

The Auditor-General
Audit Report No.8 2007–08
Performance Audit

Proof of Identity for Accessing Centrelink Payments

Centrelink

Department of Human Services

Australian National Audit Office

UNDER EMBARGO
until Tabled 3 October 2007

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Canberra ACT
3 October 2007

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in Centrelink and the Department of Human Services in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is titled *Proof of Identity for Accessing Centrelink Payments*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

ABS SCU	Australian Bureau of Statistics Statistical Consultancy Unit
AFFA	Department of Agriculture Fisheries and Forestry Australia
AGE	Age Pension
ANAO	Australian National Audit Office
BAF	Business Assurance Framework
BPA	Business Partnership Agreement
CEI	Chief Executive Instructions
CRN	Centrelink Reference Number
CSA	Customer Service Advisor
CSC	Customer Service Centre
DAFF	Department of Agriculture, Fisheries and Forestry (formerly known as AFFA)
DEST	Department of Education, Science and Training (formerly known as DETYA)
DETYA	Department of Education, Training and Youth Affairs
DEWR	Department of Employment and Workplace Relations
DHS	Department of Human Services
DSP	Disability Support Pension
FaCS	Department of Family and Community Services
FaCSIA	Department of Families, Community Services and Indigenous Affairs (formerly known as FaCS)

FAO	Family Assistance Office
GIR	'Getting It Right' Strategy
IRP	Identity Review Period
ISIS	Income Security Integrated System
LNA	Learning Needs Analysis
NSA	Newstart Allowance
PPP	Parenting Payment Partnered
PPS	Parenting Payment Single
PBS	Portfolio Budget Statements
POI	Proof of Identity
QA	Quality Assurance
QOL	Quality On-Line
RSE	Relative Standard Error
RSS	Random Sample Survey
SSA Act	<i>Social Security (Administration) Act 1999</i>
YAL	Youth Allowance

Glossary

Access Card	The Australian Government announced on 26 April 2006 the proposed introduction of a health benefits, veterans' and social services access card (Access Card), to replace 17 health and social services cards and vouchers across the Human Services portfolio. Registration activity for the Access Card is expected to commence within 18 months of the relevant legislation being passed by the Parliament. Subject to the passage of the relevant legislation through the Parliament, the Government intends that two years after the registration activity commences people will only be able to obtain government health benefits, veterans' and social services if they have an Access Card. ¹
At-risk customers	<p>The circumstances of some of Centrelink's customers put them at-risk of being unable to meet, either in the short term or not at all, standard proof of identity requirements for accessing the social security payments they need.</p> <p>At-risk customers might include people who are: released prisoners; homeless people; people who are institutionalised; refugees; Indigenous people; people with severe disabilities; members of religious orders; and, some migrants to Australia.</p>
Centrelink Reference Number	A customer's Centrelink Reference Number consists of a ten digit identifier containing nine numbers followed by a letter. For example, 555666777A. Customer information stored electronically in ISIS is organised around the CRN.

¹ Advice from the Office of Access Card to the ANAO in September 2007.

Coding	<p>'Coding' refers to Customer Service Advisors entering data in ISIS. Coding is used for the following information contained on POI documents: document type; registration/serial number on a document; date issued (under the tiered POI model for some documents this is replaced by the expiry date); country of issue; state of issue; and date arrived.</p>
'Getting It Right' Strategy	<p>The 'Getting It Right' strategy was introduced in Centrelink in 2000–01. The strategy identified four pillars of payment correctness: the right person, right programme, right rate, and right date. The 'right person' is established by POI and by naming conventions.</p>
Income Security Integrated System	<p>ISIS is a suite of systems for recording customer claims, and processing Centrelink payments. ISIS is Centrelink's main electronic customer database.</p>
In-scope population	<p>The scope of a survey is the population of units about which conclusions need to be drawn—the 'in-scope' population. Given that there are millions of Centrelink customers, it is impractical to assess the POI for every customer. The ANAO assessed a random sample of Centrelink's customer records in order to make inferences about the entire in-scope population of current customers. The in-scope population for the ANAO's survey included Centrelink customers who met the following criteria:</p> <ul style="list-style-type: none"> • customers receiving at least one current Centrelink payment; • the payment was granted at least ten weeks before the ISIS extract was provided to the ANAO; and • the payment required proof of identity documentation to be provided to tier 1, 2 or 3 under Centrelink's current tiered POI model.

Learning Needs Analysis	Learning Needs Analyses are part of the 'Getting It Right' strategy and assist Centrelink to plan training and development activities for the agency's staff by identifying skills gaps. The LNAs are conducted through an online, structured question and answer process.
Microfische	Microfische is a type of film that is processed in flat sheets and used to store copies of documents in a miniaturised form. The main disadvantage of microfische is that the image is too small to read with the naked eye and special readers are required to access the records.
Non-sampling error	Errors in reporting, recording or processing data are referred to as non-sampling error and can occur in any enumeration—a full count (census) or a sample. They are difficult to measure and their significance may vary in different parts of the sample. Every effort should be made to minimise non-sampling error through standardised and efficient procedures and systems.
Quality On-Line	Centrelink's on-line quality assurance tool, where either five per cent or 100 per cent of a Customer Service Advisor's work, depending on his/her experience, is referred to a qualified officer, who checks for completeness and accuracy.
Sample loss	Sample loss refers to units that have been selected in a sample, but for which information cannot be obtained.
Scriptor	A workflow tool developed by Centrelink that aims to standardise and automate processes used by the agency's officers to enter customer data into the Centrelink online systems. A scriptor can also assist Centrelink officers with producing pre-scripted documents to be placed on the customer's record.

