the agent for the Commonwealth, or to deal with members of the public other than those directly dealing with Centrelink for the benefits and services that it has. From our perspective, to make that the most efficient customer service that we could have, we would strongly advocate some sort of electronic transfer of the documents between us and, particularly, the Australian Taxation Office so that there is speedy turnaround for the general public in terms of getting the tax file number issued. It would help us if we had that sort of electronic transfer, but currently we do it manually.

CHAIR—What level of funding would you need from the ATO to help?

Mrs Hogg—Actually, a lot. We have not got to the level of costing that but I would imagine that our colleagues in Tax, in view of the electronic lodgment of individual returns now, could probably extrapolate that technology—probably not at the set-up cost of actually having to have an electronic lodgment process. It may be some iteration of that, obviously.

Mr Bashford—If the tax office were to request us to do that, we would go down the normal process of costing, showing them the costs and telling them the opportunities.

CHAIR—I understand you want to expand on some of these answers in camera. Is that right?

Mrs Hogg—No, not specifically.

Mr Pacey—If you want some specific information on techniques, we are happy to do that.

CHAIR—Yes, we do. I also want you to expand on the whole question of proof of identity. If the committee agrees, we will move into camera.

Evidence was then taken in camera, but later resumed in public—

[10.51 a.m.]

CAMPANIELLO, Mr Claudio, Assistant Director, Compliance Strategy Section, Department of Immigration and Multicultural Affairs

MURFET, Ms Janine Gwenda, Director, Compliance Strategy Section, Compliance Strategy and Detention Branch, Department of Immigration and Multicultural Affairs

VARDOS, Mr Peter, Assistant Secretary, Compliance Strategy and Detention Branch, Department of Immigration and Multicultural Affairs

CHAIR—Welcome. I remind you that the evidence you give at this public hearing is considered to be part of the proceedings of parliament and that any attempt to mislead the committee is a very serious matter and could amount to contempt. You have not made a submission to the inquiry, although we have had some informal discussions. I was wondering whether one of you would like to make an opening statement.

Mr Vardos—Yes, I do have a brief opening statement to make. The ANAO audit report into the management of the tax file number system appears to be a comprehensive report which covers a range of issues—many of which are not directly relevant to this department. However, there are two aspects which are of interest. Firstly, there is the high total number of tax file numbers in circulation, compared with the number that could reasonably be expected to be in circulation for a population the size of Australia's, and what DIMA can do to assist the ATO in improving the integrity of the TFN system. Secondly, there is the management of the tax file number system from the perspective of streamlining and removing duplication in processing between the two agencies. I would like to make some brief comments around these two issues.

This department has a cooperative relationship with the Australian Taxation Office, both in our policy areas within central office and within state operations. For example, we do share information to assist in the location of overstayers wherever possible, and our field teams often participate in joint operations. The misuse of tax file numbers is of particular concern to this department. Fraudulently obtained TFNs have been used by temporary entrants to Australia who do not have work rights so that they can obtain work. The provision of a TFN by these individuals has been used as proof to prospective employers that the individual has a right to work while in Australia.

Our department has worked with the ATO to define a systems solution which would allow the preliminary registration of those arrivals who could be expected to work. From the taxation perspective, this would allow the ATO to rely on our identity checking mechanisms and expertise for non-citizens without a duplication of effort. However, the department has been in the process of upgrading or replacing many of our key IT systems and that, along with preparation for Y2K activities, has sidetracked us. We have been unable to dedicate sufficient resources to get the systems solution, which we are hoping will identify that, up and running.

The provision by DIMA of visa grant information to the ATO required for this process has been cleared with the Privacy Commissioner. All of our key application forms include a disclosure indicating that the information may be shared with other Commonwealth agencies. However, in order to assist the ATO to clean up old TFNs, we would need to provide them with departure information which is maintained on our passenger movements database. We are currently unable to do so by operation of legislation, specifically section 488 of the Migration Act. We are unable to provide movements data to the ATO for this purpose at this time. While we are continuing to look for administrative solutions to this issue, it is likely that amendments to legislation will be required to enable full disclosure on our part.

CHAIR—Could I start on that last point. When you say that you cannot provide movements data, is that legislation all-encompassing to the point that, if the ATO were to say, 'This person, we think, may have left and someone else is using his tax file number for fraudulent purposes,' you could give us a yes or no answer?

Mr Vardos—If it is for law enforcement purposes—and I think that is the broad label that is applied—we would be in a position to share the information, but the Privacy Act does place fairly onerous responsibilities on us. We are seeking legal opinions and we are looking at ways to be able to respond in the manner which you are suggesting—a more comprehensive manner.

