



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ECONOMICS, FINANCE AND
PUBLIC ADMINISTRATION

Reference: Tax file number inquiry

WEDNESDAY, 12 APRIL 2000

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

Wednesday, 12 April 2000

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 Hawker, Mrs Hull and Ms Gambaro

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.

WITNESSES

ANDERSON, Mr Randal Wallace, Director, Compliance Systems, Australian Taxation Office..... 210

**BLENKINSOP, Ms Gaida Valda, Acting Assistant Commissioner, Individual Client Register,
Australian Taxation Office..... 210**

**DARK, Mr Gregory, Assistant Commissioner, Australian Business Number, Australian Taxation
Office..... 210**

**GODDARD, Mr Anthony Peter, Assistant Commissioner, Individuals Compliance, Australian
Taxation Office 210**

**HILL, Ms Jean Lesley, National Director, Account Management Business Unit, Investment and
Royalties, Withholding Taxes, Australian Taxation Office..... 210**

**MANN, Mr Neil Edward, Assistant Commissioner, Compliance Assurance, Australian Taxation
Office..... 210**

**WEBB, Dr Robert John, First Assistant Commissioner, Reform Program, Australian Taxation
Office..... 210**

Committee met at 10.10 a.m.

CHAIR—I declare open this hearing of the House of Representatives Standing Committee on Economics, Finance and Public Administration's inquiry into tax file numbers. The starting point for this inquiry was weaknesses and inefficiencies highlighted by the Auditor-General in an audit report on the management of tax file numbers. The findings of the audit report and issues raised by witnesses during this inquiry suggest that the ATO has allowed the tax file number system to deteriorate to a stage where there are now systemic failings in ATO data and systems quality and serious questions about the integrity of the tax file number system. These findings have serious implications for the collection of tax revenue and for operations across the ATO.

However, the implications for government are much broader than just tax revenue. As stated at the outset of the public hearings for this inquiry, the TFN system plays a central role in facilitating several areas of operations of government, including a role in regulation of the superannuation industry and the operation of the Commonwealth Benefits Payment System and the child support scheme. The committee is concerned that the ATO has failed to take a long-term view in its decision making about the TFN system, including failing to fully consider the broader uses of the TFN system across government.

Today we hope to hear from the ATO about steps that have been taken to address the specific problems with the TFN system and about the broader planning issues this inquiry has raised. I will now proceed to formally call the witnesses.

ANDERSON, Mr Randal Wallace, Director, Compliance Systems, Australian Taxation Office

BLINKINSOP, Ms Gaida Valda, Acting Assistant Commissioner, Individual Client Register, Australian Taxation Office

DARK, Mr Gregory, Assistant Commissioner, Australian Business Number, Australian Taxation Office

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HILL, Ms Jean Lesley, National Director, Account Management Business Unit, Investment and Royalties, Withholding Taxes, Australian Taxation Office

MANN, Mr Neil Edward, Assistant Commissioner, Compliance Assurance, Australian Taxation Office

WEBB, Dr Robert John, First Assistant Commissioner, Reform Program, Australian Taxation Office

CHAIR—I welcome representatives from the Australian Taxation Office to today's public hearing. I would remind you that the evidence that you give to this public hearing is considered to be part of the proceedings of parliament and therefore any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament. The committee has received submissions No. 17 and 23 from the ATO which have been authorised for publication. Are there any corrections or amendments you would like to make to these submissions?

Dr Webb—No.

CHAIR—You have also provided us with a supplementary submission on progress to date and we have authorised that submission for publication. I thank you for providing this information. As the information was provided at fairly short notice, you might like to make some comments before we proceed. If necessary, I am sure you would be willing to appear before the committee again if we have further matters to follow up.

Dr Webb—Yes, I am happy on both counts.

CHAIR—Dr Webb, would you like to proceed to make a statement before we go into questions?

Dr Webb—I certainly will not cover all the detail in the supplementary submission that we have provided but I will perhaps just step through it quickly and draw out what we think are some of the main points that may be of interest to the committee. As you say, we would be quite happy to follow up later with any other clarification. In the supplementary submission we do

note that it is obviously of interest to the committee how we are progressing against the range of ANAO recommendations. We have not attempted in the supplementary submission to cover the detail of that in as much as we did give a detailed response in our main submission late last year. We have updated those areas that we would understand to be of most interest to the committee in the supplementary submission. If there are other areas of the recommendations where you would like an update from what we told you in December, we would be happy to do that, but we have not aimed in the submission to cover all that again.

The second thing I would comment on is that in the first submission we outlined what we called a hierarchy of solutions and approaches towards one of the main issues that you are addressing, the proof of identity and identity fraud issues. I would say that we have obviously followed closely the various submissions and hearings that this committee has had and that has, I think, confirmed in our view the value of addressing those issues through that hierarchy of solutions. I will come back to some aspects of that in a moment, but in our view we would just reiterate that we think that is a way forward in the POI and identity fraud area.

Perhaps I will just say a few words about the identity fraud and POI issues. As we would understand it, one of the issues that has become evident through the hearing is that it has been impossible to get an accurate estimate of the extent of the cost of identity fraud. We do mention in our supplementary submission that we have been having discussions with other organisations about whether some joint effort may be made to try to get a better handle on what that is, both in the public and the private sector context, and looking at the possibility of a joint research project with others, including some of the financial institutions and other government agencies. Although we do not think it is an impossible task, we think it is a very hard task, but one that may put the whole issue in better context.

The second aspect I would like to mention in respect of POI and identity fraud is that in our supplementary submission we do spell out some of the approaches that we have tried to take to work in with other agencies and other organisations at Commonwealth, state and local government levels, particularly through a series of workshops in all states over the last three or four months. We would say that we think those workshops have been particularly successful in terms of getting a very strong shared understanding, and quite a degree of consensus, around some of the issues with POI and identity fraud, some of the possible solutions and approaches, and also some of the current impediments. We have not completed that round of workshops, they are work in progress, but we have a much better groundswell of support, I think, across a wide range of agencies at all levels of government to actually take forward some of the key issues.

It would certainly be our intention—possibly through a representative subgroup on behalf of all stakeholders, because there are many, many stakeholders that we would be working with—to take that forward now, to escalate some of the issues and actually come to some conclusion on the actions that can be taken, bearing in mind that not all of them require legislative changes either; some of them are straight administrative, procedural things which should be able to be handled if agencies get together.

Another area we have mentioned in the submission relates to detecting identity fraud. We have set out there that, whilst it has to be accepted that it is impossible to totally prevent identity

fraud, even though there are some things that we think can be done to advance that area, also there are a number of activities, not only within the ATO but within other agencies, that do in fact detect identity fraud, so that it is not a free kick for those who try to take fraudulent activities through that route against government or the private sector; that many cases are detected; and that we do have a range of programs. Some of those programs are identified, and the nature of them—not the detail of them, of course, because the detail of them is something that we would obviously not necessarily publicise. The fact that there are cases detected and prosecuted does need to be made clear, and that is true not only for the ATO but for other agencies as well. There is quite a lot of cooperative work with other agencies on that. So, although we would not deny that it may well be a growing problem, we are not static in our response to that and people cannot aim to take fraudulent identity activity with impunity.

We refer to the fact that it has been raised—I think in one of the other submissions to the committee—that it may well be worth looking at the issue of more consolidated offence provisions for identity fraud, and we would support that view. We note also that such provisions have been brought in in the United States and, although there are at the moment a range of prosecution avenues which are taken for identity fraud, that does not mean that there could not be some better focus provided, perhaps by a more consolidated approach to offence provisions.