Summary and Recommendations

Summary

Introduction

1. Successive Australian Governments have required social security payment recipients to provide proof of identity (POI) documents as part of establishing their eligibility. Centrelink is the Australian Government's primary delivery agency for social security payments. As a statutory agency under the umbrella of the Department of Human Services (DHS), Centrelink is accountable, through the Secretary of DHS, to the Minister for Human Services. With 26 564 employees and a departmental budget of \$2.3 billion, the agency administered \$63.5 billion in payments and delivered a range of services to 6.49 million customers in 2005–06.²
2. To ensure that abuses of the social security system are minimised, Centrelink has established POI requirements for customers under the *Social Security (Administration) Act 1999* (SSA Act). While POI is not essential for all payments made by Centrelink,³ the requirements are a gateway to many Centrelink payments and/or benefits, for example, Age Pension, Disability Support Pension, Newstart Allowance, Carer Allowance and Low Income Health Care Card.⁴
3. Accordingly, the requirement for customers to provide satisfactory POI is a key element of the control framework for social security payments. The effectiveness of this control relies on Centrelink efficiently administering the requirements of the current POI model to ensure that customers only receive payments (and/or benefits) if they have provided the required POI documentation.⁵

² Centrelink, *Annual Report 2005–06* [Internet]. Centrelink, Canberra, 2006, pp. 8–9, available from <<http://www.centrelink.gov.au>> [accessed 19 March 2007], and Department of Human Services, *Portfolio Budget Statements 2005–06* [Internet]. DHS, Canberra, 2006, pp. 65–66, available from <<http://www.dhs.gov.au>> [accessed 13 April 2007].

³ Payments made under the *A New Tax System (Family Assistance) (Administration) Act 1999* such as Family Tax Benefit Part A and Part B payments and Child Care Benefit do not require POI to be provided.

⁴ See Table 1.1 in Chapter 1 for a list of specific Centrelink payments and their POI requirements.

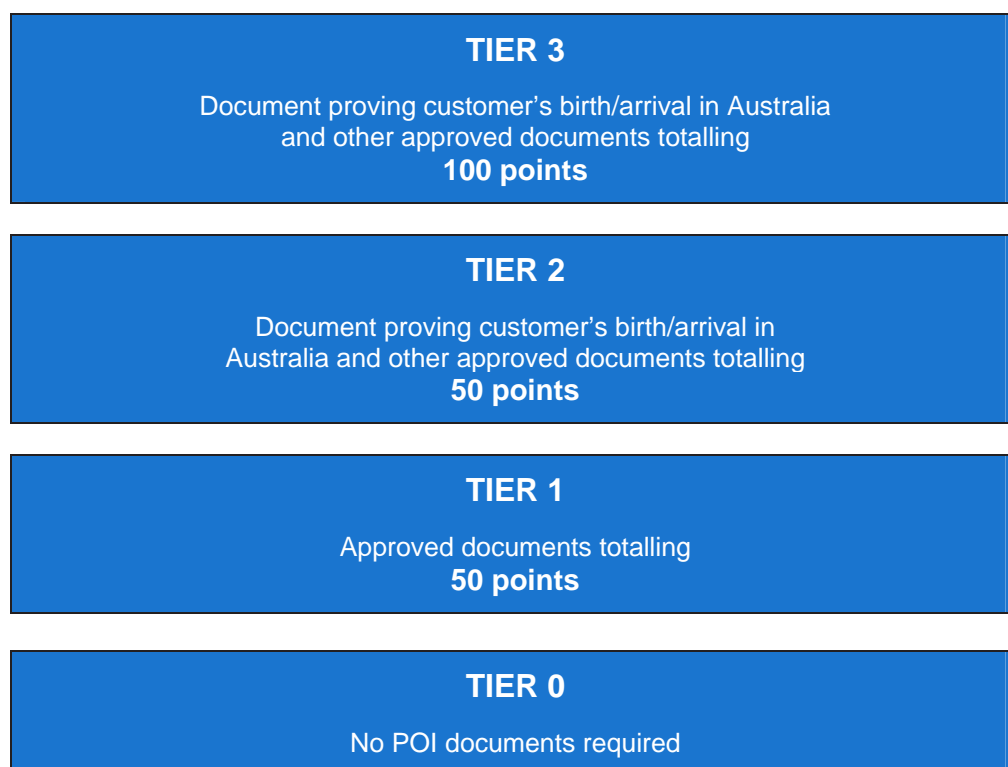
⁵ Some customers at risk of not being able to meet the requirements of the model are afforded the alternative POI arrangement (see paragraph 2.55–2.58 for an Alternative POI discussion).

Centrelink's current proof of identity model

4. The POI model currently used by Centrelink is a tiered, risk-based model that was introduced in September 2001. Under this model, the majority of Centrelink's customers are required to prove both their commencement of identity in Australia (by demonstrating either proof of their birth or arrival in the country) and the use of that identity in the community.

5. Examples of the types of documents that customers can use to prove that they were born in Australia, or when they arrived in the country, include: a birth certificate, an Australian passport, a citizenship certificate, or an Australian visa.⁶ Other approved documents that customers can use to achieve the tier level status required for their payment and/or benefit include: bank account cards, an Australian driver's licence, Medicare card, and student identification cards. Figure 1 is a simplified outline of the model, which is presented in detail in Chapter 1, Figure 1.1.

⁶ Until recently it has been usual for visas to be in an overseas passport. However visas are increasingly being provided electronically.

Figure 1**Simplified outline of Centrelink's current tiered proof of identity model for customers**

Source: ANAO 2007.

6. Centrelink relies on the application of the tiered POI model to provide assurance on the integrity of the related outlays for the three policy departments that together purchase the majority of services from the agency—the Department of Families, Community Services and Indigenous Affairs (FaCSIA), the Department of Employment and Workplace Relations (DEWR), and the Department of Education, Science and Training (DEST).

Audit objective and scope

7. The objective of the audit was to determine whether the POI information recorded by Centrelink accords with relevant policy and thereby effectively supports informed decision-making regarding eligibility for the payment of various benefits to Centrelink customers.

8. Since Centrelink has approximately 6 million current customers, it was impractical, as part of the audit, to check every customer's individual record.

Thus, a sample of customer records was drawn and examined. From this sample, inferences were made about the entire population of current customer records.