CHAIR—Let me expand on that. If the ATO was to say, 'Here are 100,000 tax file numbers', could you say yes or no?

Mr Vardos—One hundred thousand tax file numbers that they believe are either being misused or are dormant with the potential for being misused?

CHAIR—When people have left and therefore they want to close them.

Mr Vardos—They are exactly the issues that we are trying to deal with at the moment.

CHAIR—Even on a yes or no basis—and without you giving them a list of who has left—could they just pose the simple question to you? It is slightly different.

Mr Vardos—I would have to defer to my experts.

Ms Murfet—I believe the situation is that if we are going on what is essentially a fishing expedition then, no, we cannot, but if we have sound reason to suspect that a person has breached the law in some way then in that case we are able to provide information about an individual.

CHAIR—The tax office could not send you a list of tax file numbers for you to say that, say, 66 per cent of them are people who have left the country? You could not do that?

Ms Murfet—My understanding is no.

Mr Vardos—At the present time, no.

CHAIR—Rather than them actually having your files? There is a difference.

Ms Murfet—Section 488, as I understand it, relates to use of the information as much as just giving information across. If we were to provide that information and they were to use it then that is contrary to that act.

Mrs HULL—With respect to DIMA and Centrelink requiring information as to whether or not a person had legal work rights in the country, are you able to give them that information?

Mr Vardos—We do have a cooperative information sharing relationship with Centrelink, the ATO and the Health Insurance Commission specifically.

Mr Campaniello—We provide visa data to Centrelink and that is something that we can do because the information does not come from movement records but from the visa file. They get this information automatically, I understand, practically on an online basis so that they know who is coming to Australia who may be entitled to certain government benefits.

Mr Vardos—Section 488 specifically protects the information that we have on the movements database as opposed to what Mr Campaniello is talking about which is the visa grant database.

Mrs HULL—If a person came through a migration agent into the country and they received a tax file number and a work visa, went out into the country and left in their required time, could the same migration agent have that TFN allocated to a newcomer that does not have legal status through a work visa or a TFN? Could the newcomer then go out into the country and work for cash money but also claim benefits as a person who is not working? Do you see what I mean?

Mr Vardos—There is anecdotal evidence that there is a trade in TFNs. It is one of the concerns to us that the TFN is being used for purposes for which it was never intended. You obtain a TFN, you produce it to a prospective employer and the employer says, 'I have done some basic checking. This guy has a TFN, he is allowed to work and I will employ him.' Just as backpackers might know they go to a particular car park to sell their Volkswagen after they have done the rounds of Australia, there are locations that you go to—hostels, et cetera—where you know you can get TFNs passed on to you. Yes, there is that passing on of TFNs to people whose intention is to breach the conditions of their visa and specifically to work when they are not entitled to do so.

CHAIR—Could you expand on numbers and so on? You did say it is anecdotal but you might have some sort of indication. Are you talking in hundreds or thousands?

Mr Vardos—Numbers do not instantly come to mind.

Mr Campaniello—No, we do not have any statistics simply because there is no way of actually gathering this type of information on a regular and organised basis. Through our field operation we come across lists of tax file numbers that are displayed in youth hostels. We come across people that are working by having quoted the tax file numbers of friends, people that have left, people that no longer have a need, or even having doubly mentioned the tax file number of another person. It is difficult for anyone to be able to detect that the tax file number somebody is using is also currently being used by someone else because the checks, when they eventually come through, may take months. Most of these people are itinerant workers and so they very quickly move from one position to the next.

Mr Vardos—That is the nub of the issue that we want to deal with. There are a lot of tax file numbers out there that we can clean up with the ATO once we can get over this hurdle of the movements database.

Mrs HULL—What measures do you think we should put in place to enable us to counter this trading in TFNs with particular reference to DIMA? I am not talking about general Australian citizens. My involvement is mainly with illegal and legal harvest labour. What do you think should be put in place in order that we could start to counter some of these absolute trading issues?

Mr Vardos—I cannot comment on the specifics of TFNs, per se, and the security of TFNs. What we are doing as a department is going through a process—and you may have heard that the minister commissioned the *Review of illegal workers in Australia*.

Mrs HULL—Yes.

Mr Vardos—That is our principle vehicle and the outcomes of that review for dealing with access to work by people who are not entitled to work. There are a number of recommendations coming out of that review. I understand that all members and senators have been given a copy of the final report in a broad mailout. We will be going through a consultation process with industry to see how we can best implement those recommendations without putting an onerous burden on small business. We are looking at visa labels to see if we can more clearly identify, in the visa labels that the Australian government issues, whether people have the right to work or not. We are re-examining our employer awareness activities and information campaigns for workers. We are attacking the issue, but from a non-TFN perspective. The year 2000 is going to be a big year for me and my team in the implementation of the recommendations coming out of the *Review of illegal workers in Australia*.