One of the areas where I think there has been a real groundswell of support is data matching on identity data. Since the origins of the TFN there has always been some sensitivity around that territory, but I think it is important to us to note that, throughout the last three to six months, a range of agencies have come forward and said that they would strongly favour greater identity data matching, and we certainly share that view ourselves. In two areas in particular, the Department of Immigration and Multicultural Affairs and the HIC, we have had a very positive response to proposals that we have been talking through. Those would be two areas where we think we could get much better identity data quality by matching information on some sort of basis. Now, obviously in both cases there are legislative constraints on that, and, of course, systems and other issues that would need to be looked at, but I would say that in our discussions with those agencies, as with others, there is a much greater preparedness now and an awareness of the significance of the issue amongst all of us to get some benefit out of that. So we are certainly progressing down that track, although, of course, that is not an overnight solution, particularly where there are legislative and other systems issues to be overcome.

Because of the sensitivity around data matching which, I think, has really been prevalent throughout the nineties, we have had some discussions with the Privacy Commissioner about the various implementations of the Audit Office report since it came out. We have also had discussions with them about the possibility of some research study that might be taken into what community attitudes are in this area as well. I do not think we can assume that the community attitudes which existed 10 years ago, at the time of the introduction of the Australia Card, still exist. They may be different now for a whole range of reasons: different business practices, different technology opportunities and so on.

CHAIR—You mean the non-introduction of the Australia Card?

Dr Webb—The non-introduction of the Australia Card, yes, I am sorry. Thank you for that correction. I would say in that territory that we strongly acknowledge the importance of that

whole area and the possible growing risks in that area of proof of identity and identity fraud and we do believe that there is a lot of positive action in train to address that range of issues.

Moving to another related area, the data quality issue, here I reiterate what we mentioned in the last hearing, that there are indeed a significant number of what have been referred to as 'excess' TFNs—we refer to them as 'inactive' TFNs because I think that is probably a slightly more accurate description of it. In any event, inactive or excess, there are a large number of them. We have done some more checking on this since the last hearing and I would confirm that when you add together the main natural and fairly obvious sources of that—that is, for example, those people who have been temporary visitors and have left the country; those who have permanently left the country; those who are deceased but we have not been notified; and others where they have not yet lodged and become an active user of the TFN in regard to their transactions with the tax office but there is no doubt that they will at some stage—you come very close to, if not even to, the figure that is in fact the total of the inactive TFNs, or the excess TFNs. I mentioned that was our belief at the last hearing. We have looked at the figures again and we still believe that is the case.

So in that sense we need to put the issue of those inactive or excess TFNs in perspective—that in effect they relate to the nature of the TFN: the fact that we issue TFNs but under the legislation they are not withdrawn so they still always exist out there once they are issued. The issue is more perhaps how we make sure that we are fully aware of which ones are inactive for that range of reasons that we mentioned. We would expect that some of the data matching opportunities that we are looking at, for example with births, deaths and marriages, fact of death data, and the DIMA information on movements—which again requires a legislative change but DIMA is being very positive in their work with us to break through that one—will help us confirm the nature of those inactive TFNs.

At the last hearing we appeared at, the question of non-resident issues was raised. If you have further questions on that we would be very happy to address those, and we note again that various submissions have been made to you. Coming back to the data matching area, access to DIMA information would obviously help us in terms of our ability to be aware of the status of people who may be seeking work in particular. At the same time, we are working with DIMA to ensure that what is at the moment a fairly occasional data match on employment declarations could be done more regularly, so there is the opportunity there—from a DIMA point of view as well—to get a much better feel of matching people who are working with their working status, or non-working status in some cases.

A couple of the submissions that you have received have mentioned the ABN, the links between the ABN and the TFN, and questions on integrity of the ABN. We would like to say very strongly on that that the way we have established the ABN, the Australian Business Number, is one that has very much taken into account integrity issues. That is not to say that one can prevent deliberate fraudulent attempts to, for example, establish dummy companies for various fraudulent or criminal purposes, but that is true under the current system where the TFN acts as the business identifier, plus a range of other company identifiers used by other agencies. In that sense the potential for those with criminal intent to try and set up dummy companies has always been there and will not be taken away. However, I would say that some of the characteristics of the ABN—the fact that it is a public number and the fact that a much larger

number of transactions will be using the ABN—mean that the opportunity and the range of views to actually detect where a supposed company is actually not a genuine enterprise are much greater than they were under the TFN business arrangements. In many ways the intrinsic nature of the ABN gives it much greater opportunity to detect and prevent that sort of criminal or fraudulent use of the ABN.

I would also say that, in establishing the ABN, because it was in a sense a clean sheet registration process, the data cleansing activity that was done there was extremely intensive and so there was a very strong effort up-front to try and ensure that, to the maximum extent possible, we were truly working with genuine enterprises.

In addition, as is the case with the TFN—but will be even more so with the ABN—I would say that, quite apart from the issue of trying to prevent improper issuing of ABNs, or TFNs, in the first place, there are a range of activities of profiling and compliance approaches that actually detect any illegal transactions and fraudulent transactions from those who do eventually, notwithstanding our efforts, manage to get a fraudulent identity of some sort, whether it is a business or an individual. So at many stages in the chain there are integrity measures built in to the ABN process.

Finally, in the supplementary submission we have referred to a number of areas around extension of the TFN that were raised both in the audit report and in subsequent submissions relating to things like AUSTRAC, real estate and related matters. We have given you a further update in the supplementary submission. Just in general terms, we would say that, whereas from a purely ATO and tax system compliance point of view one would go for the extension of the TFN, we still see that there are quite significant trade-offs in a community sense in those issues, and those are still being worked through with other community interests, including the other agencies like AUSTRAC and other organisations. So it is not an obvious trade-off if you look from a balanced point of view, rather than just from a tax compliance point of view.

We also mentioned in that territory—particularly with regard to the real estate side of things—that the Ralph business tax review recommendations do to some extent address issues that touch on that in terms of things like non-resident withholding arrangements, because non-residents was one of the issues that was raised with regard to property transactions. To that extent some related matters are therefore currently under government consideration. I think the government has indicated in principle approval on those matters but the details are still being worked through. Obviously any new withholding arrangements that come in as a result of the Ralph review would need to be taken into account in those sort of areas.

I hope that is helpful in terms of drawing out some of the messages that were in the supplementary submission. We do feel that we are continuing to make significant progress. I would say that in our view the integrity of the TFN needs to be kept in perspective. The TFN is very successfully used for an enormously wide range of uses, both within the ATO and elsewhere, and for the vast majority of the transactions and uses it is extremely effective and has very high integrity. That is not to say that there are not areas that can be improved, but I think we would say very strongly that we believe that the TFN system and the future ABN system are systems of overall high integrity, but ones where there can be improvement—at least for the TFN.

CHAIR—Thank you very much for that, Dr Webb, and thank you for covering that supplementary submission very comprehensively. On the question of the tax file numbers, you have said there are somewhere in excess of five million extra—over and above taxpayers—and you feel that in your work you have identified that they are either inactive or can be explained by people having gone overseas. There was also the question of the duplication—in the audit report there was something approaching 200,000. You say the duplicated TFNs are being actively identified and removed. I wonder if you could give us an idea of the progress on that, how many you have actually removed and when you expect to have that cleaned up?