9. The ANAO used the sample results to assess Centrelink's administration of POI requirements against three main criteria, which are summarised as follows:

- Centrelink has adequate POI policy/guidelines for establishing a customer's identity;
- Centrelink's customer POI information held on paper files is correct and sufficient to meet the requirements of the agency's policy and guidelines to establish the identity of Centrelink customers; and
- Centrelink's customer POI information held on paper files matches the POI information held in the main electronic customer database.

The audit findings reported in Chapters 2–4 of this report appear in the same order as the above three criteria.

Conclusion

10. For specified social security payments (and/or services) Centrelink's Customer Service Advisors (CSAs) are required in all circumstances to collect sufficient standard or alternative POI⁷ from customers before granting a payment (and/or service).

11. Based on the results of a sampling exercise conducted for this audit, it is estimated that there is a 95 per cent probability that 15.5 per cent (± 2.1 per cent), or between 573 778 (13.4 per cent) and 751 798 (17.6 per cent), of the approximately 4.3 million Centrelink customers who are required to provide POI before they are granted a payment⁸ have insufficient POI on their

⁷ If the CSA is convinced the customer is who they claim to be, a CSA may grant a customer a payment using 'Alternative POI' if a customer has genuine difficulty in providing adequate identity documents within 28 days (see paragraph 2.56).

⁸ These 4.3 million customers were in-scope for the ANAO's sample. The scope of a survey is the population of units about which conclusions need to be drawn—the 'in-scope' population. Before the start of the sampling phase the in-scope population was determined by the ANAO to be all current Centrelink customers who had been receiving one or more tier 1, 2 or 3 payments (see Figure 1) for more than ten weeks. (Centrelink informed the ANAO that it can take up to ten weeks for a customer's paper file to be created after the customer begins receiving a benefit.) During the sampling phase certain subpopulations were identified that were out of scope (See Chapter 3). Therefore, the final in-scope population calculated by the Australian Bureau of Statistics Statistical Consultancy Unit (ABS SCU) was 4 263 934 current customer records.

paper file to meet the POI guidelines in place at the time a payment was granted to them.

12. The estimated number of Centrelink customers with insufficient POI on their paper file is, in part, a legacy of the application of previous POI models in Centrelink's predecessor agencies.⁹ However, if the POI recorded for a current Centrelink customer is insufficient, then the customer's record does not accord with relevant agency policy for the collection of POI and does not effectively support informed decision-making regarding eligibility for the payment of various benefits.

13. Accordingly, the results of the sampling exercise conducted for this audit indicate a weakness in Centrelink's control framework for social security payments and a risk to the integrity of outlays because, for customers with insufficient POI on their paper file, there is an increased risk that Centrelink may be making payments to which the recipients are not entitled.¹⁰

Action taken by Centrelink during the audit to address the ANAO's findings

14. The audit results reported in paragraph 11 regarding the estimates of current Centrelink customers with insufficient POI on their paper file to meet the POI guidelines in place at the time a payment was granted to them are based on a sampling exercise, rather than a check of all relevant records in the population of current Centrelink customer records. Accordingly, Centrelink is not able to readily identify particular customers falling into this group.

15. However, the ANAO provided Centrelink with details for the 180 customers identified in the audit's sample as having insufficient POI. Centrelink advised the ANAO that it has subsequently undertaken action in relation to these cases and is now satisfied that these customers have provided sufficient POI and this is stored on their paper file.

⁹ Predecessor agencies include the former Department of Social Security (established in 1972) and the former Department of Social Services (established in 1939). Centrelink has been the main agency responsible for delivering social security payments on behalf of the Australian Government since 1997.

¹⁰ The first of four pillars of payment correctness included in the Business Assurance Framework between Centrelink and FaCSIA is 'right person' (see paragraphs 2.26 and 2.27 for details of the framework). The four pillars are:

- right person (established by POI);
- right programme;
- right rate; and
- right date.

16. The outcome of the action taken by Centrelink to review those customers in the audit sample, which were identified by the ANAO as having insufficient POI on their file, demonstrates that an increased risk resulting from this position does not necessarily mean that such customers have received payments or benefits to which they are not entitled.

Key findings by chapter

Centrelink's Current Customer Proof of Identity Model (Chapter 2)

17. Centrelink's requirement for customers to provide satisfactory POI is an essential element of the control framework for social security payments. This control relies on Centrelink administering the requirements of the current POI model effectively and efficiently to ensure that customers only receive payments (and/or services) if they have provided the required POI documentation. The application of Centrelink's tiered POI model provides assurance on the integrity of the related outlays for the three policy departments that together purchase the majority of services from the agency—FaCSIA, DEWR and DEST.

18. In examining the development process for the tiered POI model in Centrelink, the ANAO found that record keeping was not adequate. Documentation of significant policy decisions, and associated risk analyses, were not maintained by Centrelink or the then Department of Family and Community Services. The ANAO considers that it is important that Centrelink ensure that adequate records are always maintained for business projects. Centrelink should also maintain appropriate records relating to the development and approval of key policy decisions, including of any consultation with purchaser departments and/or, where required, their approval of the implementation of the relevant policy decision.

19. Centrelink's 'POI Document Coding Guide'—an essential part of the supporting material CSAs use to implement the tiered POI model—is issued in accordance with the relevant Chief Executive Instructions and is consistent with both the aims of the tiered POI model and the SSA Act. However, the useability of the current POI guidelines remains unclear and Centrelink has been unable to assess if CSAs are actively using the POI support material. Centrelink's analysis in August 2005 of nationwide test results of CSAs' knowledge of POI requirements indicated that further staff training in POI was required. This analysis also indicated that the supporting materials needed to be reviewed to identify any potentially confusing content.

20. The circumstances of some of Centrelink's customers put them at risk of being unable to meet, either in the short term or not at all, standard proof of identity requirements for accessing the social security payments they need.¹¹ In 2004–05, Centrelink estimated some five per cent of its customers would have difficulty providing sufficient POI to satisfy the tiered POI model's requirements. Centrelink's Alternative POI and Identity Review Period procedures offer methods to deal with this issue for customers who are unable to meet, either in the short term or not at all, the standard requirements of the tiered POI model. However, these procedures have not always been consistently applied by CSAs.

