



PROGRAM PROTOCOL

Pay-As-You-Go (PAYG)

Data Matching

May 2004

Approved Version

TABLE OF CONTENTS

1	DESCRIPTION OF THE PROGRAM PROTOCOL.....	4
1.1	Purpose.....	4
1.2	Requirement for a Program Protocol.....	4
1.3	Definition of Data-matching.....	4
2	DESCRIPTION OF THE MATCHING PROGRAM.....	5
2.1	Summary of the program.....	5
2.2	Objectives.....	6
3	AGENCIES INVOLVED.....	7
3.1	Source Agencies.....	7
3.2	Matching Agency.....	7
3.3	Data used in matching.....	7
4	DATA ISSUES.....	9
4.1	Data Quality.....	9
4.2	Data Integrity.....	9
4.3	Data Security.....	9
5	THE MATCHING PROCESS.....	10
6	ACTION RESULTING FROM THE PROGRAM.....	11
6.1	Employment Income Reviews.....	11
7	TIME LIMITS APPLYING TO THE PROGRAM.....	12
8	PUBLIC NOTICE OF THE PROGRAM.....	12
9	REASONS FOR CONDUCTING THE PROGRAM.....	13
9.1	Relationship with the agencies lawful functions.....	13
9.2	Social Considerations.....	13
9.3	Voluntary Compliance.....	13
10	LEGAL AUTHORITY.....	14
10.1	Centrelink.....	14
10.2	Australian Taxation Office.....	14
11	DISCLOSURE OF INFORMATION PROVISIONS.....	15
11.1	Australian Taxation Office.....	15
12	ALTERNATIVE METHODS.....	16
13	PILOT PROGRAMS.....	17
14	COSTS AND BENEFITS.....	18
14.1	Actual Running Costs.....	18
	Initiative Performance.....	19

Approved Version

Cost Benefit Ratio..... 19
ATTACHMENT A – CUSTOMER CONTACT LETTER – Q062 (customer) 20

1 DESCRIPTION OF THE PROGRAM PROTOCOL

1.1 Purpose

The purpose of the program protocol is to:

- (i) identify the matching agency and the source agency;
- (ii) detail the direct relationship of the program to the performance of the lawful functions or activities of the matching agency;
- (iii) set out the legal basis for any collection, use or disclosure of personal information involved in the program;
- (iv) outline the objectives of the program, the procedures to be employed, the nature and frequency of the matching covered by the program and the justifications for it;
- (v) explain what methods other than data matching were available and why they were rejected;
- (vi) detail any cost/benefit analysis or other measures of effectiveness, which were taken into account in deciding to initiate the program;
- (vii) outline the technical controls proposed to ensure data quality, integrity and security in the conduct of the program;
- (viii) provide details of pilot testing of the program;
- (ix) outline the nature of the action proposed to be taken in relation to the results of the program including any letters to be used by the agency involved;
- (x) indicate what form of notice is to be given, or is intended to be given to individuals whose privacy is affected by the program, and
- (xi) specify any time limits on the conduct of the program.

1.2 Requirement for a Program Protocol

The Privacy Commissioner's guidelines on *The Use Of Data-matching In Commonwealth Administration* specify that a program protocol be prepared by agencies conducting certain data-matching programs. These guidelines are voluntary. Centrelink and the Australian Taxation Office (ATO) comply with these guidelines.

This initiative is **NOT** part of the program authorised by the *Data-matching Program (Assistance and Tax) Act 1990*.

1.3 Definition of Data-matching

Data matching is the comparison of two or more sets of data to identify similarities or discrepancies. In the context of this protocol, the term data matching is used to denote the use of computer techniques to compare data found in two or more computer files to identify cases where there is a risk of incorrect payment.

Centrelink observes the *Information Privacy Principles*. Individuals who consider that an agency has interfered with their privacy may complain to the Privacy Commissioner.

2 DESCRIPTION OF THE MATCHING PROGRAM

2.1 Summary of the program

Centrelink was established by the government in September 1997 to link the service delivery functions of government departments and agencies to enhance the delivery of those services. Centrelink delivers the payment of Commonwealth allowances and pensions subject to Business Partnership Agreements made with client departments. As a part of this service delivery, Centrelink undertakes compliance activities to ensure payment integrity is maintained

The Australian Taxation Office (ATO) is responsible for the administration of legislation relating to taxation and excises (excluding customs duties). One part of this responsibility is the Pay-As-You-Go (PAYG) taxation system.