Mrs HULL—What is the main focus of your first efforts? Is it, with respect to this investigation, flesh trading, the bringing out to work of women by unsavoury escort agents?

Mr Vardos—That is a separate issue.

Mrs HULL—But they are illegal workers.

Mr Vardos—They are, but women in the sex industry are not granted work visas to come to Australia.

Mrs HULL—No.

Mr Vardos—They come in on tourist visas or a whole range of other visas and then they abuse the conditions of those visas and work in the sex industry. They are located through our compliance field operations. The people that are in the horticultural industry or the hospitality industry generally come in on valid visas—student visas, tourist visas or whatever—and then work in contravention of those visas. They are two separate issues that we are dealing with.

Mrs HULL—So the horticultural industry will be where a real emphasis is placed. What will you be doing first with respect to that review? You say you are going to have a busy time and it is going to be one of those issues. What are you dealing with first?

Mr Vardos—The key issue for employers is how to easily identify people with a lawful right to work without imposing a huge administrative burden on them. Our objective is to make it easy for them to go through a basic checking process so that they have a defence. If they are found with illegals on their property they can say that they went through the process that has been sanctioned by the department and made the basic checks and satisfied themselves. That will be a defence for the employer.

A penalties sanctions regime is going to be put in place for people who do flout the law and knowingly and willingly aid and abet people without rights to work. That includes not just the employers themselves but also labour hire companies that are often interposed between the person wishing to work and the employer. It is a consultation process. We want to find out from them the least painful way for putting this regime into place. It will be put into place, but we want to do it in a cooperative way. We do not want to burden small business and small industry with a whole raft of administrative paraphernalia, but it has to be addressed. Some people often unknowingly recruit and some people knowingly recruit so we have to cover both angles.

CHAIR—A passport is a very useful proof of identity document. What steps do you take to ensure that it is legitimate?

Mr Vardos—Our primary processing and screening happens offshore. People either present with a formal passport—a document—at a high commission or embassy to obtain a visa, or in eligible countries they go through a network of travel agents to obtain an electronic travel authority, which is a paperless visa. We do maintain the movement alert list and the document alert list. It is a list of both persons and documents of concern. It has some tens of thousands of names of individuals and documents. That is our principle mechanism for identifying somebody who is cause for concern so we can stop the process of their getting a visa. Our staff overseas, both compliance staff and airline liaison officers, are expert in identifying bogus documents. If you pass through Asian airports on your way to Australia, you will often find Australian immigration officers working with airlines and checking documents of passengers to identify fraudulent documents. The objective is to stop them from getting into the country in the first place. We target onshore through investigations operations, and sometimes with other agencies, including the AFP, to build up a brief of evidence for the DPP to pursue prosecutions if there are scams going on that have come to our attention.

CHAIR—You said the tax office cannot access the information on things like visas. Which government departments can?

Ms Murfet—Visa information can be accessed where required. It is the movement database information on entry and departures that is restricted. The information is available for specific purposes. The Family Law Act, customs excise, quarantine health and law enforcement, where we have reason to suspect that there might be some breach of the law, are essentially the categories in which the information can be provided.

CHAIR—Do these all come under the same section?

Ms Murfet—Yes, section 488.

Mrs HULL—Why can't the ATO have access to information on departures?

Mr Vardos—It is basically a question that section 488 has had its day. Things have moved on. Fraudulent activity on the part of people who want to contravene Australia's migration laws has become more sophisticated and more comprehensive. It is perhaps out of place and out of date and needs to be addressed. I do not think section 488 specifically targets the tax department. It is not an anti-tax section in the Migration Act. It just happens that the tax department gets caught up by the limitations placed on us by section 488 to hand out that information.

Mrs HULL—Is there any thought to update or review it?

Mr Vardos—Yes, absolutely. As I said earlier on, we are seeking legal opinions and we are looking for an administrative solution. If necessary, we will go down the path of legislative amendment to address the issue.

Mrs HULL—How far away are we looking at that?

Mr Vardos—I would not like to speculate on the time frame.

Mrs HULL—I would hate to think you were looking at that in 1992 and are still looking at it. Do you know what I mean? I would hate to think you were looking at it back in 1992—

Mr Vardos—I can guarantee that I was not personally.

Mrs HULL—No, but somebody was. I think it is a major flaw.