21. Centrelink has not evaluated the outcomes from an 'At-Risk Customers' project conducted in 2004–05 to address the capacity of such customers to meet the requirements of the tiered POI model and the inconsistent application of Alternative POI and Identity Review Period procedures by CSAs. The ANAO concluded that there would be benefit in Centrelink conducting a post-implementation review of the 'At-Risk Customers' project as this could inform any decision on whether, or the extent to which, to adopt Centrelink's current approach to handling POI for such customers when registering such customers for the Access Card if it is introduced.¹² Accordingly, the ANAO recommended that Centrelink undertake a post-implementation review of the 2004–05 'At-Risk Customers' project.

¹¹ At-risk customers might include people who are: released prisoners; homeless people; people who are institutionalised; refugees; Indigenous people; people with severe disabilities; members of religious orders; and, some migrants to Australia.

¹² The Office of Access Card, within DHS, is responsible for introducing the health benefits, veterans' and social services access card and overseeing the development of POI requirements and processes for card registration.

Centrelink's Application of Proof of Identity Guidelines (Chapter 3)

22. The primary random sample for this audit was selected in accordance with expert advice from the Australian Bureau of Statistics Statistical Consultancy Unit (ABS SCU) (see Appendix 1). The ANAO also engaged the ABS SCU to calculate sample loss¹³ from the ANAO's initial sample of 1 200 customer records and to analyse the ANAO's results from its examination of the remaining 1 158 records in the ANAO's sample. Based on the results of the ANAO's assessment of this sample of current Centrelink customer records, the ABS SCU estimated that there is a 95 per cent probability that 15.5 per cent (\pm 2.1 per cent), or between 573 778 (13.4 per cent) and 751 798 (17.6 per cent), of the approximately 4.3 million Centrelink customers who are required to provide POI before they are granted a payment¹⁴ have insufficient POI on their paper file to meet the POI guidelines in place at the time a payment was granted to them.

23. These audit results indicate a weakness in Centrelink's control framework for social security payments and a risk to the integrity of outlays because, for customers with insufficient POI on their paper file, there is an increased risk that Centrelink may be making payments to which the recipients are not entitled. Implementation of the recommendations contained in this report will go some considerable way to reducing that risk.

24. While the sample results indicate a weakness in Centrelink's control framework for social security payments, the results do not provide evidence of identity fraud among Centrelink's customers or internal fraud by CSAs.¹⁵ The

¹³ Sample loss refers to units that have been selected in the sample but for which information cannot be obtained. There were 17 files that the sampling team was unable to assess during the audit. The remainder of the sample loss (25 records) came from three different subpopulations that were discovered during the sampling phase. These subpopulations include:

- seven records in total that were out of scope because their only payment with assessable POI was granted less than ten weeks before the extract was run (two of these records are part of the files that were not assessed by the sampling team);
- 13 records were out of scope because they were records for customers in receipt of payment pursuant to an International Social Security Agreement. The responsibility for collection of POI for these customers lies with the partner country rather than with Centrelink; and
- seven records identified that had information stored on microfiche that could not be accessed during the audit period. This meant that the POI on these records could not be assessed as either sufficient or insufficient.

¹⁴ That is those customers who are required to provide POI before they are granted a payment and who were in-scope for the ANAO's sample (see footnote 8 and Chapter 3).

¹⁵ An investigation of identity fraud matters was outside the objective and scope of this audit and, in the course of reviewing the records of the 1158 Centrelink customers included in the ANAO's sample, the ANAO did not come across evidence of identity fraud by customers or of internal fraud by CSAs in relation to these records.

outcome of action taken by Centrelink to review those customers in the audit sample, which were identified by ANAO as having insufficient POI on their file, demonstrates that the results do not necessarily mean that customers found to have insufficient POI on file have received payments to which they are not entitled (see paragraphs 14–15).

25. The estimated number of Centrelink customers with insufficient POI on their paper file is, in part, a legacy of the application of previous POI models in Centrelink's predecessor agencies including the former Department of Social Security (1972) and the former Department of Social Services (1939). Centrelink has been the main agency responsible for delivering social security payments on behalf of the Australian Government since 1997.

26. The sample results suggest that CSAs are following the guidelines for the tiered POI model introduced in 2001 more accurately than the guidelines applying under previous models.¹⁶ However, some 12.5 per cent of customers in the sample, who had provided their POI under the current tiered POI model, had insufficient POI on file to satisfy the current requirements. This impacts on the level of business assurance that Centrelink can provide to the agency's three major purchaser departments—FaCSIA, DEWR and DEST.

27. Age pensioners make up Centrelink's largest group of social security payment recipients required to provide POI before payment can be granted. Reflecting this, Age Pension customers were the largest proportion of customers in the ANAO's sample with insufficient POI on their paper file. This situation highlights the importance of CSAs accurately applying the existing POI requirements for this large, and growing, group of Centrelink customers.

28. Results for a second ANAO sample of 100 tier 0 customers¹⁷—customers whose only involvement with Centrelink was to receive payments that did not require POI—indicated that: it was unlikely that there was systematic collection of unnecessary POI that could be an issue from a privacy perspective for customers; there was unlikely to be an unnecessary burden placed on tier 0 customers to provide POI not required under the tiered POI model; and, there was no indication that Centrelink's resources were unnecessarily used to collect POI not required under the tiered POI model.

¹⁶ The results of the ANAO's analysis indicate that customers in this category were the least likely to have insufficient POI on their paper file (see Table 3.3, paragraph 3.45).

¹⁷ The payments were predominantly Family Assistance Office payments. For example, Family Tax Benefit Part A and Part B payments Child Care Benefit and Maternity Payment.