Dr Webb—In the submission we mentioned that—and I will get one of my colleagues to confirm this—we have successfully resolved 24,000 cases so far. There were only a very small number of those that look as though they may have potential identity fraud with them, which was the original concern. That work is ongoing because, in terms of what is called a duplicate, it does depend a bit on how close a match the identity information that we have is. So far we have looked at those where there were obvious matching characteristics between the identity behind two TFNs. We are now using more sophisticated techniques to look at a broader number where there may be more subtle variations between the identity data but where there may be the same ultimate real person behind them.

Ms Blenkinsop—As Bob mentioned, the computer assisted techniques that we are using now are enabling us to pick up the more subtle cases—for example, where you have a misspelt surname and it is actually the same person but they have been incorrectly registered twice. Depending on whether there is action being taken on just one of those tax file numbers or on both will alert us to activity which should not be taking place. I understand the latest analysis identified an additional 125,000 potential cases so we will have to go through those in some systematic manner to try and work out what the risks are with those particular duplication cases.

CHAIR—Can I just clarify that: you say you have 24,000 that you have cleaned up but there are still another 125,000?

Ms Blenkinsop—Yes.

CHAIR—What sort of timetable do you have on that?

Ms Blenkinsop—I would have to take that one on notice and work out the resourcing we would need. Most of them require manual resolution and require us to actually contact the taxpayer, confirm whether there is or is not an issue, check out whether there has been activity under both tax file numbers or just under one and confirm that we have the situation correct.

Dr Webb—We may also not be clear whether all of them are in fact actual duplicates. The more you go into more subtle detection techniques, the more it may be the case that, whilst they looked like they could have been the same identity, in fact they are different identities.

CHAIR—I guess this links back to this proof of identity issue. As you are aware, there was a survey done by Westpac in Sydney where they found that, of the new accounts being opened, 13 per cent had used a fraudulent birth certificate, which I thought was an alarming figure. In your submission you understandably say it is rather difficult to ever quantify these things. You talk

about there being merit in pursuing a study, but what action is actually being undertaken to pursue a study just to see whether or not this proof of identity problem might be greater than we all think?

Dr Webb—Certainly within the ATO we are trying to get closer to quantifying the actual size of the issue. We are doing that through both making sure we bring together all the case studies that we are aware of and understanding the nature of the risk from that point of view. We are also using various statistical techniques to actually extrapolate what could be the nature of the issue, based on certain assumptions and what the total exposure could be. As well as that, I mentioned we have had discussions with a couple of other organisations who are interested in looking at a more comprehensive approach—I suppose it will be Australia-wide in a sense because it is both public and private sector. In that event we would look to, say, an independent organisation—independent, that is, of the agencies, the banks and others, but commissioned by them—to do an independent evaluation and to try to pull together the data and get a better feel for it.

There is not a commitment to that at this stage because obviously it requires bringing together multiple agencies and private sector organisations, but we do believe it would be of value, in an Australian community sense and an Australian policy sense, to try and get a handle on that. We have started those discussions, but in the meantime we are certainly trying to get a better handle internally on what the scope could be.

CHAIR—What I am trying to get a feel for is that you seem to be saying, ‘Yes, there probably would be merit in doing this,’ but in the light of the Westpac survey—which, okay, was only a small one—have you been able to identify whether or not there is a problem greater than people had originally believed?

Dr Webb—I think our view is that, anecdotally, and as far as one can tell, it appears to be something that is perhaps a growing problem, but there is so little data anywhere on it that it is very hard to be unambiguous about that and really say, yes, it clearly is. That is the purpose: to perhaps get a more definitive study going on an independent basis but with all those stakeholders involved and supporting it. Then at last we could go beyond the anecdotes to something which is a bit more tangible, which is really a prerequisite to knowing how to tackle it. We saw the figures in the Westpac study that you mentioned, and obviously at 13 per cent that would be very worrying if it was repeated across the community. I guess we do not know the exact basis that was sampled, although my understanding is that it was sample targeted to the areas that were most likely to be vulnerable to it, rather than a random sample, but I am not familiar with the detail of it. Those again are some of the things one needs to know before one attempts to extrapolate what it could mean across the community.

CHAIR—But one would have to say that, if it was targeted, there would be areas that would be worth targeting on the same sort of basis for the issuing of tax file numbers, would there not?

Dr Webb—In terms of the workshops that we have held across all the agencies—and there have also been discussions across the private and public sectors too—I think there is a groundswell of support to actually get a much better handle on those proof of identity activities. At the moment it is mostly embedded in anecdotal territory.

CHAIR—I agree with everything you are saying, but what is actually happening? Do you have a timetable? Is there a taskforce set up or what?

Dr Webb—We mentioned that we have run a wide range of workshops. There are an enormous number of stakeholders in this territory at all levels of government and the private sector. We are by no means the only stakeholder, although we have tried to take a bit of a leading role in bringing all those parties together. I suppose that the approach we have taken so far is to have widespread involvement just to see whether there is a groundswell of support for doing something far more active in this territory. To take the sort of actions that we have in what we call our ‘hierarchy of solutions’ to the proof of identity problems does require a very strong level of commitment from all the agencies concerned. I suppose our reading is that, having gone through those workshops, particularly over the last four months, we believe that commitment has grown, even in that time.

As I think we mentioned in the report, our next step is to look at whether all those stakeholders would be prepared to agree to a subgroup to represent them—because it is just too large a number to try and make progress totally collectively—and at the same time to escalate the issues so that the clear support of each of the agencies most concerned is behind any of the research and proposals that come out of that. The proposals are working through those various solutions in the hierarchy.

CHAIR—Have you considered doing any work with New South Wales Births, Deaths and Marriages with their online certificate verification?

Dr Webb—We have certainly had discussions with them.

Ms Blenkinsop—They are one of the key players in the workshops we have been running—the BDM from New South Wales in particular. Yes, as far as they are concerned we are certainly on the same wavelength about online verification.

Dr Webb—We are also looking at a similar sort of approach with the Roads and Traffic Authority because driving licences are clearly one of the key links in the POI chain. In that verification territory we are pursuing those sort of ideas as well.

CHAIR—I commend you for what you are doing but I was just wondering if we could get a feel for what is actually happening or what is proposed to happen?

Dr Webb—The phase so far has been to go through pretty wide consultation and workshopping of the issues, and in the last four or five months we have been doing that. I suppose we have also been very interested to read the submissions to this inquiry, because one of the things I think we read into what has come out of the inquiry here is that, almost without exception, there has been very strong support for moving strongly in this area. With the workshops and the consultations we have done and the submissions to your inquiry I believe we are at the point now where we should be moving to the stage of formalising the proposals.

As I say, our intention on that is to look for a subgroup of stakeholders to represent the totality of the stakeholders’ interests. We have received a vast amount of material from the

workshops on ideas and barriers and things like that which fleshes out the ideas we had in our solutions hierarchy, and we are now bringing that together and will be looking for a subgroup to take things forward. At the same time, we would be asking all those other agencies to, where necessary, escalate the issues within their own agencies to gain the agency's support, because we cannot actually implement any of the proposals without multiple agency support.

CHAIR—Mrs Hull has some questions.

