

Audit Report No. 7 2008-2009

Centrelink's Tip-off System

Background

- 3.1 Centrelink is a statutory agency within the Human Services portfolio. It is responsible for the delivery of a wide range of social security payments and services on behalf of other government departments.
- 3.2 In 2007-08, Centrelink administered \$70.6 billion in payments to 6.5 million customers. Payments administered by Centrelink include the Age Pension, Newstart allowance, and Parenting Payment.
- 3.3 Centerlink has one outcome, which is:
- Access to Government services that effectively support: self-sufficiency through participation in employment, education, training and the community; families and people in need; and the integrity of government outlays in these areas.¹
- 3.4 The responsibility to ensure the integrity of government outlays relates to ensuring customer payments are correct. Centrelink conducts compliance and fraud programs to analyse information relevant to the circumstances of customers, and to use this information to review customer eligibility for Centrelink benefits. The management of tip-off information is an element of Centrelink's broader compliance program.

1 Department of Human Services 2008, *Portfolio Budget Statement 2008-09*, DHS, Canberra, p. 72.

Tip-offs

3.5 Centrelink defines tip-offs as:

Allegations and/or other information provided by members of the public about individuals who they believe are obtaining part or all of their Centrelink payment without disclosing complete and accurate details of their circumstances.²

3.6 Tip-offs represent approximately seven per cent of all compliance reviews and fraud investigations completed. They can be difficult to manage, given the involvement of informants, and the challenges in verifying the information received.

Centrelink's management of tip-offs

3.7 Centrelink's approach to tip-offs involves:

- specialised tip-off line operators that answer calls from the Australian Government Services Fraud Tip-off line;
- tip-off processing teams that focus on the assessment of tip-offs; and
- compliance review officers and fraud investigators.

3.8 These officers and other Centrelink officers who may be required to record a tip-off use Centrelink's Tip-off Recording System (TORS) to manage tip-off information, including the initial recording of the tip-off.

3.9 Tip-offs entered into TORS are assessed by specialised teams, known as the Tip-off Processing Site (TIPS) teams. These teams assess the tip-off, and determine whether the tip-off should be verified or investigated.

3.10 The nature of the tip-off received determines whether it is forwarded to a compliance review team, or a fraud investigation team. Tip-offs that allege a customer is attempting to defraud Centrelink are directed to fraud investigation teams, while all other tip-offs are subject to a compliance review.

2 Centrelink, 2007, *Tip-Off Recording System (TORS): Tip-off Identification and Processing Site (TIPS): Guidelines*, Version 1.6, Centrelink, Canberra, p.7.

The audit

Audit Objectives

- 3.11 The objective of the audit was to examine the efficiency and effectiveness of the administration of the tip-off system, including Centrelink's management of privacy issues related to the tip-off management process.
- 3.12 The audit examined Centrelink's management of the tip-off process using two main criteria:
- ensuring the fraud tip-off line is an efficient and effective method of identifying debt and fraud; and
 - ensuring the privacy of callers and customers is managed appropriately and in accordance with social security law³ and the *Privacy Act 1998*.
- 3.13 As part of assessing the effectiveness and efficiency of Centrelink's administration of the tip-off system, the ANAO examined Centrelink's compliance review and fraud investigation processes which are mechanisms for identifying and raising debts against customers.⁴

Audit Conclusions

- 3.14 The audit report made the following conclusion:

Tip-offs are one element in the spectrum of Centrelink's compliance measures designed to ensure that eligible customers receive the correct entitlement. They need to be managed in a manner that delivers the best outcome from each tip-off, while protecting the privacy of customers and safety of informants.

Of the tip-offs received and/or reviewed or investigated⁵ in 2007-08, 17,332 or 16.2 per cent resulted in a reduction, increase, cancellation, rejection or suspension to a customer's payment and/or a debt being raised against the customer.

3 This includes, but is not limited to the *Social Security Act 1991* and the *Social Security (Administration) Act 1999*.

4 In addition to raising a debt, compliance reviews and fraud investigations can also result in a reduction, increase, cancellation, rejection, suspension, or no change to a customer's payment.