Mr Vardos—It is an issue and it has come to light significantly over the past 12 to 18 months with respect to the work we have been doing on the review of illegal workers. In the dialogue that we have had with the ATO on a consistent basis, this has been identified as an area that we need to address, and we are.

Ms GAMBARO—Could I ask you about the movements records of arrivals and departures. Can you break that down for me? Do you, for example, break them down into the different nationalities' passports? How does it all work?

Mr Vardos—You will have filled in those little cards when you are coming into the country, and similarly when you depart the country. The basic data is drawn from those cards. It is used for a range of purposes, including by the Bureau of Statistics for statistical purposes on movements of people in and out of the country. I would have to take on notice the specific categories.

Ms GAMBARO—Okay, I will make it more specific for you: for somebody on a British passport who is on a work visa and who has overstayed illegally for 12 years in this country and has been given a tax file number, can you ascertain if they use their supposed Australian passport? There is a question of which passport was used to leave the country but I will not go into specifics. Do you have that breakdown of what sort of documentation they have used to leave the country?

Mr Vardos—The departure card would record the passport and its number. If it is a person holding two passports and they use their Australian passport to come into the country then their arrival card would have it registered with the Australian passport and number. If, after some period of time, they left the country on their British passport, that card would record—

Ms GAMBARO—So you have got that information?

Mr Vardos—It would be on the movements record. Whatever is recorded on the card is then put on the movements database.

Ms GAMBARO—That passenger movement is used for the tourism industry, I believe, isn't it? It is made available to the tourism industry? I am pretty sure—

Mr Campaniello—Statistics from the movements records are made available by the Bureau of Statistics.

Mr Vardos—Yes, broad statistics but not detail.

Ms GAMBARO—I was then going to ask you why it is so difficult for the ATO to get stuff that the tourism industry can get, but that is on a broad basis?

Mr Vardos—Numbers and nationalities is an issue that the tourism industry would be interested in. I emphasise that we do not do anything for other agencies that we do not do for the ATO.

Ms GAMBARO—I am not going to go into a specific case but there seem to be some real problems in some areas with DIMA and the ATO when someone can overstay for 12 years on a visitor visa and get a tax file number. Where is the fail point? Is it a DIMA issue—of not being able to detect the person leaving and entering the country—or is it an ATO issue of adequate checks not being made?

Mr Vardos—From our data we know that at the present time there are approximately 53,000, in round terms, overstayers in this country. Determining the number of overstayers is a long process, but it is primarily

drawn from the movements data in and out of the country. The longer a person stays, the harder it is to find them. They start surrounding themselves with what I call the paraphernalia of life and after a few years you would never know, because it is a multicultural, multi-ethnic society, if your next door neighbour, who may be from another country, is legal or not. Our principal way of finding overstayers is through our compliance field operations and through our onshore investigations.

The bulk of our overstayers—and Claudio will correct me if I am wrong—are relatively short term. The majority, once found, say, 'Okay, fair cop, I'm leaving.' But with respect to those people who have come here with the express intention of burying themselves in the Australian community, establishing themselves with families and businesses—in one case in South Australia drawing the age pension, et cetera—the longer they are here and the more they surround themselves with those things that identify them as an Australian citizen or resident, the harder it becomes to find them.

Ms GAMBARO—We spoke earlier about the ATO and DIMA working together. Will that minimise the risk of these sorts of situations occurring?

Mr Vardos—It is through the work that we do already in matching our information with their information that we come up with matches of people that are of interest to us and of potential interest to social security agencies or Tax. When I mentioned joint operations earlier on, that is part of the overall—

Ms GAMBARO—That will just be one part of what you are already doing with compliance and checks and everything else?

Mr Vardos—Yes.

Ms GAMBARO—It will help but it is not going to make an overwhelming difference.

Mr Vardos—It is part of a fairly complex jigsaw puzzle. Over the last two to three years we have located as an agency, either on our own or with other agencies, anywhere between 10,000 and 13,000 or 14,000 people in the community who either have unlawful status because their visas have expired or they are doing things in contravention of their visa conditions. Every one of those people is debriefed by our department to see what sort of picture we can put together. That often leads to other leads that we can pursue in our onshore investigations and so on.

Ms GAMBARO—Thank you.

CHAIR—It is still only about 20 per cent though, isn't it?

Mr Vardos—That we locate?

CHAIR—Yes.

Mr Vardos—Yes. Last financial year we found about 13,500 out of an estimate of about 50,000-plus overstayers.

Mr WILTON—What can you do about this issue of passports being dumped in aeroplane toilets? Is that something of concern to you? Obviously it is, but how do you deal with that once the offender arrives at their destination?