From 1 July 2000 a single PAYG system replaced 11 existing reporting systems, including Pay-As-You-Earn (PAYE), Prescribed Payments System (PPS), provisional tax and the company superannuation fund systems.

PAYG is a single integrated system for reporting and paying withholding amounts and tax on business and investment income. The system brings income tax instalments and withholding tax obligations together in one system, which for most businesses means one set of payment dates and one form to complete.

There are two (2) elements of the new system: PAYG instalments and PAYG withholding.

As part of an increased focus on the detection of customers failing to declare or underdeclaring income, an initiative has been introduced to match Centrelink customers with those identified by the ATO as having a PAYG Payment Summary. The data used in the project is sourced from the ATO Pay-As-You-Go Data, which is from the PAYG payment summaries electronically lodged by employers with the ATO.

The PAYG data-matching pilot was announced in the 2000-2001 Budget.

The customer's Centrelink income details are compared with the income details in their PAYG Payment Summary and, where anomalies are identified between the income declared to Centrelink and ATO, the customer is selected for review. The resulting selections are loaded to the Integrated Review System (IRS).

Identified cases are forwarded to Centrelink Clustered Sites for review. Depending on the result of the review, further action may be taken, including a reduction in payment, cancellation of payment, raising and/or recovery of a debt and, in some circumstances, prosecution.

The Program Protocol for Pay-As-You-Go (PAYG) Matching was lodged with the Office of the Privacy Commissioner in May 2004.

Approved Version

2.2 Objectives

The objectives of this matching program are:

- to achieve savings in program outlays by identifying customers, and their partners, with undisclosed or incorrectly declared income from employment;
- to deter customers tempted to fail to disclose income from employment and to promote voluntary compliance through public awareness of the program;
- to recover any moneys which may have been incorrectly paid to those customers; and
- where appropriate, undertake prosecution action.

3 AGENCIES INVOLVED

3.1 Source Agencies

The source agencies that supply data for the purposes of this program are:

- Australian Taxation Office (ATO); and
- Centrelink.

Centrelink is the primary user of this data.

3.2 Matching Agency

The matching agency for this program is Centrelink. The agency's clients for this initiative are the Department of Family and Community Services (FaCS). Centrelink is responsible, as the matching agency, for:

- receiving the data from the source agencies;
- matching the data;
- ensuring the security of the data during processing;
- the destruction of non-customer data at the end of each matching process; and
- the distribution of matched cases to the Centrelink network for review.

3.3 Data used in matching

Centrelink Data

Centrelink supplies its own data relating to all customers in receipt of an income support payment.

Approved Version

Australian Taxation Office

The ATO supplies certain data, which has already been matched with Centrelink customer records. The ATO provides the following information to Centrelink for matching purposes:

- Payer Australian Business Number (ABN);
- Payer name;
- Payer Trading name;
- Payer address;
- Contact name, telephone and facsimile number;
- Australian & New Zealand Standard Industry Classification (ANZSIC) Code;
- PAYG Payment Type;
- Payee Reference Number;
- Payee Australian Business Number (ABN);
- Payee date of birth;
- Payee surname, first given name, second given name;
- Payee address including Suburb, State, Postcode and Country;
- Period of payment start and end date;
- Withholding rate;
- Total tax withheld; gross payment; allowances; lump sum payments;
- Community Development Employment Project, Other income, Reportable fringe benefits, income type;
- Number of calendar days in eligible service period pre 01.07.83 and post 30.06.83;
- Capital Gains Tax exempt and non-qualifying component;
- Undeducted contributions;
- Concessional component, Pre July 1983 element, Post June 1983 taxed element, Post June 1994 invalidity component;
- Assessable amount;
- Death benefit, type of death benefit; and
- Payer Branch Number.

4 DATA ISSUES

4.1 Data Quality

Poor quality data is of limited value in data matching. Centrelink, as the matching agency, verifies the integrity of the data received from the ATO for such things as correct date format and that data is present in all the required fields.

