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The Secretariat
House of Representatives Standing Committee on Economics,
Finance and Public Administration
Parliament House
Canberra ACT 2600

Review of the ANAO Audit Report No. 37 1998-99 on the Management of Tax File Numbers

Please find attached the ATO responses to Questions on Notice arising from the Committee's public hearing on 12 April 2000.

If you require further assistance, please do not hesitate to contact Chris Marsden on 6216 2630, or Cathy Denino on 6216 1878.

Yours sincerely

Gaida Blenkinsop
Acting Assistant Commissioner
Individual Non Business

1 June 2000

ATO TAX FILE NUMBER IMPROVEMENT PROJECT

This paper details the current status (as at May 2000) of the sub-projects within the TFN Improvement Project (TFNIP) which commenced in December 1998. Where applicable, further discussion can be found in Sections 2 and 3 of the ATO's Supplementary Submission dated 10 April 2000.

Project Grouping	TFNIP sub-project number and Title	Status
1. TFN Registration Process A Contact and Authenticate	1 New Arrivals (TFN applications from)	▪ Closely aligned with DIMA Auto-registration - seeking IT specifications from DIMA in May 2000 ▪ Interim arrangements in development to access DIMA Visa Grant database to certify PoI (put on hold to ascertain whether Auto-registration process can be scheduled in 2000/01).
	6 Future Workloads for TFN registrations	▪ Examining historic sources of TFN applications in conjunction with other data (ie ABS, DIMA). Sub-project will be a formal INB research project in 2000/01 sponsored by the TFN area ▪ Electronic technologies sub-project will influence traditional workload.
	10 Development of Whole of Government Client Service Number	▪ Linked with Proof of Identity sub-projects. ▪ Discussions about interim steps with other Commonwealth agnecies. ▪ Step 7 on the ATO hierarchy of solutions in ATO submission and needs political and community support. Has received some support in other submissions to the Inquiry and within the PoI workshops conducted by ATO with other Commonwealth and State Government Agencies.
	12 Provision and delivery of Client Service Number	▪ Preliminary discussions with other Commonwealth agencies and Privacy Commissioner. ▪ Formal approach to Privacy Commissioner to conduct joint social research into privacy and identity issues to be sent in early June.
	14 Schools Program	▪ An independent evaluation was completed in January 2000. Report offered positive reinforcement for the Schools Program with some minor changes (mainly in presentation to classes). ATO has taken action to implement the recommendations.
	15 Proof of Identity - fraud	▪ See comments at 3a in the supplementary submission. ▪ Workshop completed in Darwin 18 May; ACT planned for 22 June.

Project Grouping	TFNIP sub-project number and Title	Status
A Contact and Authenticate (cont)	17 Proof of Identity - Other agencies	▪ See comments at 2 and 3a). ▪ AUSTRAC Steering Committee meeting 5 April considered early draft of issues paper - next meeting 8 June with NAB, ANZ and BDM invited to join committee.
	20 Proof of Identity - Standard of documentation	▪ Internal workshops conducted to subsequently feed into a Commonwealth Agency workshop on perceived integrity of PoI documents currently used. This exercise is similar to one conducted by the financial institutions on the AUSTRAC steering Committee.
	26 DIMA Auto registration of New Arrivals	▪ Due to higher ATO priorities for IT resources unlikely to proceed before end of 2000. However, DIMA have been approached in May to provide IT specifications with the intention of developing the system in 2000/01 if resources permit. ▪ Interim arrangement with DIMA to gain access to Visa Grant database proposed (postponed depending on dot point above).
	27 Use of Intermediaries for TFN services	▪ Linked with PoI & Schools sub-porjects. ▪ Memorandum of Understanding with Centrelink to ensure appropriate PoI obtained. ▪ The Auto-registration process will use DIMA PoI requirements to register a TFN applicant.
	29 Education/Information for new TFN registrants	▪ Links with Tone & Impact of Advise (see below).
	34 Developing proactive options to Government	▪ Continuing liaison with other agencies, Commonwealth and State re whole of government approach to PoI processes and policy.