Mr Vardos—It is not a new issue. Yes, it is of interest and of concern to us, and it has been going on for some time. The usual routine will be that if the individual is coming to Australia to claim protection, which is one of the issues that we have to deal with, they will delay appearance at the primary line, the customs line, so that they make it difficult for us to identify which airline they have come off and what route they have travelled to Australia. They will loiter air side, dump their documents, and then make it very difficult for us to identify who they are. When they get to the primary line they put their hand up and say, 'I am claiming refugee status in Australia.' Then that sends them down a particular path through the refugee protection process. So those who dump their documents are, by and large, people who are not coming here to enter the community lawfully and then slip quietly into the community and work; they are people who are coming here with the express intention of making it difficult for us to identify who they are and therefore be able to remove them back to their country of origin. It is predominantly asylum seekers who dump their documents.

What are we doing? We are trying to monitor the air bridges more closely, to have officers walking the air bridge areas to see where people come off, so if there is an incident at the primary line later on we have the ability to retrace and say, 'That person was seen coming off a particular airline at such and such a time.' It is then a very tedious process of putting together a profile of the individual. There are situations where refugees have been granted protection or refugee status in another country—in Western Europe, North America—and for one reason or another they no longer want to live in that country and they have come to Australia. If we are able to prove that they have been granted prior protection, then we can remove them back to that country. By ditching their documents, they are trying to obstruct our ability to identify who they are and so, obviously, not be able send them back to wherever it is that they have been granted protection.

CHAIR—Can I come back to the question of ATO access to records. We talked about movements and so on. What about visas? What access can the ATO get to work visas and that type of thing so that they can get a better handle on what is going on? Is there the same problem?

Mr Campaniello—They can be granted access to visas. In fact, we have been talking about it for nearly two years now. The matter came up in 1996, I think, when Taxation started doing immigration checks on people who were applying for tax file numbers. These checks are done in the main on paper and by manually sending clients to and forth asking for Immigration documentation to validate an application for a tax file number. This is quite time consuming and often it is an inconvenience to a genuine client, so an approach was made by Taxation to us for access to visa data. Access to visa data can be given and the only thing that we have to worry about is meeting the provisions of the Privacy Act, section 11, which we can do, and we were at a good stage of developing a project. All these projects need to be covered by a memorandum of understanding, that is, some kind of formal contract and agreement between two authorities, which is generally also endorsed by the Privacy Commissioner.

We had done quite a bit of work towards the implementation of such a project but then there were other commitments, particularly in the information technology areas of taxation and immigration—taxation because of the implementation of the GST. On our side, because of the Olympics, the resources were simply not there to take on this other task. But, since the reports on tax file numbers, there seems to have been a revival of this issue and we are again looking at pushing forward a project to make this possible.

CHAIR—With the application for a tax file number, of course, a visa is optional. This is one area where it has been suggested that people can get themselves into a lower tax bracket.

Mr Vardos—Some temporary residents have a legitimate reason for obtaining a tax file number. They may want to avoid, for example, a high level of tax on their savings—if they want to open an account and use that account as they travel around Australia, for example, rather than carrying large wads of cash with them. There are legitimate reasons for temporary residents who do not have full-time comprehensive work rights to obtain a tax file number.

CHAIR—Yes, but there is still an option as to whether or not they put in the fact that they have a work visa.

Mr Vardos—I do not know what the process is of actually applying for a tax file number.

CHAIR—One of the things that has been drawn to our attention is that people can get themselves into the lower tax bracket if they put themselves down as being permanent rather than temporary.

Secretary—When you apply you do not have to write your visa number on the form, and when you put in your tax return each year you can tick ‘Yes, I am a permanent resident’.

CHAIR—So that means that they pay a lower rate of tax. Have you come across that?

Mr Vardos—I cannot say that it is an issue that has been personally drawn to my attention.

CHAIR—Again, the tax office would not be able to access your records to easily check that?

Ms Murfet—They are able to check visa information.

CHAIR—But on only a case-by-case basis.

Ms Murfet—Yes, on a case-by-case basis.

Mr Campaniello—There is the question of who is a resident. There are two different definitions in immigration and taxation legislation. With the definition of a resident being different, it often happens that people who have temporary status in Australia are actually entitled to a resident type taxation concession. That makes a difference in terms of how much tax they pay. A non-resident, I understand, pays something like 48 per cent, whilst a resident obviously pays much less.

Mrs HULL—With regard to an employment declaration form that somebody might complete in order to work, is there currently an ability for the tax office to correspond with DIMA regarding the validity of their visa and their work rights? If I fill out an employment declaration form and send it in, can ATO match up with DIMA the work rights on the visa?