Mrs HULL—Thank you. Dr Webb, last week I asked a representative of the AFP about the procedure that took place when they notified departments of possible fraud, and in specific terms I asked about the ATO. He said after he had made that notification there was no feedback to him, that was the finish, and he did not know whether there was any prosecutions or what actually happened with that referral. The question that I would like to ask you today is: what procedures do you have in place and what is the format if you have a notification of possible fraud of a TFN? How does that filter through and what follow-up and checks and balances do you have to ensure that that has been pursued, that an outcome was reached and, if that triggered off another investigation, why that might have happened?

Dr Webb—I will try to answer that but if it is not satisfactory we may have to go back and get more detail in relation to the sort of instances you are mentioning. If an identity fraud is discovered—and we mention in the supplementary submission the ways in which typically they get identified: sometimes within the ATO, through referral from another agency like Centrelink or others—the TFN area investigates it to make sure it looks as though it is identity fraud. We then have an internal prosecutions unit which would establish whether we think that case should be referred to the AFP and the DPP for prosecution. If that decision is taken, the case then becomes the responsibility of the AFP and the DPP to actually prosecute the case. We obviously then get involved in supplying the necessary evidence and, if the AFP decide that the case can be taken to prosecution, the results of that are public. But there are decision points along there as to whether the evidence is sufficient to carry through the prosecution under the various acts.

Mrs HULL—You know my interest in possible illegal immigrants and the fraud that may take place, particularly with the harvest working and harvest trail labour issues. Is there the possibility that you could recognise that there may be some use of a TFN for those interim working conditions for immigrants or for people who were here on holiday visas and should not be allowed to work et cetera? There might be a scam that involves the handing out of a TFN by an organised group in order to allow those people coming to Australia to go into a harvest area and work and utilise that TFN, and then it might be recycled. Is there any way that you could detect that?

Ms Blenkinsop—If the same TFN is being passed around from person to person, and if they are actually completing employment declaration forms and they come through to the Taxation Office from the employer, then we have a trail of that activity, and that is information that we match with, for example, Centrelink. So if employment declarations came through in different names with the same TFN, we would pick that up. If they came through with different names and TFNs quoted, or misquoted, we would probably also pick those up but, as to whether we would necessarily make the linkage immediately, we would have to look back and see the pattern of behaviour. In the harvest trail naturally there are more short-term work arrangements,

so the activity level would be greater as a pattern. If there was something to alert us to that by way of use of that TFN in different names, it could be picked up, but it probably would not be a systemic pattern.

Mr Goddard—It is important to note too that we are not just relying on the systems to generate cases; we also have groups that respond to community information that comes through. If we do get community information coming through that is suggesting that there is a scam or evidence of fraud, that is referred to staff who then weigh up the risks associated with that and, in discussions with a number of areas within tax or elsewhere, look at what sort of response we would be looking to make. The point I am making is that it is not necessarily a transactional system that relies on the computer throwing out an error that is actioned; we are also responding to community information that comes in.

Mrs HULL—You have obviously been reading our material since this investigation began. Do you think that a client service number that went across all government departments—such as CSA, Centrelink, ATO et cetera—would enable us to have a far better understanding of what was happening?

Dr Webb—I have referred a couple of times to what we ourselves call the ‘solutions hierarchy’ which was in both our initial submission and the supplementary one. There are eight steps in that, and steps seven and eight relate very much to the client service number concept that you raised. In terms of things like compliance and service, I think we would say that our intuition is to say that, yes, probably a client service number would be of value. We noted the submission you received from the Privacy Commissioner, who raised some concerns about that from a privacy point of view. The reason why we identified the hierarchy of solutions was to say it is possible that a significant number of the benefits can be reached by the earlier steps—the steps up to step six of the hierarchy—which includes better POI, as we have talked about, data matching and all those sorts of things.

By doing the work in that territory I think we will find out whether the value of the extra step of going to a client service number, traded off against whatever other community issues there might be, such as privacy concerns—plus the fact that, of course, it requires some cost to establish a client service number—is in fact justified. Certainly, if you put aside any community concerns, privacy issues and the cost side of establishing such an arrangement, from a service and compliance point of view it would have quite a lot of benefits.

Mrs HULL—You have indicated that 24,000 of these excess numbers have been removed and that there has been very little identity fraud involved with any of those additional tax file numbers. Could I just ask you if you have uncovered any type of identity fraud within those 24,000 and, if so, are they related to any specific area, even if it is only half a per cent or not even that? Is there any pattern in them?

Ms Blenkinsop—I do not know that we have the details of that available yet.

Mr Goddard—I could comment on that. This is a bit historical—I do not have the latest information—but typically a duplication would emerge whereby, for example, someone might have had two jobs, had two group certificates, and ended up lodging two returns. That came

through and we in effect had the same person. It might also be that a spouse was married, changed their name, and we ended up with a duplication in terms of a tax return. The great majority are very much in the nature of that sort of duplication. That said, I am not in a position to give you information on what we learned from the 24,000.

Dr Webb—I have personally looked at quite a number of the identity fraud cases that either we have detected or have been referred to us in recent times just to raise the same question that you are raising here: are there any patterns emerging in this?. Whilst I would not claim to have looked at a comprehensive set of them—I have just seen a sample of them—I would say it is a bit hard actually to identify systemic patterns in it. There are a range of purposes why people actually attempt identity fraud—and also a range of different approaches are taken in terms of what documentation they use and whatever—and it is a bit hard to say there is just the one typical systemic approach; it does seem to be a variety. One of the reasons we are looking closely at all those identity fraud cases—and actually bringing them together as a bit of a pool of information—is to address the question you are raising, are there systemic issues, and to fine tune our detection techniques as well.

Obviously there is a continuing learning that comes if such patterns do emerge—and they might not be stable patterns, they might shift around depending on various changes to the opportunities in terms of government benefits or technology arrangements—and we want to respond in our detection techniques to those learnings. On the one hand I am not claiming it is a really good sample—it is a bit like the Westpac thing, we are not sure how valid the sample is—but personally I found it a bit hard to say, ‘Yes, there is one dominant systemic trend in this.’ There does seem to be a variety of approaches for a variety of purposes.

CHAIR—Will we be able to get a copy of that report when you have done it?

Dr Webb—Yes, we would be happy to do that.

Ms GAMBARO—Dr Webb, can I just ask you about the increase in the number of businesses that are conducting their businesses on the Internet. We have had a number of people speak to us about the difficulties of the Internet and how businesses can conduct fraud over the Internet much more effectively. Have you looked at this area, particularly in relation to identity fraud, and do you have any long-term plans as to how you are going to deal with this? There are a number of businesses who conduct business solely on the Internet.

Dr Webb—The ATO has done quite a lot of work, and is continuing to do work, on aspects of identity verification and authentication over the Internet. I am not sure if you are aware that you can now fill in and return your Tax Pack over the Internet. In doing that, we use what is called public key infrastructure technology as a very thorough form of authentication and verification of the identity of the individual. That is a very rigorous and technologically oriented process to ensure that integrity. That is in use already—we introduced that over the last year or two. It is similarly intended that those approaches will be taken for various aspects of business taxation, including in the tax reform area. So those public and private key technology approaches are being built into our authentication of businesses as well as individuals. There are some whole-of-government approaches on that as well, but the tax office has probably been one of the earlier starters in that territory.

So I think the answer is yes, we have looked at it from that point of view, and the important thing for us is to ensure that the integrity is preserved on the actual transactions that people deal with us on. I have noted in some of the submissions to the inquiry that you have looked at another dimension of the Internet which is to do with the use of the Internet for obtaining and developing fraudulent documentation for PoIs. That is a totally different issue and I personally am not aware of the details of that. I do not know if anybody else has looked at that. Was it that second area you were referring to most or the first?