4.2 Data Integrity

Centrelink and the ATO try to maintain the highest level of data integrity possible. Measures taken to maintain integrity levels include designing systems that will not accept records that are incomplete, and identifying and correcting records that have data items that are inadequate or corrupt.

Centrelink data, or more specifically those data items used in the matching process, are standardised. Standardisation is the process whereby data items such as name, address and date of birth are converted in such a way as to ensure that these items are consistent across both organisations' files.

4.3 Data Security

Centrelink staff is subject to existing security controls and the confidentiality provisions of the *Social Security (Administration) Act 1999*. Access to the Centrelink computer centre is strictly controlled and entry properly authorised. The Centrelink security system provides protection and control of dataset access and system entry and program integrity. Security features include logon identification codes, passwords and security groupings to ensure that access to information is on a needs only basis.

The ATO is responsible for its own security with respect to its staff and access to the data provided to Centrelink. The ATO observes strict rules on the transfer of data.

The ATO provides PAYG data to the Data Matching Team. The data file is sent to Centrelink by cartridge between the two agencies.

Existing security arrangements in Centrelink automatically log user access to data files.

Statistics can be produced on the number of records read, number of records matched, number of records unmatched and number of records written. Audit trails that enable verification of the processing of the data are also in place.

Appropriate data destruction practices are in place (see section 5).

5 THE MATCHING PROCESS

This ATO PAYG data-matching program identifies customers, or their partners, who may have income from employment that has not been correctly declared to Centrelink or anomalies identified with the amount declared and received. People who appear on both the ATO and Centrelink files are considered to be 'matches'.

The matching process is only undertaken for ATO PAYG records with the same identity details as a Centrelink customer. The ATO does the initial identity match against Centrelink's annual PAYG Payment Summary file. Centrelink does an additional identity match of all ATO PAYG records with Centrelink customer records, by comparing the surname, forename, middle initial and date of birth with all Centrelink records. Where a match is identified, a selection is generated and output to the Centrelink network for review.

When a customer has been matched, and they have a partner who is also a customer of Centrelink, a review may also be generated for the partner, as any undisclosed income may impact on the partner's entitlement. This process will actually occur during the review selection period. Partner reviews may also be added manually where the relationship is no longer current, but the review process has identified that the partner entitlement would have been impacted during the period of the relationship.

Personal information extracted for use in this data matching program which does not lead to a match is destroyed by Centrelink as soon as practicable and within 90 days after the matching occurred.

6 ACTION RESULTING FROM THE PROGRAM

At the completion of the matching, selected customers have a review activity loaded into Centrelink's Integrated Review System (IRS).

6.1 Employment Income Reviews

The matches produced will be customers who have income in the following categories:

- Individual Non-business, (i.e. wages or salary).
- A 'Voluntary Agreement'. These are available for individual workers (not employees) who are not required to have tax withheld from their payments at the time of receipt. This applies to certain subcontractors who must have an ABN.
- Labour Hire and other Specified Payments. Labour Hire applies to an individual worker who is:
 - An employee employed through a common law contract.
 - An independent contractor arranged directly.
 - An independent contractor arranged through another entity, such as a company, partnership, or trust.
- Specified Payments refers to those payments that would have been affected under the former Reportable Payments System or Prescribed Payments System
- Personal Services Attributed Income, which is the income of an individual or an entity such as a company, partnership or trust that is mainly a reward for an individual's personal efforts or skills.

Before commencing the review, Centrelink staff will check the customer's record to determine if the discrepancy can be explained. Where the check is unable to explain the discrepancy, the customer will be contacted by letter. This letter advises the customer that Centrelink has received information from the ATO indicating they may have commenced employment that may not have been declared, or may have been under-declared, to Centrelink. A copy of this letter is found in Section 15.

The customer is given a period of at least 14 days from the date the letter is issued in which to contact Centrelink in relation to the employment information. Customers are also advised that their payments may be suspended or cancelled and/or they may have an administrative breach applied if they do not respond within the required period.