Mr Campaniello—No. The answer is simply no. It is not possible; it is not done.

Mrs HULL—Does this still come under the section 488 thing that prevents them from accessing the information on departures?

Mr Campaniello—Section 488 would come into place only if the information has to come from the movement records. Information regarding visas can be taken from the visa files. There is simply no mechanism between taxation and immigration to do this type of check.

Mrs HULL—Bearing in mind that we have a high rate of people coming into Australia, and we are considering even further people coming in, wouldn't you think it would be a basic right of the Australian Taxation

Office to be able to access the validity of that person's ability to work in Australia through an employment declaration form?

Mr Campaniello—That would be ideal but, simply, a proposal has not been developed in that direction. We are actually looking at it now. If we are able to implement the proposal of making visa data accessible to taxation, then taxation will be able to match against that data anything they like—whether it comes from employment declarations or from any other type of databases they may be operating.

Mrs HULL—Who should drive that, bearing in mind that you are driving the changes that we asked about before? Who should be driving the change that enables government agencies to be able to access information in order that they can carry out the task of being a responsible agency?

Mr Vardos—It is an administrative issue that can be dealt with between agencies. There is a whole range of issues that can be dealt with to improve the situation, and one of them you just alluded to. It is a question of priorities and working together with the ATO to address those issues that have a higher impact in the first instance. I do not know that there is a specific impediment that prevents us from going down this path. It is a question of continued cooperation, looking at joint action on such issues and the best way of doing things with the resources and the priorities we have.

Mrs HULL—So it could be that it is within this committee's realm, through its report, to suggest that that type of action takes place or that that type of interaction between agencies takes place?

Mr Vardos—It is not for me to say.

Mrs HULL—I just think that if you are not going to initiate it, the tax office is not going to initiate it and, to me, it is an obvious hole, then surely it has to be driven from somewhere.

Mr Vardos—All I would say is that any recommendations that come out of your committee that impact on the work of DIMA will be dealt with in a very comprehensive manner with our colleagues.

CHAIR—We recommend to parliament and the government responds.

Mr Campaniello—What you are now suggesting is something that has already started. That is the type of information that taxation asked for with their first approach in 1997-98. The reason why the project did not go through was simply one of resources. The resources were simply not available in both departments at the time.

Mr Vardos—And competing priorities.

Mr Campaniello—Now that we have started looking at this thing again we are certainly not going to abandon it, seeing that there is quite a bit of pressure to make sure that this sort of visa access to taxation actually occurs.

Mr Vardos—I would like to add that, from DIMA's perspective, we have had a few structural changes within border control division which place us in a better position to be able to deal with these issues—the creation of compliance strategy section, for example. It is not a section that has existed for a long period of time, but it is now able, as a work unit, to take up these issues in a more comprehensive manner. We have dealt with it internally to try to allocate the resources to deal with this raft of issues around this specific problem.

Mrs HULL—Thank you.

CHAIR—Just getting back to comments on the 2000 Olympics—obviously there will be quite an influx of people wanting work visas and so on—is there any plan afoot to streamline that process so that you could in fact work in a more effective way with the ATO to assist in what will obviously be a fairly busy time?

Mr Vardos—The streamlining and the work that we have done has been in relation, primarily, to making sure that the Olympic Family, as it is known in its broadest context, gets into Australia with as few problems as possible. We are not relaxing any of our other normal border protection mechanisms which primarily start offshore, as I mentioned earlier on, and progressively work to a point onshore. There will be no change in the approach the department takes to processing visa applications for people who want to come to Australia to look at the Olympics. Our emphasis has been working with SOCOG and national Olympic committees in various countries on streamlining and speeding up the process of getting the Olympic Family into Australia.

CHAIR—Yes, but I am talking about getting tax file numbers.

Ms Murfet—Specifically, with cooperation with the ATO around the Olympics through a body called the Cash Economy Working Group, we have established a subcommittee of that group to deal with Olympic issues. ATO and Centrelink are on that group and they have been working together in Sydney to deal with making things work as smoothly as possible.

Ms GAMBARO—I asked Centrelink earlier about this: there is a mechanism there for members of the public to tip off people who are defrauding the Centrelink system. Do you have a huge level of outside tip-offs on illegal workers? What are the mechanisms there? Do people ring you anonymously? Do they send in forms? Is there a mechanism?

Mr Vardos—Community information is very important to us in terms of our onshore compliance action. The community lets us know in a variety of ways. There are letters to the minister, either signed or anonymous, telephone calls to our various immigration offices and letters direct to the department. There is no one predominant method, but community information is important. It can lead to a compliance investigation and subsequent follow-up action. It is information that has to be treated very carefully because often you can get vexatious complaints being made because you do not like your next-door neighbour. Community information is very important to the department in terms of pursuing our compliance actions and responsibilities.