5 In addition to completing reviews and investigations resulting from tip-offs received in 2007-08, Centrelink also completed reviews and investigations which resulted from tip-offs received in previous financial years. The number of completed reviews and investigations may also include tip-offs recorded by the TIPS teams in instances where more than one Centrelink customer has been identified in a tip-off.

Centrelink has a documented process and guidelines for the collection and recording of tip-offs that is supported by a tip-off recording system. The tip-off recording system, introduced in March 2008, incorporates collection and recording functions designed to capture relevant information and reduce the time taken to process tip-offs.

Centrelink's guidelines and processes recognise Centrelink's privacy responsibilities in managing informants and customers. However, Centrelink would benefit by improving the guidelines and processes that relate to:

- the collection and retention of tip-offs in order to provide greater consistency in their practical application and protection of customers' and informants' privacy and confidentiality; and
- contacting customers and informants as part of compliance reviews and fraud investigations, to provide a balanced approach to managing the interests of both informants and customers.

Centrelink's compliance and fraud program performance measures are primarily quantitative and can be improved by introducing qualitative measures to provide a more balanced assessment of the compliance review and fraud investigation performance.

Centrelink's ability to reliably estimate the funding and cost of managing the tip-off process, and the subsequent savings generated from the tip-offs received, is limited. The tip-off capability is only one part of Centrelink's broader compliance capability. However, an improvement in Centrelink's ability to cost respective compliance capabilities can assist with decisions about the allocation of resources within Centrelink's compliance and fraud program; and also enhance the quality of advice to stakeholders.⁶

6 Australian National Audit Office (ANAO) Audit Report No. 7, 2008-09, pp. 16-17.

ANAO Recommendations

3.15 The ANAO made the following recommendations:

Table 1.1 ANAO Recommendations, Audit Report No. 7 2008-09

1.	<p>The ANAO recommends Centrelink determine a policy and implement a time frame after which information contained in a tip-off, that is deemed to require no further action and is not used as part of an active review or investigation, is permanently deleted from TORS.</p>
	<p><i>Centrelink response: Agree.</i></p>
2.	<p>To mitigate the risk of fraud investigators unnecessarily contacting customers, the ANAO recommends Centrelink revise the Fraud Investigation Manual to:</p> <ul style="list-style-type: none"> • provide parameters for when it may be appropriate for investigators to contact customers without a suspicion of criminal conduct; and • require fraud investigators, with a suspicion of criminal conduct, to have 'reasonable grounds' prior to contacting a customer and consider classifying this process as a critical decision.
	<p><i>Centrelink response: Agreed. Updates to the Fraud Investigation Manual, subsequent to its provision to the ANAO, have included guidelines that detail when it may be appropriate for investigators to contact customers without a suspicion of criminal conduct.</i></p>
3.	<p>To ensure protection of customers' privacy and informants' safety during compliance reviews and fraud investigations, the ANAO recommends Centrelink:</p> <ul style="list-style-type: none"> • revise guidelines for compliance officers to include when it is appropriate to contact an informant and any privacy implications for the customer; and • consolidate its existing fraud investigation guidance relevant to informants into a central source, which includes an informant management policy that addresses the requirements of the Australian Government Investigation Standards.
	<p><i>Centrelink response: Agreed.</i></p>
4.	<p>To provide a balanced set of internal performance measures, the ANAO recommends that Centrelink introduce measures for compliance officers and fraud investigators which assess the conduct and quality of the reviews and investigations, to supplement current quantitative measures.</p>
	<p><i>Centrelink response: Agree.</i></p>
5.	<p>The ANAO recommends that Centrelink develop and maintain budgetary funding details and accurately identify and attribute all material costs associated with the tip-off process.</p> <p>Centrelink response: Agree. Centrelink will attribute details of recent revenue received for tip-offs and will consider affordable options to track costs associated with the delivery of the tip-off process where they may materially impact on measuring the performance of the wider fraud and compliance program.</p>
6.	<p>To improve the reliability of savings figures required for reporting purposes, the ANAO recommends that Centrelink, the Department of Education, Employment and Workplace Relations, the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of Finance and Deregulation develop a savings methodology that more accurately estimates an amount realisable by the Australian Government.</p> <p><i>Centrelink response: Agree. Centrelink is currently working with the Department of Human Services and the Department of Finance and Deregulation to improve the measurement of fraud and compliance programs, including savings methodologies.</i></p>

DEEWR response: DEEWR agrees to the recommendation.