Ms GAMBARO—I probably was talking about the area you have covered and what safeguards you have in the system to ensure that what has happened with tax file numbers does not happen all through the Internet et cetera. Mrs Hull was speaking about illegal workers and I want to touch on that, but with an Internet focus. Say somebody, for example, is on a visitor visa in Australia and running an Internet business in the United States: they log onto the Internet and conduct the business. What level of sophistication occurs between DIMA finding out about the person—and in this particular case this person was sent overseas—and then notifying you of the fact that they are working in Australia illegally? On the ground it is easy to find workers who are conducting illegal businesses but this whole Internet situation throws all these other possibilities. Are there safeguards in the system or have they been looked at? I just see all these particular situations emerging in the future. What is the level of cooperation between yourselves, and in this case DIMA? Have you looked at this area further?

Dr Webb—I am not sure about the Internet aspect of what you mentioned, but I can say that the level of dialogue between ourselves and DIMA is pretty intensive at the moment in terms of the interchange of information. As I mentioned earlier, there are some legislative barriers but DIMA is being very positive indeed in terms of working with us to look at how they can be overcome so that there can be much better interchange of information. I am not talking about Internet-based information here but just the normal information on visas and movements and things like that, and a key part to our strategy is to—

Ms GAMBARO—And employment declarations and things like that.

Dr Webb—Employment declarations as well, that is correct. That is particularly important in the context of non-residents working illegally in rural areas and things like that. I am not sure about the Internet connection.

Mr Mann—If I can just add to Dr Webb's answer. The ATO has published two separate reports on the Internet. The first report covered a wide range of issues and would, perhaps, cover the one that you raised. There are questions around where the jurisdiction is that has the taxing rights over some of that activity, so there are some broad policy issues which are being worked through at an international level. The second report though does cover in more detail the administrative implications and identifies possible ways in which tax administrations could deal with the unique situations presented by the Internet. I do not have the detail here with me but we could certainly make that available to the committee.

Ms GAMBARO—Actually, I would not mind that if that is possible.

Dr Webb—They are publicly available reports and we can make sure you get a copy.

Ms GAMBARO—Your IT resourcing and your long-term plan set as part of your integrated planning systems: is this an ongoing thing or what are your future plans for IT sourcing?

Dr Webb—The IT strategy and planning is—and I would say always has been—a continuing process for the ATO, it is never a static picture. I think you were talking with us at the last hearing about the integration of our systems and so on. Our systems are actually highly integrated but one of the issues for us is that the integration that works today is not necessarily the same integration that works tomorrow. For example, in the context of introducing the tax reform measures there are, as you can imagine, very significant changes to our systems that are being developed for implementing tax reform—some have already been delivered in the last three to six months and others are being delivered progressively over the coming year or so. But it is not just tax reform changes. There are other changes we want in order to implement some of the TFN matters that we have talked about, such as automatic interaction with DIMA and other sorts of checks and balances in the systems, that we want to make sure are built in. They become part of our future IT technology agenda and we do have a quite formal plan where we prioritise the activities.

Clearly, we cannot do all the things in the technology area that our businesses might like to do—or that the community might want us to do—all at once, but we schedule them in and then have a fairly strict planned program of both developing and delivering those. But it is a continuing shift and change. The concept of saying, ‘Here’s a fixed five-year plan’ is really not valid.

Ms GAMBARO—You cannot do that because of the changes?

Dr Webb—We have a strategic vision as to where we are off to but then we continue to add to and modify that technology program progressively as the law changes, as policy changes and as community needs change.

Ms GAMBARO—The level of information that you are collecting must be absolutely enormous, particularly with government agencies like Centrelink and DIMA. You must have some sort of priority system where the most valuable source of information might be information that you collect from, say, DIMA or Centrelink, but where does information that you collect from, say, the Child Support Agency or the Electoral Commission fit into this? How does your system cope with the continual changes and the requirement to retain the appropriate information that you need? I think you spoke to us about improvement in systems last time you addressed us as well.

Dr Webb—The bulk of our technology, of course, is applied to just managing the transactions and the interactions with the taxpayers or their representatives on their ATO business. The question of matching information with other agencies and interacting with other agencies is important but it is not the centrepiece of what we have to actually achieve in a technology support sense. We clearly have as a main driver to make sure that the basic transactions and interactions with our clients are done as accurately and as effectively as possible, and then as part of the either service or compliance activities our databases are generated from that—we have data matching programs, both ones that are run with the ATO and, as you know, some that are run multi-agency. We would be happy to provide you with a

map, for example, of the sort of interactions and data matching that we do. That is something we would be quite happy to provide you with to give you a feel of just what the extent of that is.

Ms GAMBARO—Yes, that would be very useful.

Dr Webb—It would indicate which agencies we deal with on what sorts of data. That is where, I think, we are hoping that some improvements can come too in terms of the idea of taking away some of the legislative constraints. It is the case that some key agencies, like HIC and DIMA, are legislatively barred at the moment from interchanging certain key data with us, but where that is not the case we have a very heavy stream of data interaction that is used for information matching.

Ms GAMBARO—And crossmatching and flow-on to other agencies. Do you have in-built systems that will ensure that integrity in the quality of information received from other departments is maintained?

Dr Webb—The quality can be an issue. An example which is relevant to the inquiry: we were talking about the rental compliance side of things. To help us in our compliance activities we have looked at things like rental bond board information and other third party sources of information so that you can look at other means of identifying where someone may be under-declaring income on the rental side of things. We do find, particularly when you go into an innovative area like that, that the quality of the data and the way in which it is structured is very rarely such that you can use it immediately. Often one of the first steps is in fact to look at how that may need to be restructured.

When you are dealing though with other mainstream agencies, like Centrelink, the HIC and others, we believe and expect—and I think find—that there is a much higher level of intrinsic quality there. Whilst there is still a need to make sure that the way the data is structured is such that it can be matched most effectively—that step still has to be gone through—the quality and extent of the data tends to be far more systematised for those sort of purposes.

Mr Goddard—Perhaps as an example there—and it probably is a good example to paint the picture in terms of the broader implications of data matching—we had some data that came through from the Private Health Insurance Incentives Scheme. Basically, we received some data without TFNs. We used that data to determine whether in fact someone should have been charged the Medicare levy surcharge. We had a 90 per cent success rate in terms of matching that data without TFNs and the outcome of the project at the end was a recoupment of revenue of \$46 million. So that is clearly an area where we are using data matching effectively and we are getting successful matching rates—90 per cent plus without TFNs—and at the end of the day it is resulting in some strong revenue returns as well. In terms of your earlier comments on a map, I will provide you with a map which illustrates the enormity of the transactions we have. I have that here.

Dr Webb—You might not be able to see that but it is a fairly awe-inspiring and impressive looking map. We will get this to you—

Ms GAMBARO—That looks great. Oh, two flow charts.

Dr Webb—Yes, two flow charts. It shows you the current matching set-up and also where we are progressing to in the next stage of our information matching. We would be happy if you wanted a separate briefing on that to give a bit more insight because it is a bit compact—

Ms GAMBARO—Do you have all your fail points in there?

Dr Webb—We could provide that for you if you like.

CHAIR—Can I just follow up on that data matching? Some of the round table participants mentioned the fact that data coming from the Child Support Agency and the Electoral Commission is not being used and I am just wondering why that sort of information would not be used?