Upon contacting Centrelink, the customer is provided with an opportunity to respond to the information and provide appropriate evidence of their income from employment. Where Centrelink is satisfied that the information provided by the customer is complete and accurate, Centrelink will not approach third parties for further information. If the customer is unable to provide sufficient evidence, the employer may be contacted to provide further information.

Should the customer fail to respond to Centrelink's request within the specified timeframe, payment may be suspended or cancelled. An administrative breach may also be applied for Newstart and Youth Allowance customers. If the customer responds to the request, Centrelink will not stop payments until the employment information has been confirmed, or the customer requests payment to cease.

Approved Version

The results of the review are recorded on IRS. Depending on the result of the review, further action may be taken, including:

- reduction or cancellation of payment;
- raising of a debt; and
- prosecution action in serious cases.

7 TIME LIMITS APPLYING TO THE PROGRAM

The matching of ATO PAYG data is conducted annually, and cases released to the network weekly.

Data is destroyed in accordance with the Privacy Commissioner's guidelines on *The Use of the Data-matching in Commonwealth Administration*. ATO data deemed unsuitable for matching is destroyed within 14 days of receipt from the ATO. ATO data used in the matching run but not matched is destroyed within 90 days; and all remaining ATO data is destroyed within 12 months.

8 PUBLIC NOTICE OF THE PROGRAM

This data matching program was notified in the Commonwealth Government Gazette of 12 May 2004.

9 REASONS FOR CONDUCTING THE PROGRAM

9.1 Relationship with the agencies lawful functions

The program is clearly related to Centrelink's lawful function of limiting payments to those eligible under relevant legislation. The *Social Security Act 1991* and the *Social Security (Administration) Act 1999* provide that customers are required to be eligible for payment. These requirements are given to customers in a written advice authorised under different sections of these Acts for different payment types.

9.2 Social Considerations

There are three key social issues associated with the initiative:

- only persons entitled to receive payments from Centrelink do so at the correct rate;
- the desire of most taxpayers for the income support system to be secure as possible from cheating and fraud; and
- the protection of an individual's right to privacy.

Allied to those issues is a concern for social justice. In particular, there is strong support in the community for an income support system that directs available funds to those most in need of assistance. The program helps to achieve this in two ways:

- by strengthening controls in Centrelink payment systems it reduces the outlays from Centrelink programs (this provides funds for the Government to direct to other priorities); and
- the existence of effective controls in payment systems soon becomes evident to the community and rapidly increases voluntary compliance.

Suitable safeguards against unreasonable intrusion into the privacy of individuals are built into the data-matching arrangements. Matching is conducted in accordance with the Privacy Commissioner's guidelines on *The Use Of Data-matching In Commonwealth Administration*.

9.3 Voluntary Compliance

The community's compliance with the law increases when it knows that Centrelink has effective controls in its system to detect incorrect payments and fraud. That is, people claiming or receiving income support payments are more likely to comply voluntarily with the law if they know that:

- there is a high probability that incorrect payments will be detected;
- they will be required to repay any debt; and
- they may be prosecuted if they attempt, by fraud or misrepresentation, to obtain payments to which they are not entitled.

The extent of the voluntary compliance effect flowing from this initiative is difficult to measure and an estimation of the monetary benefits has not been attempted.

10 LEGAL AUTHORITY

10.1 Centrelink

- Section 195 of the *Social Security (Administration) Act 1999* provides that Centrelink may require the provision of specified information that relates to a class of people. This section authorises Centrelink to request from the ATO the details of data recorded on the PAYG Payment Summaries.

Section 192 of the *Social Security (Administration) Act 1999* provides that Centrelink may require the provision of information of relevance to the assessment of claims for Centrelink payments, including whether a Centrelink payment is or was payable to the person who received it or whether the rate is or was correct. Data is provided by the ATO to Centrelink pursuant to this provision.

In both instances data is requested in accordance with section 196 of the *Social Security (Administration) Act 1999*. Section 196 provides that written notice of the information requirements requested in accordance with both sections 192 and 195 be provided by Centrelink to the ATO prior to that information being given.

Information Privacy Principle 11 (IPP 11) does not limit the disclosure of personal information by an agency where that disclosure is required or authorised by or under law. As the ATO information involved in this data-matching program is obtained by Centrelink under sections 192 and 195 of the *Social Security (Administration) Act 1999*, IPP 11 does not limit its disclosure to Centrelink.