Ms GAMBARO—Just on working holidays, particularly in fruit growing areas, and giving the wrong TFN numbers to employers, how can employers be protected against those occurrences? Sometimes it may be done intentionally and in others it could be a genuine error. I have had employers ring me quite terrified of the consequences because they have been given a wrong TFN, the worker has since left or moved on to another area and they get a friendly call from the ATO. Is there anything that can be done for employers, apart from making sure that they check the right documentation? But if they are given the wrong TFN, what can you do?

Mr Vardos—Fundamentally, it is an issue that the tax office would need to respond to. From our point of view, I made a comment earlier that TFNs are being used for a purpose for which they were never intended, and that is to prove a person's right to work in Australia if they are not an Australian resident or citizen. That is not what they were intended for and they are not a good way of identifying a person's work rights. What we are trying to do is introduce alternative means for prospective employers or labour hire companies to identify people with work rights so that there is no reliance on tax file numbers. But that only goes to the issue of an individual's right to work in Australia. If it is a clerical error, intentional or otherwise, in terms of the tax file number itself, they are tax related issues rather than work related issues, if I can make that distinction.

Ms GAMBARO—I take your point there. I do not know if you were in the room earlier when we were speaking to Centrelink about having some sort of movement record of people coming into the country who were just temporary workers and some way of identifying them—a sort of sub-identification system. How would you feel about something like that?

Mr Vardos—Do you mean a national registration number used by all agencies for a single person coming into the country?

Ms GAMBARO—People think of the Australia Card but it would just apply to people who were temporary workers. Would that make things a lot easier for your department?

Mr Vardos—Firstly, it is not an issue that has been specifically addressed by the department so there is no departmental view on that issue.

Ms GAMBARO—More like an identification card.

Mr Vardos—From a personal point of view, as a person involved in compliance activities for the department, yes, there are obvious benefits. If this issue were to be developed, then certainly DIMA would be actively involved on a whole of government basis with other agencies to look at that issue. It would benefit us from a migration compliance point of view as much as any other agency. As I said, the department does not have a view on it and I am simply expressing a personal view as a compliance officer.

Mr WILTON—From the point of view of either illegal workers or backpackers who pass on tax file numbers, shouldn't particular TFNs issued to those people, in your view—and I know you are not from ATO; you are from DIMA—have some mention attached to them of the fact that this person is a non-resident and some reference to the proposed date of departure?

Mr Vardos—I am not trying to be obtuse or obstructive but I do not have a sufficient technical grasp of the structure of the tax file number system to say whether that can be done or not. From our point of view, we address that type of issue from another angle. We are looking at our visa labels to see whether it is easy to identify from the visa label in the individual's passport, whether they have work rights or not and the validity period. But that is not a straightforward issue unfortunately, because people have a variety of work rights under a whole range of visa categories. There is not one right—for instance, if you have come in for six months, you can work two hours a week or 20 hours a week. It really depends on the type of visa you have as to what work rights you get, if there are work rights attached. So that is one of the more complex issues that we are dealing with. But it is part of making it easier for prospective employers to identify a person with a lawful status to work or not.

CHAIR—You talk about this review: what is the time frame?

Mr Vardos—I think we have to get any legislative amendments before parliament for the Spring sitting.

Ms Murfet—The intention is to have the employer sanctions legislation up and running around November. The minister has talked about November at the earliest for the employment sanctions legislation. Obviously, with elements like visa labels et cetera, which do not necessarily require legislation; we will be working on them in conjunction with that. In order to get something up for November, we will be targeting the end of the

Winter sitting for tabling of legislation. But we have some significant consultations to be done with employer groups prior to tabling that legislation.

CHAIR—I come back to Mr Wilton's point about whether we should have something attached to the tax file number. Is that likely to be considered in your review as well?

Mr Vardos—The recommendations have now been finalised. From memory, and I stand to be corrected, I do not think that was an issue that was attached to any of the recommendations.

Mrs HULL—I recognise that it is one of the most difficult agencies. It is for me anyhow.

Mr Vardos—To deal with or because of the job we do?

Mrs HULL—No, for you to deal with. It is encompassing of so many different things and it is very difficult. I know that you have an amazing amount of issues that you deal with, and Immigration lends itself to an enormous amount of issues. Do you collect statistics at all with respect to abuse of TFNs within those categories of people coming out to Australia and being issued with work visas? It does lead to abuse of TFNs. As you say, compliance can go in and do a raid. They regularly do dawn raids in my electorate. You have a list of available TFNs in hostels, and things like that. Do you collect statistics and compile that as a record of how you think Immigration is faring in the illegal trade of TFN numbers?