Dr Webb—We certainly use some information from the Child Support Agency.

Mr Goddard—If you don't mind, I would ask Mr Anderson to comment on some of that data. In terms of data matching systems, Mr Anderson is in charge of those areas.

Mr Anderson—Can I have the question again?

CHAIR—Some of the round table participants mentioned that the ATO has not been using some of the information already being presented to it by people like the Child Support Agency and the Electoral Commission.

Mr Anderson—With the Electoral Commission data, we get regular updates of the electoral information. We match that, attach tax file numbers to the ones we match to and we put that information on to our data warehouse where it can be used in a number of ways through the organisation. It largely would be used on a case by case basis or for tracing purposes where we perhaps were unable to locate a particular client. We would use the electoral roll information possibly as a vehicle to find a more up-to-date address. That would be the main use of the Electoral Commission data that is currently available to us.

As far as the Child Support Agency is concerned it is more the interchange of normal information we collect—things like employment information and investment information that is used by Child Support relating to their particular clients, rather than information from Child Support being used in mainstream processes as far as the general tax side of the processing goes.

CHAIR—But surely child support would be one area where you would get a lot of people trying to correct the record, would it not?

Mr Anderson—As I said, Child Support would mainly access, for example, the investment information to get data in relation to people's bank account information as a possible source of income that has not been disclosed to the Child Support Agency. That would be the type of use that Child Support would get out of the general information that the tax office received as part of the TFN reporting requirements.

Dr Webb—But there are a large number of interactions between the tax system and the CSA system. For example, we garnishee from tax refunds—if a CSA payment has not been made, then before we actually issue an assessment we will reduce the refund by any amount that is owing under a CSA order. There are actually very strong interactions between those systems.

CHAIR—Trying to take it from another angle to get a feel on using some of this data, in the earlier submission you were talking about that from April last year you were getting the quarterly returns of fact of death. In your latest submission you are saying that you have received and you plan to run the information against the database. I was wondering why there has been that delay?

Dr Webb—That comes back very much to the issue that Ms Gambaro raised about the technology planning. We do have to prioritise the actual sequence in which we make the changes to the systems. In order to run the data there are some changes needed to some of our core systems. As I mentioned, when you take a new source of data, as that is for us, it is not automatically in a format that can relate directly to the way in which we have the data stored, so there are systems changes required to actually do that. Currently we are scheduling in the changes to those systems so that that fact of death data can be run. Whenever another new source of data is used for matching there is a translation systems effort that needs to be done.

CHAIR—Given this problem of the excess number of tax file numbers on issue has been highlighted for some time now, I am wondering why the delay in using what would be an obvious way that you have identified to reduce that number?

Dr Webb—It is purely a matter of technology systems prioritising. As you would appreciate, we are introducing a large number of technology changes for the tax reform program and I would be quite blunt in saying that the need to put tax reform measures in place by July this year—and some of those we have already implemented during this year—have had priority over that issue. But that does not mean it is off the schedule, as I mentioned when responding to Ms Gambaro. We basically have a rolling schedule of activity on the technology front and we just have to schedule it in at the most appropriate time.

The other thing is that we tend to find—and I think this is the case in this one—that in terms of quality issues and the way the data is presented to us we sometimes have to go back to the providing agency, or agencies in this case. Very often a whole lot of interaction takes place to actually make sure that the quality, the data fields and all those sort of things are set up in a way that once we have made the systems change we can actually then run the data match.

Mr Anderson—I can probably add something to that. We have actually matched the information that we have received from the Department of Births, Deaths and Marriages. At this stage we would have what we would consider to be a fairly high quality match with 70 per cent of that information. We did a similar exercise with the ANAO as part of their initial audit work. There are a number of issues around the way that data is presented, because it comes from a number of sources—each of the states has a slightly different system of recording the information. I suppose that is one of the things we have been working through with the suppliers of that information.

CHAIR—Sorry, could I just clarify that point? In this supplementary submission you talk about plans being developed to run the information against the ATO—

Mr Anderson—In this case we have matched the information but we have not as yet updated our client register with that indicator to say that that person is now deceased. As Bob was saying, that is the one that is, if you like, awaiting some priority to get that work done.

CHAIR—So you certainly are doing this already. Have you had discussions with them on the way they have used this information?

Mr Anderson—Again, it is not something that it is too difficult to do. It is a matter of getting the data, matching it to our client register and saying, ‘Yes, this record matches, therefore we can now record that person as being deceased on our database.’ Our client register needs to be modified in order to create an indicator that we can store this information in and that is the work that needs some priority.

Dr Webb—And that is the thing, because obviously until that is done the actual value of the matching is not created in terms of our mainstream databases. That is the additional step.

CHAIR—Yes, it comes back to this point of the excess number of tax file numbers. I mean, Centrelink are doing it and the AEC are doing it. To come at it from another angle, what safeguards are you going to have with the issue of Australian Business Numbers so that in two or three years time you are not going to have a growing number of no longer active business numbers still out there on issue?

Mr Dark—There are a couple of points there. There will be instances where Australian Business Numbers have been issued and are not being apparently used for anything—for instance, where a holding company may have a number. They are eligible to have a number but they may not conduct any activity with it, except basically holding property. That would be an instance where you could have a number that is sitting out there apparently not doing anything but in fact it is identifying a company which is dormant, if you like. In terms of maintenance of the business register, the intended use of the register by agencies at all levels of government for their regulatory interaction with clients demands a much higher level of currentness of the register. To that end, our business registration service—which is the internal organisation that looks after the register, and will continue to look after the register—has been allocated very significant amounts of extra resources to real time monitor and maintain the business register.

We are currently working with the Bureau of Statistics on appropriate sampling methodologies and survey methodologies. Our intention is for the Bureau of Statistics to actually establish and monitor independently the quality of the register so we can have a stated position at any given time as to the degree of accuracy and timeliness of the register. So I guess it is the wider use of this data that we are expecting by all agencies which is the compelling feature here. This means that it is not just up to the ATO, for instance, to determine its risk in relation to a particular set of data; it has a whole of government responsibility.

CHAIR—Getting back to this fact of death certificate, as I understand it you have it there but you do not have it progressed to the point where it will remove a tax file number; is that right?

Mr Anderson—That is right.

CHAIR—That is right?

Mr Dark—Yes.

CHAIR—So when that comes in will it immediately come through if an ABN has been put, inadvertently or for whatever reason, on a tax file number that is removed?

Mr Dark—It will. It might be worthwhile from the technology point of view to point out that the current Australian Business Register is built within the ATO's client register. Over the next year we are engaging in a large-scale redesign of that register to remove the business register from the ATO client register, and part of that entails a fairly significant rebuild of the ATO client register where a lot of this work has an opportunity, if you like, to be done. The design for that work is starting in the next couple of weeks and the scheduled implementation date is 1 July 2001. But it is a major opportunity to get a lot of changes built into the ATO client register that we have been scheduling and prioritising.

CHAIR—If you are almost ready to press the button and pull up all the tax file numbers of people who are dead, would it not be useful to run that thing straightaway? What is the hold-up?

Mr Goddard—A lot of it comes back, I think, to the quality of the match. Clearly our initial matching might give us a 70 per cent high grade match, but I certainly would want that to be done a bit further. The last thing I want to do is put a date of death indicator on a taxpayer's record if there is any degree of uncertainty with it. I think all we are doing at the moment is working through those matching routines and looking to see whether we can refine some of the high quality matches. As soon as we are in a position to do that and we have the system build in place to actually take the indicator on file, I see that work happening.