29. The 'Original Sighted and Returned' (OS&R) certification verifies that the documents held on Centrelink's paper files are copies of original documents that were sighted by a CSA. The ANAO found that up to 18 per cent of customers' POI records, from a total of 1 076 customers,¹⁸ did not have reliable OS&R certification.

30. Approximately nine per cent of the customers' records in the ANAO's sample had some POI documentation on file that had been poorly photocopied and, as a result, was less useful for Centrelink's purposes (data entry and verifying a customer's identity in the future). It is noted that the planned introduction of an Access Card involves changing how future Centrelink customers establish their identity from the commencement of the registration process for the Access Card, possibly including a move to electronically scanning and storing customers' POI documents. It will remain important that agencies involved in the registration process for the Access Card ensure the quality of the relevant POI collection processes.

31. The ANAO recommended that Centrelink improve the application of the current POI model by ensuring that, where possible, Quality On-Line¹⁹ (QOL) checking officers examine POI for compliance with the current POI guidelines, and by reviewing current training and guidance provided to CSAs on compliance with POI operational guidelines.

Centrelink's Electronic Recording of Proof of Identity Data (Chapter 4)

32. Centrelink relies on the accuracy of the information stored electronically in the Income Security Integrated System (ISIS²⁰)—Centrelink's main electronic customer database—for thousands of daily business transactions with customers. Centrelink also uses customers' POI data contained in the agency's main database (ISIS) to assist with the detection of social security payment fraud, including carrying out data matching activities with other government agencies.

¹⁸ See footnote 122 for an explanation for the exclusion of 82 customer records in the ANAO's sample of 1 158 customer records from this analysis.

¹⁹ QOL is a checking system that monitors the quality of CSAs' work. New CSAs are required to have 100 per cent of their work checked through QOL and proficient CSAs have five per cent of their work QOL checked. The QOL checker, as they are known, has available to them the customer's photocopied POI that can be physically checked against the CSA's document coding work in ISIS.

²⁰ ISIS is a suite of systems for recording customer claims, and processing Centrelink payments.

33. There has been an overall improvement in CSAs' electronic coding of POI documents in ISIS since the introduction of the tiered POI model on 17 September 2001. However, the ANAO found a variation in the accuracy of the coding for different documents, with the accuracy rates of documents coded after 17 September 2001 ranging from 100 per cent (for infrequently used POI documents, such as shooters' licences) to 67 per cent for more commonly used document types such as an Australian birth certificate.

34. Typographical errors made by CSAs were the major reason for inaccurate electronic coding of customers' POI documents overall, and for documents coded after 17 September 2001, assessed in the ANAO's sample of customer records. The ANAO recommended that Centrelink use an existing quality review process—QOL—to identify and reduce the impact of typographical errors made when CSAs' inaccurately enter customers' POI document details in ISIS (see Recommendation 3, paragraph 4.23).

35. Additional controls in ISIS have increased the integrity of more recent POI data and improved CSAs' performance when entering customers' POI data for the first time into ISIS. Less than one per cent of documents in the four key POI document types assessed by the ANAO had data recorded in ISIS by CSAs that obviously bore no resemblance to the correct serial number for the documents.

36. The ANAO suggested that Centrelink continue to monitor the accuracy of CSAs' coding of POI in ISIS to assist in assessing the need for future targeted training on coding for CSAs.²¹ Mandating the format of data fields in ISIS has assisted in improving the recording of POI document details. However, it is not on its own sufficient to ensure the quality and accuracy of Centrelink customers' POI data entered by CSAs. Controlling the standard entry format of a particular data field does not prevent errors occurring where a CSA enters into the system an incorrect serial number entry that appears to fulfil the required format.

37. The ANAO examined the impact on current customers' POI data integrity in ISIS of CSAs using workflow tools such as scriptors.²² The ANAO suggested that Centrelink identify those scriptors with an element of POI

²¹ This finding is consistent with Recommendation No.1 from ANAO Audit Report No.29 2005–06 *Integrity of Electronic Customer Records*, which recommended that Centrelink improve the usefulness and effectiveness of its data integrity reporting system, p. 24.

²² A workflow tool developed by Centrelink that aims to standardise and automate processes used by the agency's officers to enter customer data into the Centrelink online systems.

embedded in them and review the current screen flow when entering data into the ISIS system using the scriptor to ensure that an opportunity is not being lost to review the electronic data integrity of current customers' POI records.

Agency responses

Centrelink

38. The Chief Executive Officer of Centrelink provided the following response to the proposed audit report:

Centrelink welcomes this report and is pleased that the report recognises the effort that Centrelink has made to improve the management of proof of identity over time. Centrelink considers that implementation of the recommendations in the report will enhance administration of the current tiered Proof of Identity (POI) model and contribute to the development of the Health and Human Services Access Card.

Centrelink accepts that there were administrative errors associated with the POI on the paper file of some of its customers. It is important to note that Centrelink has conducted a detailed review of all cases containing error and is now satisfied that appropriate POI documentation has been provided for every case. This means that there has been no inappropriate outlays for these cases associated with POI documentation. It is clear, in these cases that insufficient POI recorded on the paper file has not translated to incorrect payment.

In this context it is also worth noting that the ANAO did not find any evidence or suggestion to the effect that there was any identity fraud and Centrelink, in its more detailed review of cases, found no evidence of identity fraud.

It should be noted that Centrelink is dealing with legacy systems and processes that date back decades.

Proof of identity is an important element of Centrelink's overall strategy to protect the integrity of outlays for our policy departments. Proof of identity is an upstream control in this regard and Centrelink has a wide range of effective downstream controls to further assure these outlays.

Department of Human Services

39. The Secretary of the Department of Human Services provided the following response to the proposed audit report:

The Department of Human Services (DHS) welcomes the report by the ANAO and acknowledges the importance of Proof of Identity (POI), particularly in the context of the development of the proposed Access Card. The audit will

enable DHS and Centrelink to incorporate the relevant learnings in the development of POI verification mechanisms for the Access Card.