FaHCSIA response: FaHCSIA welcomes Recommendation 6 of the Australian National Audit Office (ANAO) to participate, in consultation with, the Department of Finance and Deregulation, Centrelink and other policy departments in the development and implementation of a new, robust savings methodology.

Finance response: Finance agrees with Recommendation 6.

The Committee's review

3.16 The Committee held a public hearing on Monday 16 March 2009, with the following witnesses:

- Australian National Audit Office (ANAO); and
- Centrelink

3.17 The Committee took evidence on the following issues:

- improvements since the audit;
- costs of the tip-off scheme;
- receipt of, and action taken on tip-offs; and
- data handling and management.

Costs of the tip-off scheme

3.18 Centrelink reported to the Committee on the improvements made since the audit. It noted that staff training had improved, with staff at all 25 fraud sites receiving face-to-face training in tip-off handling. Additionally Centrelink reported that it had implemented a quality assurance framework for fraud investigations, and that the framework would be replicated across the compliance reviews area.⁷

3.19 The Committee noted the ANAO finding that tip-off data was being collected inconsistently by operators. Centrelink replied that data collection had been streamlined with the introduction of the new Tip-offs Recording System (TORS), and that there was now more targeted questioning of people making tip-offs.⁸

7 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 25.

8 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 32.

- 3.20 The Committee looked at the total amount of recovered debt and the cost effectiveness of the tip-off scheme. Centrelink advised that approximately 70 per cent of the debt base was currently under recovery.⁹ It noted that it was difficult to determine whether or not the tip-off system paid for itself, as it was difficult to disaggregate the costs of some of the functions within the tip-off scheme, as some staff did not work exclusively on tip-offs.¹⁰ However, Centrelink estimated that the amount of money returned to Centrelink would be considerably higher than the cost of tip-offs, and that there was a high deterrent value in maintaining the tip-off system.
- 3.21 The Committee asked the ANAO whether it had made any recommendation to conduct a cost-benefit analysis of the tip-off scheme. The ANAO advised that it was an issue that had been examined, but that it had been difficult to obtain the relevant data to conduct a cost-benefit analysis.¹¹ Further, the ANAO noted that given the size of Centrelink, and the diverse nature of its business, that it was difficult to cost different activities down to smaller levels.¹²
- 3.22 Examining the issue further, the Committee was advised that in the financial year to date in February 2009, that 10,000 out of 63,000 investigations arising out of tip-offs had led to a customer debt being incurred, or a reduction, cancellation or suspension of payment, and that the total amount of savings identified was just over \$80 million.¹³

Receipt of, and action taken on tip-offs

- 3.23 The Committee asked about the way tip-offs were reported to Centrelink, with Centrelink reporting that for the financial year up to the end of February 2009, that 18,495 tip-offs were received via the internet, 31,857 were received via the Australian Government Services Fraud Tip-off Line, and that 10,372 tip-offs were reported in person or via the general Centrelink call centre. Additionally, 207 tip-offs were reported directly

9 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 27.

10 Mr Burgess, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 34.

11 Mr Williamson, Australian National Audit Office (ANAO). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 34.

12 Mr Williamson, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 34.

13 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 35.

from the Australian Taxation Office, and 2,867 were received through other channels such as other government agencies.¹⁴

- 3.24 The Committee asked whether Centrelink reported policy flaws uncovered by tip-offs and investigations to client government agencies such as the Department of Education, Employment and Workplace Relations (DEEWR), and the Department of Families, Housing and Community Services and Indigenous Affairs (FaHCSIA). Centrelink reported that all of its activities provided feedback to agencies, and that it worked closely with them on these matters.¹⁵
- 3.25 The Committee examined the actions taken on tip-offs deemed worthy of further investigation. Centrelink reported that for the financial year up to the end of February 2009, that 29,206 compliance reviews had been conducted, and that there had been 3,093 fraud investigations.¹⁶ The Committee asked why, given there had been over 100,000 tip-offs, there had only been slightly over 32,000 actions taken.
- 3.26 Centrelink replied that there were two reasons why there were such a large number of uninvestigated tip-offs, with approximately 15,000 tip-offs relating to people who are not customers of Centrelink, and the remainder having been assessed by analysts as not having enough information to proceed with further investigations.¹⁷