Mr Vardos—I do not think we have a comprehensive database of TFN abuse every time we interview someone we have located, am I correct?

Mr Campaniello—That is correct. We do not forecast the issue of whether a person has or does not have a tax file number when we go on locations. What we are looking at is whether the person is legally in Australia and whether the person being legally in Australia has permission to work. If the person is illegally in Australia or has a visa and is working, but without permission to work, that is the extent of the information we need to take compliance action. In the case of a person who is unlawfully in Australia, it is mandatory detention and removal. A person who does have a visa, then there is the visa cancellation process that has to be engaged and then we decide whether to remove the person or allow them to stay. We give them a warning, or cancel the visa.

Mrs HULL—Don't you think you have a responsibility to make a record of abuse of tax file numbers? If you are investigating their legal status, how they got here, how they are going and where they are going to, don't you think you also have a responsibility, if there is a TFN involved in that, to make a record of that and advise the ATO that there is an abuse? Or at least collect the statistics in order that we can determine how we are going to deal with this fraud ability?

Mr Vardos—On what basis would you make a judgment in the middle of a compliance field operation whether the TFN is legitimate it not?

Mrs HULL—I have been in a compliance field operation too, and they are gathered.

Mr Vardos—Collected.

Mrs HULL—Okay, they are collected or something. Once you have established that they are not legal—and that is done fairly quickly, let me tell you—surely there is an ability or almost an obligation for you to determine how they have been employed and what methods they have used to gain employment? Then you can create a file, a document or statistics. They would have obviously a traded tax file number, an illegal one or one that is not even relevant? Surely that is one question more in the whole aspect of finding an illegal?

Mr Vardos—As I mentioned earlier on, all locations are interviewed or debriefed, whatever label you would like to put on it. As Mr Campaniello said, our fundamental concern is to identify whether they are breaching their visa conditions, or whether they are in the country unlawfully. If in the context of that interview, information comes to notice about tax file numbers, it is obviously recorded. The short answer to your question is, no, there is no systematic approach to specifically ask questions about tax file numbers during that interview or debrief.

Mrs HULL—Do you think that DIMA is cooperative?

Mr Campaniello—While that is true, we have had with taxation for a number of years an informal, intelligence and information sharing arrangements. At the regional level, our officers and taxation officers, whenever they come across information that is relevant to the operation of the other, they pass it on. Statistics are not kept, but there is very intense traffic of information within our regional offices in that regard. When taxation comes across people that are of Immigration concern, they contact compliance. They have a list of names that we have provided et cetera, so it does happen. It seems that, under the Migration Act, we are not entitled or we do not have any powers to go in and ask any information concerning taxation. We do not have a reason to go and ask, but if we come across the information, then we certainly share it.

Mr Vardos—In a nutshell, there is no systematic way of putting together the information you are referring to, but yes, we do share whatever we have that is of relevance, not just to ATO but to other agencies as well.

Mrs HULL—So do you think DIMA are cooperative across agencies in this tax file number investigation that we are doing now? I believe there is a large proportion of additional tax file numbers there that are associated with Immigration. Do you think DIMA is a cooperative agency with respect to the ATO in order for them to be able to eliminate some of the trade in tax file number or tax file number fraud?

Mr Vardos—Yes, I would categorise DIMA as a very cooperative agency, not just with ATO but with every agency that is interested in this subject. I would hope that those agencies would say the same about us.

Mrs HULL—Thank you.

CHAIR—There is one other area where there have been some problems and that is the question of tax file numbers on real estate and AUSTRAC transactions by non-residents. Would you support that use? It is an area where tax file numbers are not necessarily needed at the moment? Have you got a comment on that?

Mr Vardos—It is not a departmental view, but again, looking at it from an—

CHAIR—From somebody who has been working in the field, yes.

Mr Vardos—operational officer, information that AUSTRAC obtains is quite useful to Immigration investigations for a whole range of reasons. So anything that enhances AUSTRAC's ability—and, in fact, the total law enforcement effort to identify people that are misusing systems for fraudulent or criminal purposes—I do not have a problem with that. But as to how it would happen, the mechanics of it, I am not in a position to comment.

CHAIR—I thank you very much for coming before the committee today.

Resolved (on motion by **Mrs Hull**, seconded by **Ms Gambaro**):

That this committee authorises publication including publication on the parliamentary database of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 11:45 a.m.