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B Capture, Validate, Register and Maintain	4 New registration process for TFN	▪ Implemented nationally by July 99.
	21 28 day turnaround for processing TFN applications	▪ An internal ATO measure for TFN application processing. ▪ Currently, regarded as 28 days from receipt in ATO, not another government agency. ▪ Encouraging schools and Centrelink to forward TFN applications in a timely fashion to allow ATO to meet standard.
	22 Tone and Impact of initial TFN advice	▪ Staff surveys completed to assess information provided. ▪ Initial survey of new registrants regarding mode of TFN advise completed. ▪ To be linked with research with Privacy Commission ▪ Research needed to determine whether further ATO information should be included with TFN advice.
	35 Risk Assessment	▪ Formal risk assessment to be used in planning for Individual Client Register areas for 2000/01. ▪ Risk mitigation strategies to be constantly reviewed and updated.
	11 TFN Algorithm	▪ Discussions with Defence Signals Directorate. ▪ Cost of increasing TFN to 18 digits prohibitive. ▪ Option to include alpha characters in future TFN developments to be considered longer term.

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C Validate ATO Data Quality	9 Extension of client identity data-matching	- Fact of Death data bought from Registrars-General - system changes planned for early 2000/01. - See comments at 3 b). - HIC have formally agreed to examine the proposal for Step 4 on the hierarchy.
	13 Data Quality of TFN database	Cost of bad data methodology report completed and being considered (see 3 c III).
	24 Duplications	- Continued manual resolution of those where matching criteria were considered high risk areas. - See attached comments.
	28 Quality Assurance	Formal QA sub-unit to be created within ICR Operation to raise profile of QA.
	30 Data Entry validation	Link to Quality Assurance project
	33 Systems Providers	No subsequent progress
2. TFN Usage	2 TFN Quotation Compliance	Group employer compliance increased.
	3 28 day period of grace for TFN quotation	Simplification of Personal Income Tax project examining issue in broader reform context.
	23 Compliance fieldwork re TFN quotation	Group employer compliance in conjunction with Employment Declaration Forms.

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3. Community Perceptions & Issues	16 Community Perception Survey	- ATO survey conducted Nov 99. - Specific questions on sharing information between Government Agencies changed to include "in order to reduce the level of interaction they needed to have with the government" and "if it was used to prevent abuse of the social welfaree system". - Previous results for the latter went from 15% positive to 45% and firther increased to 71% positive. However a question without the qualifier returned to 15% positive. - With regards to reducing the level of interaction, 55% were positive.
	18 Privacy Considerations	Further informal meetings at the senior project officer level have continued. See previous comments about request to conduct joint social research.
4. Systems and Knowledge Management	5 Management Information Systems for TFN operations	- On-going - IT priorities within ATO diminish apportunities for big-step improvements.
	31 Knowledge of Management	- Links with Management Information Systems. - Proposal to provide case studies of TFN registration fraud to Operations teams to raise awareness. - FSKME and other KNet insights.

Project Grouping	TFNIP sub-project number and Title	Status
5. Benchmarking and Review	7 Internal Audit on TFN	▪ Completed in April 99 - similar comments as ANAO report
	8 Portfolio review for TFN legislation	▪ Completed - referred to INB Executive
	19 Benchmarking of TFN processing	▪ Move to National Business in July 99 altering costings for ATO downwards. ▪ Developing nationally consistent practises.
	25 Contestability/Location of sites	▪ Move to National Business for TFN processing - number of sites reduced by two. ▪ Linked with benchmarking sub-project.
	32 Electronic technologies	▪ An overarching project linking various sub-projects. ▪ Extension to identity data-matching discussions with CIDC.

To address both EFPA 179 & EFPA 184 - data quality and duplications

To date two separate activities have been undertaken to identify and resolve duplications.

The first of these looked at records where there was an exact match on surname and some match on other identity details such as other names and/or date or year of birth. It was this activity which identified an initial 185,000 potential duplications. After applying a risk assessment to these records and then using a resolution process on those considered to be of substantial possible risk to the revenue, these cases have been resolved.

The second activity, which has recently been commenced, is to look at more subtle cases where potential duplications may have occurred. This has involved comparing names where hyphens or blanks exist in one name but not the other and where a single letter in a name (such as Miler) is the only difference in ID details from a record with a double letter (such as Miller). This latter activity has identified a further 65,000 potential duplications (130,000 TFNs).

The resolution of duplicated records is but one strategy being employed by the ATO to address excess records on our database. Addressing these latest identified clump of duplicate records specifically, as well as other proposed activities to reduce the number of excess records will be undertaken concurrently in the next financial year.