CHAIR—What sort of time frame are we talking about?

Dr Webb—That is still being worked through and, again, it comes back to Ms Gambaro's question. We are currently looking at the schedule of work over the next 12 months on technology and we would expect somewhere in the next two to four weeks to have the priorities in our technology program sorted out for most of the work over the next 12 months. Some of it, of course, is already set because of the large volume of tax reform measures, which are in a sense 'must dos'. They are things that we just have to build in to the schedule, and are built in already, but then there is a discretionary amount of resource and effort which goes in to other activities. It has been agreed corporately that this matching on the fact of death will happen, but the exact time of the scheduling in has not actually been confirmed yet. That is being worked out over the next few weeks, along with a whole range of other demands on the information technology changes.

CHAIR—As you say, you have a very big workload there with the new tax system. I am just curious, because you have this information there, it is sort of programmed in, but you do not seem to have the confidence to say, 'Yes, we can match it now.'

Dr Webb—There is the question of the confidence of the data. If you do that too early, before you have the confidence of the matching quality data, you run the risk that you could actually reduce the quality or accidentally distort the quality of the main database, which is the last thing we want to do. We have to get through that ensuring the quality side of the matching is being done and then the proportion of that that we have confidence in does require a technology fix to do the update.

CHAIR—Can I just clarify one more point and then Mrs Hull wants a go. You are saying it is planned, but obviously it is not going to happen in the next 12 months; is that correct?

Dr Webb—No, I am not saying that. It is being sorted out as to when it will be scheduled. We are currently sorting out the next 12-month program in detail. As I say, we have already—

CHAIR—So it definitely will be in the next 12-month program?

Dr Webb—That is the current corporate expectation and we have effectively said to the technology people, ‘See where you can schedule this in as soon as possible within that time frame,’ but bearing in mind that they do have to deliver on all the tax reform changes as well. The first priority is to get those, plus some other ongoing business things that are required. So it does have to take its place against those but, having said that, what we are targeting is to have it done within that 12-month program, not after that program.

Mrs HULL—Can I just go back to the issue of illegal workers. DIMA told the committee that they were working on a project that would have provided the ATO with electronic access to visa data for use in processing applications for TFNs but it had to be put on hold due to some IT restraints of both agencies. I want to ask about four questions but I will deal with them one at a time this time. Could you tell me whether or not you are pursuing that with DIMA? Obviously you have read the transcripts of those comments, have you pursued that?

Dr Webb—Firstly, certainly we have pursued it and in terms of the technology status it is in a similar situation to the one we have just mentioned, that is, it is marked down to be done within the next 12-month program but at the moment we are still prioritising it to make sure whether or how that can be done. Of course, it does also require a similar ability to schedule that within the DIMA program but, yes, it is being actively pursued.

Ms Blenkinsop—That was actually put on hold for systems constraints in both agencies because Immigration were suffering from the work they had to do for the Olympics—they were in a similar boat to us.

Mrs HULL—My second question is back to the trading in tax file numbers question that I asked previously. We certainly had evidence of lists of TFNs being put in backpacker and youth hostels and things like that to be used for work, and there was anecdotal evidence of that within DIMA’s comments to us. Again I come back to that question of trying to determine whether there is an illegal trade going. Has any action been considered in order to determine whether that in fact does represent a major issue?

Mr Goddard—There are probably a number of comments I can make under the banner of that residency question and whether someone is working illegally and whether they are declaring their residency status correctly. It has come up in a number of submissions as well. In making some comments I will start at the highest level first up. We have certainly had anecdotal evidence coming through—and I think it came through fairly clearly in one of the submissions from a tax officer—that our public assistance staff are concerned that there might be a whole lot of issues around questions of residency status. We have actually responded to each of the claims that have been brought up to us by looking to check the details and to find out whether in fact residency status was deemed incorrect.

We also commissioned a large project in June last year where we looked at 280 cases from a range of sources in terms of the declaration of their residency status. Out of those 280 cases we examined, something like 270 of them correctly self-assessed their residency status. So in terms of a hierarchy of risk assessment, our opening position in terms of looking at the residency is saying that residency self-assessment is low risk in terms of fraud or overall revenue risk.

Notwithstanding that someone may have got their residency status correct, there are then questions around how much time pro rata they might have been in Australia or out of Australia and the amount of income they declared. They are other issues that we are continuing to work through at the moment. We are working with the staff who are looking to put up cases to us. As best we can we are looking to try and get some identity of the people. Where we can we have followed through and we are not identifying big revenue risk associated with them.

Mrs HULL—With respect to the review of illegal workers in Australia, has the Taxation Office had any input or discussion with the principals or with the chairman and the committee as to how they might be able to give some positive input to this review?

Ms Blenkinsop—Is this the one that was published late last year?

Mrs HULL—Yes.

Ms Blenkinsop—We were invited to attend one of those meetings and provided them with a significant paper pointing out the issues that were relevant to tax and immigration in relation to the people they were targeting. So, yes, we have had significant input. I understand that since that paper was presented we have continued to have those ongoing working arrangements with Immigration, and also with the Department of Employment, Workplace Relations and Small Business on similar issues.

Mrs HULL—So within the review there were issues considered as to visa labelling being changed in order to correctly reflect the position of that person entering Australia so that you could more correctly allocate tax file numbers. But also there was some discussion before with respect to issuing of tax file numbers for workers in that they expired at the date of the expiry of their visa. Have you done any further work on that?

Ms Blenkinsop—Not only that specific issue. The aforementioned DIMA auto registration process was the system that we were trying to work in cooperation with which would actually allow that to happen automatically. We have not actually tried to input a manual system in the

meantime. When the sharing of that visa information becomes available it will automatically flag the tax file number as being no longer an active tax file number.

Mrs HULL—Would not a commonsense way to deal with TFNs be to just say, ‘Okay, it’s relative to your visa and then it’s finished’? If the visa gets an extension then there has to be an application process for an extension of the TFN if they are able to work.

Ms Blenkinsop—Providing that the TFN is not also being used for other purposes, such as investment. The visa for employment may have concluded but they may still require a TFN because they are travelling around the country and they have a bank account, for example, and they are still quoting the TFN in relation to that bank account.

Mrs HULL—But is it not in our best interests to really identify that in some form of registration and paperwork in order that we can clearly identify that person as being in a position whereby they have current work conditions for so long? If they want to extend it for other reasons, such as you have just stated, then there is a process in place whereby they can apply for that. Centrelink have a reassessment of their situation every week. Some people have to do it fortnightly to reassess what their current income is and what their current status is, so would it not be one of those areas that would be worthwhile and in our interests to pursue?

Ms Blenkinsop—Certainly.

Dr Webb—I think we agree.

Mrs HULL—And we will pursue that?

Ms Blenkinsop—That is the intention of that process.

CHAIR—The visa number is already on the application, isn’t it?

Ms Blenkinsop—Unfortunately, looking at the visa number itself does not tell you whether they have work rights. One of the recommendations was that they have a stamp which says, ‘Work rights’ or ‘No work rights’ to make it evident to employers as well.

Mrs HULL—My final question is: do you think that this investigation has been of benefit to the ATO in identifying how you could perhaps implement better systems or relative to organising more cooperative approaches between departments?

Dr Webb—Do you mean has the inquiry been of benefit?

Mrs HULL—Yes.