The planned introduction of an access card involves changing how people who apply and register for an access card will establish their identity. This will include a robust registration process and verification of key POI documents directly with the source agency.

The ANAO report notes significant improvement to POI arrangements since the introduction of the current tiered POI model in 2001 and the three recommendations, aimed at strengthening the operation of the existing tiered POI model, present some constructive findings.

DHS considers that careful attention to design of the POI aspect of the Access Card implementation and implementation of the Centrelink fraud and compliance measures that are underway will address the recommendations presented in the audit.

Department of Families, Community Services and Indigenous Affairs

40. The Secretary of FaCSIA provided the following response to a relevant extract of the proposed audit report:

The Australian National Audit Office's (ANAO) findings at paragraphs 2.21 and 2.22 reinforce the need for the Department of Families, Community Services and Indigenous Affairs (FaCSIA) to have in place quality project development and implementation processes that include quality record keeping of project documentation. FaCSIA's Strategic Framework 2006–09 includes Core Business Processes that ensure these processes are in place across the department. Adherence to the Core Business Processes is mandatory for all FaCSIA projects.

To further improve implementation and governance of projects, the FaCSIA and Centrelink Business Partnership Agreement 2006–2010 requires that all projects Centrelink implement on behalf of FaCSIA are jointly planned and monitored. This agreement defines FaCSIA's requirements of Centrelink in the effective delivery of projects and services and is being used for the implementation of the new measures from the 2007–08 Budget.

The development and implementation of the tiered POI model occurred under a framework that is different to current arrangements. I am confident the current arrangements will help to ensure that the shortcomings identified in the issues paper are not repeated.

Recommendations

41. The proposed introduction of the health benefits, veterans' and social services access card (Access Card)²³ will involve revised processes which will replace the current POI procedures in Centrelink, as well as those POI procedures currently in place in other relevant Australian Government agencies. However, the Access Card is not currently planned to be a mandatory requirement for accessing Centrelink payments and services until up to three and a half years following the passage of the relevant legislation through the Parliament.²⁴ Accordingly, it remains important that Centrelink effectively implements the current tiered POI model.

42. The ANAO made three recommendations aimed at strengthening the operation, and therefore effectiveness of, Centrelink's existing tiered POI model. Centrelink agreed with all three recommendations.

²³ Currently planned to be progressively introduced within 18 months following the passage of the relevant legislation through the Parliament.

²⁴ Advice from the Office of Access Card to the ANAO in September 2007.

Recommendations

Recommendation No.1

Para. 2.71

The ANAO recommends that Centrelink undertake a post-implementation review of the 2004–05 ‘At-Risk Customers’ project to:

- (a) provide assurance that Centrelink achieved its objective of improving its processes for customers at-risk of not receiving their entitlement because they cannot meet Centrelink’s standard proof of identity requirements; and
- (b) identify further opportunities for improvement.

Centrelink response: Agreed.

Recommendation No.2

Para. 3.88

The ANAO recommends that Centrelink improve the application of the current POI model by:

- (a) ensuring that, where it is available to them, QOL checking officers examine the customer’s photocopied POI to check that:
 - sufficient POI has been provided to satisfy the POI requirements;
 - the photocopying of the documentation is of the required quality such that they are useful for Centrelink’s purposes (data entry and verifying a customer’s identity in the future); and
 - the photocopies have been certified ‘Original Sighted and Returned (OS&R)’; and
- (b) improving CSAs’ compliance with the POI operational guidelines by reviewing the current training and guidance provided to CSAs.

Centrelink response: Agreed.

**Recommendation
No.3**

Para. 4.23

To increase the likelihood that QOL checking officers will detect and rectify errors made by Customer Service Advisors (CSAs) when entering proof of identity document details into Centrelink's ISIS system, the ANAO recommends that Centrelink:

- (a) reinforce with QOL checking officers, through relevant training, the importance of CSAs correctly entering proof of identity information in ISIS; and
- (b) review, and amend as appropriate, the current proof of identity questions in the Quality On-line (QOL) process to determine whether they enable QOL checking officers to effectively identify coding errors made by CSAs.

Centrelink response: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter describes Centrelink's administration of proof of identity requirements for accessing social security payments, explains the audit approach, and the structure of this report.

Background

1.1 To access a social security payment in Australia, most people are required to provide proof of their identity to Centrelink. Centrelink is the Australian Government's primary delivery agency for social security payments.

1.2 As a statutory agency under the umbrella of the Department of Human Services (DHS), Centrelink is accountable, through the Secretary of DHS, to the Minister for Human Services. With more than 26 500 employees and a departmental budget of \$2.3 billion, the agency administered \$63.5 billion in payments and delivered a range of services to 6.49 million customers in 2005–06.²⁵ Centrelink's single government outcome 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.²⁶

Proof of identity requirements for social security payments

1.3 Successive Australian Governments have required social security payment recipients to provide proof of identity (POI) documents as part of establishing their eligibility. In 2007, Centrelink requires the agency's customers to prove both their commencement of identity in Australia (by demonstrating either proof of their birth or arrival in the country) and the use of that identity in the community.

²⁵ Centrelink, *Annual Report 2005–06* [Internet]. Centrelink, Canberra, 2006, pp. 8–9, available from <<http://www.centrelink.gov.au>> [accessed 19 March 2007], and Department of Human Services, *Portfolio Budget Statements 2005–06* [Internet]. DHS, Canberra, 2006, pp. 65–66, available from <<http://www.dhs.gov.au>> [accessed 13 April 2007].

²⁶ Centrelink, *Portfolio Budget Statements 2007–08* [Internet]. Centrelink, Canberra, 2007, p. 76, available from <http://www.humanservices.gov.au/2007_08_financial_year.html> [accessed 9 May 2007].

1.4 The legislative power supporting Centrelink's procedures, which require Centrelink customers to provide POI, is contained in Part 2, s. 8, (a)(v) of the *Social Security (Administration) Act 1999* (SSA Act). This provision states that:

In administering the social security law, the Secretary is to have regard to: the establishment of procedures to ensure that abuses of the social security system are minimised.