Data handling and management

- 3.27 The Committee noted the Audit Report's finding that handling of complaints data could be improved by Centrelink, and asked about Centrelink's data handling process. Centrelink advised that complaints about non-Centrelink customers were deleted after 90 days, and that unsubstantiated complaints about current Centrelink customers were retained for a year¹⁸ within the TORS, a separate entity to the Centrelink customer record.¹⁹

14 Mr Ryman, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 28-9.

15 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 28.

16 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 29.

17 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 30.

18 Mr Cotterill, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 30.

19 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 30.

- 3.28 The Committee expressed some reservations about staff being able to access such data, and asked who had access to the TORS database. Centrelink replied that analysts who determined whether or not a tip-off was investigated and the individual officer conducting the compliance review or fraud investigation would be able to access such data.²⁰ Further, Centrelink noted that its staff were trained and held appropriate security clearances, and that they signed privacy declarations.²¹
- 3.29 The Committee noted that the ANAO had recommended some changes to the TORS, with Centrelink replying that a new TORS was implemented during the audit, and that a more refined database and set of questions had been put in place. The Committee asked the ANAO for its perspective on the new TORS, with the ANAO advising that it had examined the new TORS, and it had found that records were still being kept in the system once it had been decided that there was no further need for the information to be retained.²²
- 3.30 The Committee asked Centrelink whether unsubstantiated tip-off data on customers really was deleted from TORS after 12 months. Centrelink replied that data could be de-identified and used for trend analysis and identification of emerging fraud controls, and that Centrelink was currently working with its legal branch to determine its obligations under the Archives Act to retain identified data.²³

Recommendation 2

The Committee recommends that Centrelink fully implement Recommendation Number 1 from the Australian National Audit Office Report Number 7 2008-09, and ensure that information in a tip-off deemed to no longer require any action be permanently deleted from the Tip-off Recording System as soon as it is identified as such.

- 3.31 The Committee asked whether enough data was now collected to enable better measurement of the effectiveness of the tip-off scheme. Centrelink

20 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 30.

21 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 31.

22 Mr Williamson, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 31.

23 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 31.

noted that the data collected had enabled it to better examine trends and patterns, providing it with information for point-in-time analysis.²⁴

- 3.32 The Committee noted the ANAO finding that customers who had been informed they were the subject of a compliance review were often not told of its result. Centrelink reported that it was now mandatory for a compliance officer to inform a customer of the result of the compliance review.²⁵
- 3.33 Centrelink was asked how funding was determined between the fraud and compliance sections, with the agency replying that Government policy and measures determined the funding balance, and that it was generally provided on an aggregated amount and then divided within the agency.²⁶ The Committee asked whether the area of tip-offs was receiving enough funding, with Centrelink indicating that it was receiving sufficient funding for this area of its business.²⁷

Conclusion

- 3.34 The Committee is again pleased to see Centrelink acting quickly on the recommendations of the ANAO to improve Centrelink's interactions with its customers.
- 3.35 It is pleasing to see Centrelink providing feedback to agencies like FaHCSIA and DEEWR reporting policy flaws that have been identified through the review of tip-offs.
- 3.36 The Committee remains concerned that Centrelink is retaining data on Centrelink customers that has been investigated and found to be unsubstantiated, and urges Centrelink to adopt its recommendation to prevent possible further investigations of customers being prejudiced by the presence of unsubstantiated allegations.
- 3.37 Overall, the Committee is satisfied with the progress made by Centrelink since the audit and looks forward to seeing further improvement in the near future.

24 Mr Ryman, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 33.

25 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 32.

26 Mr Burgess, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 35.

27 Mr Burgess, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 36.