10.2 Australian Taxation Office

The ATO is required to comply with formal notices issued under Sections 192 and 195 of the *Social Security (Administration) Act 1999*. Currently the ATO supplies information to Centrelink on a voluntary basis, without the need for Centrelink to collect this information formally under s192 and s195.

11 DISCLOSURE OF INFORMATION PROVISIONS

11.1 Australian Taxation Office

The ATO releases sufficient information to Centrelink to allow matching to be undertaken and to correctly adjust matched customers' payments. The ATO only provides sufficient information to allow Centrelink to determine the correct entitlement of a customer.

12 ALTERNATIVE METHODS

There are three other data matching programs used by Centrelink to detect customers who have failed to declare, or fail to correctly declare, income from employment.

1. Centrelink matches information from the Australian Taxation Office (ATO) to detect non-disclosure by Centrelink customers of income from employment. The information matched includes Tax File Number Declaration Forms (TDF). This matching has been conducted since May 1987 (previously as Employment Declaration Form (EDF) Matching). This program relies upon the customer completing a TDF and the employer lodging the TDF with the ATO. The data is received from the ATO, and reviews loaded to the Centrelink network on a weekly basis.
2. Centrelink matches information from the Department of Employment and Workplace Relations (DEWR) to detect non-disclosure by Centrelink customers of income from employment. This program relies upon the customer either being placed into employment by a Job Network Member (JNM), or advising a JNM that they have commenced employment. This matching uses data provided by DEWR each calendar month for the previous month.
3. Centrelink matches information from the ATO through the Data-matching Program. This program relies on the customer lodging an Income Tax Return with the ATO and declaring income from employment as a source of income. This matching works on previous financial year data. The Data-matching Program is conducted up to nine times a year.

Other methods available to Centrelink are voluntary compliance, public denunciation, random manual reviews and Industry reviews. Analysis has shown that these methods are time consuming and labor-intensive.

The program of matching PAYG Payment Summary records from ATO seeks to complement these programs by detecting those customers who may not have been detected by the above-mentioned methods, or incorrectly/under declared earnings during their entitlement, therefore identifying customers at risk of incorrect payment.

13 PILOT PROGRAMS

The PAYG data-matching pilot was announced in the 2000-2001 Budget.

The first phase of the pilot was conducted in 2000-2001, commencing in December 2001, and ending in June 2002. Phase II of the project commenced in December 2002, and was completed in June 2003.

The reviews were conducted in centralised teams in Area South Metro and Area North Central Victoria, for Phase I, and solely by Area South Metro for Phase II of the pilot.

The project met or exceeded the measures set down in the Budget estimates for debts raised and overall savings.

The project realised \$12,789,000 for the 2002-2003 financial year, which exceeds the \$12,672,000 estimated in the Budget papers.

The savings estimate contained in the budget papers was based on the assumption that 10,000 reviews would be completed over the life of the pilot. As of 30 June 2003, the project had 8,151 reviews completed. The final savings figure is estimated to substantially increase as reviews commenced as part of the pilot in the 2002-03 are finalised in the new financial year.

Total savings for Centrelink from the pilot program were \$15,944,769.

Approved Version

14 COSTS AND BENEFITS

This section details the costs and benefits for this program that were taken into account in deciding to initiate the program. Annual savings are published in the *Annual Report of the Federal Privacy Commissioner*.

14.1 Actual Running Costs

The methodology used in calculating the costs of this project were based on the Department of Finance publication *Guidelines for Costing of Government Initiatives* (July 1991).

The cost components which have been included are:

- direct operating salary; and
- overheads.

Direct operating salary costs were derived by identifying the time it takes to complete each element of a review, and then using the numbers of reviews completed to determine salary costs. An allowance was made for National Support salary costs.

Debt recovery salary costs were also estimated and included.

Overheads were calculated using the Department of Finance figure of 154.4% of direct operating salary.

The actual costs are, of course, determined by the number of reviews conducted, while the allocated costs have been constant over time. Actual costs are used in calculating the cost/benefit ratio.