Dr Webb—Oh, I do not think there is any doubt on that. Wearing our selfish hat for a moment, the thing that has been of most value to us has been that it has given all sorts of people and groups in the community an opportunity to speak publicly about their views in a fairly concentrated period of time and on some pretty focussed questions. This means that it has given us a lot of support on some ideas we may have had for some time. Using the proof of identity

procedure as an example, there has been almost universal support for doing things better there and that has come very much out of this inquiry. I think that gives us a lot of support in terms of the things we are trying to do as well. So I would say that I do not think there is any doubt in the value of that, particularly through allowing the airing of views and letting a range of interested parties put forward their impressions. I must say we detect, if you like, a fair degree of consensus around some of the issues.

CHAIR—In that vein maybe I could follow up with another question. You have pointed out the workload that is on the ATO at the moment with the new tax system—and we certainly appreciate that you are applying an awful lot of effort to it—but there has been an impression that the ATO tends to focus very much on the immediate problems and not on the long term ones and that with the lack of longer term planning there could be some serious problems underpinning the whole tax system. I was just wondering is that a fair impression that has been coming through?

Dr Webb—I must admit that I do not think it is. I think that we are always in balance. We do very long term strategic planning in the ATO across all subjects, including the TFN—we had a major TFN improvement project in hand even before the Audit Office report was commenced, and I think we provided some information on that in our first submission. So I think we have always been conscious of the need to balance the longer term directions with some of the short term imperatives. There is no doubt that sometimes, and tax reform is an example, short term imperatives have to take priority over some of the longer term aspirations, but we never lose sight of those longer term ones. Our TFN improvement project, which was commenced some 18 months to two years ago, is an example of that, and that was looking at the whole range of improvements.

Coming back to the value of the inquiry from our point of view, it is probably fair to say that during the nineties, after the TFN was introduced, and then getting bedded down, and because there were privacy concerns clearly carrying on through the nineties, there was progressive development, as we outlined in our first submission, of the uses of the TFN. But it was probably not entirely clear what groundswell of support there would be—public and private sector and multiple levels of government support—for a new phase of strategic development of the concept of the TFN and associated identifiers. What I sense is that the last year, not least through the Audit Office report and this inquiry, has brought a refocus on to the sort of joint effort that is necessary to take forward those strategic concepts. We could have had, and have had, all sorts of strategic ideas of what one could do with the TFN, but until there was, if you like, almost a community groundswell of saying, ‘Yes, this has now become a significant issue’, that we really wanted to take things to a next level, it would have been very hard to promote it unilaterally. That is what I sense, stepping back and looking at where we are in the last decade of use of the TFN. I think we have reached that stage.

CHAIR—On the question of your TFN improvement project, I understand that you have some funding for the decisions for the next 12 months but not ongoing. I am just wondering why there is not an ongoing funding?

Dr Webb—Funding did you say, sorry?

CHAIR—Yes.

Dr Webb—There is ongoing funding. We work within the ATO on an indicative—for example, three-year—funding arrangement. As with all agencies, that is reviewed annually, and I am talking here not only just at the total agency level but within, for example, our client identity and registration area. They have an indicative three-year funding budget and then that is firmed up each year. So there is an ongoing funding commitment but it is refined each year, that is true.

CHAIR—So which projects are funded on a three-year basis?

Dr Webb—Well, some of the projects are within 12-month projects. I could not tell you exactly which is the list but we would be happy to—

CHAIR—Would we be able to get copies of the outcomes on the TFN improvement project?

Dr Webb—Oh, yes, sure. I think in an appendix to our first submission we gave a summary of the program and we would be happy to give you an update of that if that is helpful.

Ms GAMBARO—I would like to ask about staff input. When you came before us in December the issue was raised about the opportunity for staff to have input into departmental decisions. I think at the time we were told that all of these issues were considered but that, based on the ‘high-levelness’ of the problem, they were put in a high priority category or a low priority category. There seems to be a great deal of dissatisfaction with the internal staff processes in the department. How do you address the staff morale issues, and particularly with the input into some of these structural problems? Do you give your staff that feedback, that it is a low risk problem and that it will be addressed in due time? Some of these issues just seem to go around in vicious circles.

Dr Webb—We do give that feedback. It is often on that risk assessment basis, because for what may appear to be a significant issue from an individual staff member’s context within their work environment, when that is viewed against the totality of what we have to manage—even if their view is quite right as to what is actually happening there—we may have to say, ‘At least for the coming year our compliance programs and other things just cannot prioritise that one.’ It may be held over or it may be deferred for a period of time, or we may just have to say, ‘It’s just not possible to do that.’ We feed that back. I would have to say, because in reality the issue is still there, in a sense you can understand that the staff person would often feel, and continue to feel, ‘Well, it’s still not being addressed and that’s a problem, even if someone’s told me the reason why it’s not getting addressed. I can still see the issue there.’ So, yes, we provide feedback.

We encourage the ideas to come forward. With this inquiry we actually said to staff, ‘If you want to put submissions in, please do so.’ We actually broadcast that internally because we wanted that sort of openness, but the reality is still often that a particular issue may not be able to be followed through because of the risk prioritisation that we inevitably have to do.

Mr Goddard—As another example of feedback, I have individuals who are assessing the revenue risks associated with different labels and issues. They will come to me and they may be looking to make changes to Tax Pack, make changes to systems, make changes to education or beef up an audit activity. As a committee we meet with those individuals and talk through the priority of the issues. We then work through what direction we are going to take and they get immediate feedback in terms of where we see their particular issues in the bigger picture. So we are very much out there trying to talk to the people who are putting up recommendations to us.

Dr Webb—And, of course, a number of ideas come up that are followed through on as well. They may not be quite as visible, but we encourage that sort of staff feedback. But you have to accept that if you are going to encourage that staff feedback and staff ideas generation you are also going to inevitably have a process of having to tell people, ‘Well, I’m sorry, yours didn’t get up this time,’ as long as you explain the reasons.

Ms GAMBARO—The feedback mechanisms are in place so that people don’t feel disempowered and frustrated, and you have gone through that, and your level of HR would address those issues as well I would imagine. Maybe it is because we also went into the public arena, but I have been on a number of inquiries and I do not think I have ever seen so many staff members write in to the secretariat, but thank you for addressing that.

Mr Mann—In addition to the feedback as to whether or not we will address their concerns immediately, we do try to put in place other processes which may not be obvious to staff. For example, where we do not have enough evidence on the issues raised on a particular staff referral but it seems to be a significant issue, in my own area we invest about five per cent of our resources in strategic intelligence, risk assessment and further research into those areas. We provide management with more in-depth analysis on issues raised by staff, as well as make that available to staff through our own communication systems. We also use the policy development processes around implementation of any policy as opportunities to canvass those risk registers to see which of the staff ideas may be pertinent to any new policy development. Quite often those staff are then involved in workshops and risk assessment workshops to have input into the development of new policy. We cannot involve all staff that have raised an issue but we certainly try to make sure we have some staff that have been working in the particular areas that are of concern involved in these risk assessment workshops and policy development processes.

CHAIR—I think we are in danger of losing a quorum so I might close this session. I thank everyone from the Australian tax office who has come before the committee today. It may be that in preparing the committee’s report we will need to come back to you in writing on some issues, with which I am sure you will be happy to oblige. If there is anything further, we may call for another hearing. Thank you very much for coming before the committee and thank you to *Hansard*.

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

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 11.49 a.m.