1.5 The POI model currently used by Centrelink was introduced in September 2001. At the time the current model was introduced, Centrelink was an agency within the then Family and Community Services portfolio and all references in the SSA Act to the 'Secretary' referred to the Secretary of the then Department of Family and Community Services (FaCS). Following changes to the Administrative Arrangements Orders in October 2004, there are now three policy departments with responsibility for various social security payments: the Department of Families, Community Services and Indigenous Affairs (FaCSIA);²⁷ the Department of Employment and Workplace Relations (DEWR);²⁸ and the Department of Education Science and Training (DEST).²⁹ Accordingly, references in the SSA Act to 'the Secretary' now relate to the Secretary of the policy department responsible for the particular social security payment a customer has applied for or is in receipt of.

1.6 The current POI model is a tiered, risk-based model. The model was designed to take into account Centrelink's broad customer base and individual customer's different circumstances. In consultation with the responsible policy departments, different levels of customer POI requirements have been assigned, depending on the likely duration and value of the particular payment and/or service.

²⁷ FaCSIA has policy responsibility for income security policies and programmes for families with children, carers, the aged and people in hardship. FaCSIA administers the SSA Act, except to the extent administered by the Minister for Employment and Workplace Relations and the Minister for Education, Science and Training. Commonwealth of Australia, *Administrative Arrangements Order* [Internet]. Commonwealth of Australia, Canberra, 30 January 2007, available from <<http://legislation.gov.au/comlaw/comlaw.nsf>> [accessed 9 May 2007].

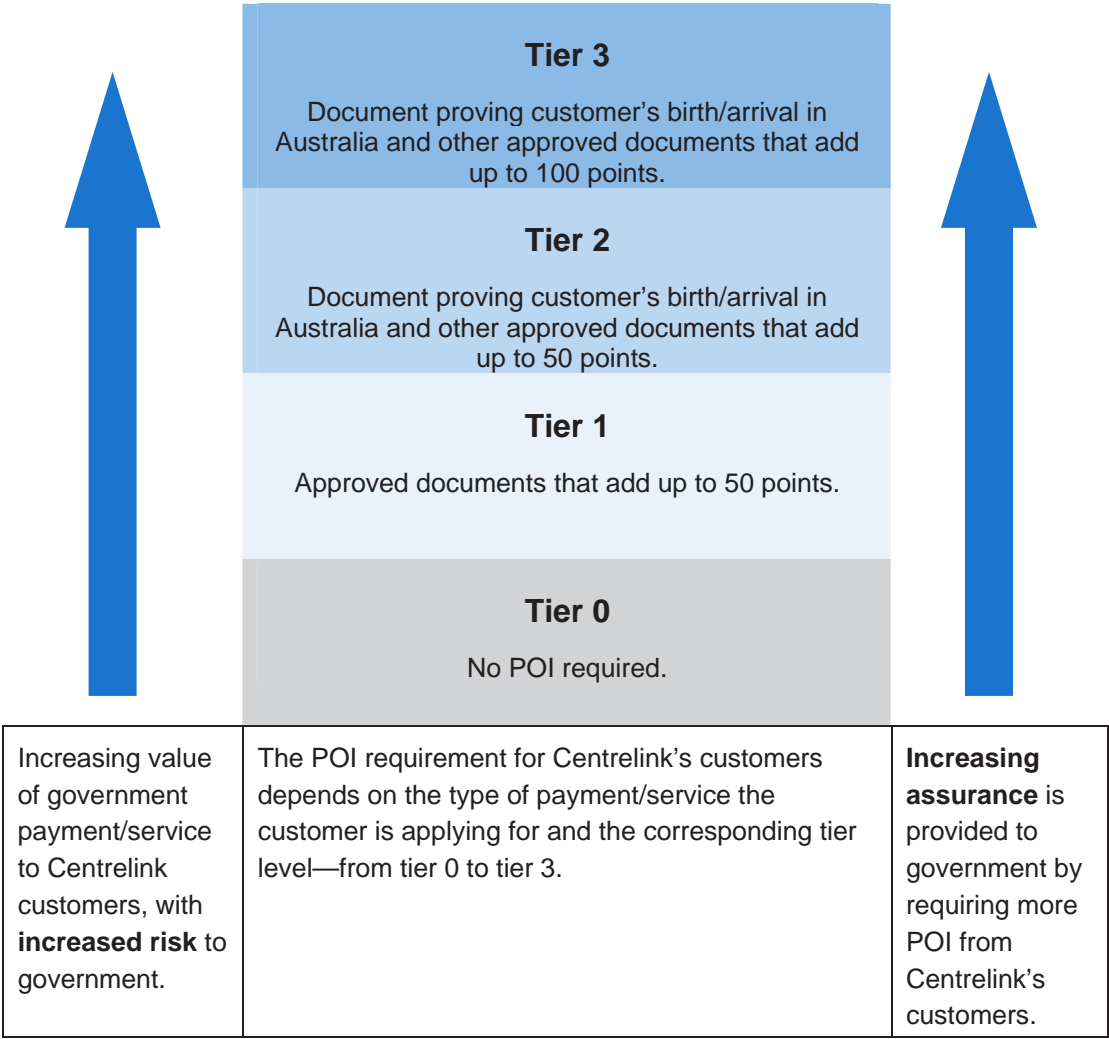
²⁸ DEWR administers the SSA Act insofar as it relates to Disability Support Pension, Mature Age Allowance, Newstart Allowance, Sickness Allowance, Mobility Allowance, Parenting Payment, Widow Allowance and Partner Allowance and any other payment, allowance or supplement insofar as that payment, allowance or supplement relates to persons receiving Disability Support Pension, Mature Age Allowance, Newstart Allowance, Sickness Allowance, Mobility Allowance, Parenting Payment, Widow Allowance or Partner Allowance; Youth Allowance and any other payment, allowance or supplement insofar as those payments relate to persons other than students. *ibid*.