Allocated Resources

The total resource allocation for the 2001-2002 Budget Initiative was as follows:

2001-2002

	\$
Salary – NSO	51,388
Salary – Area Offices	618,702
Salary – Customer Service Centres	-7,073
Salary – Systems	139,404
Admin Expenses	306,290
Property Operating Expenses	101,430
<i>(source 2001-2002 Budget Documents)</i>	1,210,141

2002-2003

	\$
Salary – NSO	37,994
Salary – Area Offices	615,383
Salary – Customer Service Centres	-14,348
Salary – Systems	20,915
Admin Expenses	175,530
Property Operating Expenses	85,190
Out turn factor less 1% efficiency dividend	9,930
<i>(source 2001-2002 Budget Documents)</i>	930,594

Approved Version

Initiative Performance

Overall identified savings results for matching PAYG Payment Summary Data for the 2001-02 and 2002-03 Financial Year are as follows:

	2001-2002	2002-2003	Overall Results
Selections	6,111	26,880	32,991
Reviews Completed	4,043	4,108	8,151
Number of Reductions (incl, cancellations)	235	724	959
Reductions in fortnightly outlays	39,025	205,308	244,333
Savings from downward variations only \$ (a)	171,262	885,000	1,056,262
% of raised debts	38.3	85.0	61.8
Total savings including raised debts \$	3,155,769	12,789,000	15,944,769
<i>(source – Superstar and IRS)</i>			
<p>Note: All savings figures that is, \$ Reductions, \$ Savings, number of debts raised and \$ Total savings are net figures. IRS applies a six (6) week restoration period to all reductions and debts. The value of the reduction or debt at the end of the period is the net result. Reduction savings figures are extrapolated for the full financial year. Under agreement with the Department of Finance and Administration, savings from reduction in fortnightly outlays are claimed for 26 fortnights. It is assumed that on average savings occur half way through the year therefore, half the savings are claimed in the current financial year and half are carried over the next financial year. All costs for conducting the review are included in the year in which the review is conducted.</p>			

Cost Benefit Ratio

Financial Year	Allocated total costs \$	Identified Savings Benefit \$	Cost/Benefit Ratio
2001-02	1,210,141	3,155,769	1: 2.61
2002-03	930,594	12,789,000	1: 13.74
Overall	2,140,735	15,944,769	1: 7.45

(Source – 2001 – 2002 Budget Documents, Superstar and IRS)

The costs for this initiative are based on resources required for conducting this number of reviews, including set-up costs etc. Accordingly the cost/benefit ratio reflects the value of the initiative.

Approved Version

ATTACHMENT A – CUSTOMER CONTACT LETTER – Q062 (customer)

Centrelink Office Postal Address

Centrelink Office Street Address

Fax: (02) 1234 5678

Please Quote: Q062/123 456 789X

Telephone: (02) 1234 5679

Office Hours: Monday – Friday 8:30am to 5:00pm

Mr J Customer

1 Customer Street

Sydney NSW 2000

Dear Mr Customer

Request for Information

This letter is about your (*payment type*).

We need to make sure you are receiving the correct amount of (*payment type*). One way of doing this is to compare the records of other Government agencies with our records.

The authority to obtain details of your income sources from third parties such as the ATO, is contained in Section 192 of the Social Security (Administration) Act 1999, and such information must be provided under the law.

The information shows that you have received income from the following source:

(*Employer 1 name*) between (*commencement date*) and (*completion date*).

(*Employer 2 name*) between (*commencement date*) and (*completion date*).

(*Employer 3 name*) between (*commencement date*) and (*completion date*).

WHAT YOU NEED TO DO

You may have already told us your income information, but we need you to confirm these details. Please call us on (*1800 number*) (toll free) by (*date +21*). If you do not respond by (*date +21*) your current payment may be stopped. (*NSS: If you reapply you may be penalised with either a rate reduction period of 16% for 13 weeks or a two week non-payment period.*).

This is an information notice given under the social security law. If the information we receive shows that there may be a change to your payments and that you have incurred an overpayment we will write to you again.

Yours sincerely

(*customer service officer's name*)

Customer Service Officer

Centrelink

27 October 2003