²⁹ DEST administers the SSA Act insofar as it relates to Austudy and Youth Allowance for persons who are students and any other payment, allowance or supplement insofar as that payment, allowance or supplement relates to persons who are students. *ibid*.

1.7 Figure 1.1 shows the current tiered POI model requirements used daily by Centrelink’s Customer Service Advisors (CSAs) in over 1000 service delivery points across Australia.³⁰

Figure 1.1

Centrelink’s tiered proof of identity model



Source: ANAO, 2007.

1.8 Figure 1.1 highlights the risk-based approach of the tiered POI model by showing the direct relationship between increasing financial risk for the Australian Government if Centrelink does not ensure the right person is being

³⁰ Centrelink, op. cit., p. 9.

paid and the increasing POI requirements for customers as they apply for a greater level of Government financial support.

1.9 All current Centrelink payments and services are categorised under the tiered POI model according to their level of risk, and the level of assurance required by FaCSIA, DEWR and/or DEST. Table 1.1 shows that tier 3 POI requirements are applied to those payments regarded as being at highest risk owing to the duration of the entitlement or value of the payment. Tier 2 POI requirements apply to payments that are short or limited term entitlements and Centrelink customers accessing tier 1 services do not receive a direct payment from Centrelink. However, based on the assessed level of risk, FaCSIA, DEWR and DEST do not require Centrelink to collect POI for tier 0 customers. The majority of the payments made for this tier level are for families that are customers of the Family Assistance Office accessing payments such as Family Tax Benefit Part A and Family Tax Benefit Part B and Child Care Benefit.³¹

1.10 Table 1.1 sets out the various Centrelink payments and services and the POI requirements customers must satisfy in order to receive them.

³¹ These payments are made under the *A New Tax System (Family Assistance) (Administration) Act 1999*.

Table 1.1

Tier level requirements for Centrelink payments

Tier level	Customer's proof of identity requirements	Type of payment/service	Responsible agency
3	At least one document to show proof of birth or proof of arrival in Australia and other approved documents to the value of 100 points. ^A	ABSTUDY (living allowance) Age Pension Austudy Bereavement Allowance Carer Payment Disability Support Pension Exceptional Circumstances Relief Payment Farm Help Mature Age Allowance Newstart Allowance Parenting Payment Pensioner Education Supplement Sickness Allowance Special Benefit Widow Allowance Youth Allowance	DEST FaCSIA DEST FaCSIA FaCSIA DEWR DAFF ^B DAFF DEWR DEWR DEWR DEST DEWR FaCSIA DEWR DEST
2	At least one document to show proof of birth or proof of arrival in Australia and other approved documents to the value of 50 points. ^A	Carer Allowance Mobility Allowance	DEWR DEWR
1	Any approved documents to the value of 50 points (this can be a proof of birth or proof of arrival document). ^A	Low Income Health Care Card Commonwealth Seniors Health Card Health Care Card for foster children	FaCSIA FaCSIA FaCSIA
0	No proof of identity required.	All Family Assistance Office payments ^C ABT (Schooling A Student) under 16 Residential Aged Care Job Seeker intent to register, partner not claiming	FaCSIA DEST FaCSIA DEWR

Notes: (A) A list of approved documents is printed on the SS231 Form, 'Proving your identity to Centrelink', available from Centrelink's website at <<http://www.Centrelink.gov.au>>.

(B) DAFF is the Department of Agriculture, Fisheries and Forestry.

(C) For example, Family Tax Benefit Part A and Part B payments, Child Care Benefit and Maternity Payment.

Source: Centrelink, 2007.

1.11 Examples of the types of documents referred to in Table 1.1 that customers can use to prove that they were born in Australia, or when they arrived in the country, include: a birth certificate, an Australian passport, a citizenship certificate, or an Australian visa.³² Other approved documents that customers can use to make up a total of 50 or 100 points include: bank account cards; an Australian driver's licence; Medicare card; and, student identification cards. Chapter 4 of this report discusses the use of approved POI documents in more detail.

1.12 Compliance with the POI requirements is a key gateway to those social security payments to which they apply. POI requirements for these social security payments have been introduced as part of the establishment under the SSA Act of procedures to ensure that abuses of the social security system are minimised. Accordingly, it is important that the POI model is effectively implemented to ensure that customers only receive social security payments (and/or services) if they have provided the required POI. Centrelink relies on the application of the tiered POI model to provide assurance on the integrity of the related outlays for the three policy departments that together purchase the majority of services from the agency—FaCSIA, DEWR and DEST.

Proposed introduction of a health benefits, veterans' and social services access card

1.13 Access cards, based on electronic customer databases, are increasingly being used to deliver government services internationally. The systems are designed to increase the security and efficiency of service delivery, while seeking to reduce fraud.³³

1.14 The Australian Government announced on 26 April 2006 the proposed introduction of a health benefits, veterans' and social services access card (Access Card), to replace 17 health and social services cards and vouchers across the Human Services portfolio, including in Centrelink. The Access Card initiative aims to reduce red tape for people accessing government benefits and at the same time reduce opportunities for fraud.

³² Until recently it has been usual for visas to be in an overseas passport. However visas are increasingly being provided electronically.

³³ Department of Human Services, *Fact Sheet (International Experience)* [Internet]. DHS, Canberra, May 2006, available from <http://www.humanservices.gov.au/access/fact_sheets/international_experience.htm> [accessed 18 October 2006].

1.15 In order to receive an Access Card, individuals will need to apply and attend an interview at a registration outlet. Registration activity is expected to commence within 18 months of the relevant legislation being passed by the Parliament. Subject to the passage of the relevant legislation through the Parliament, the Government intends that two years after the registration activity commences people will only be able to obtain government health benefits, veterans' and social services if they have an Access Card. Some 16.7 million adults and their four and a half million dependents that are eligible for an Access Card are expected to be registered by the time it becomes mandatory to have an Access Card to obtain these benefits and services.³⁴

1.16 The Office of Access Card, within DHS, is responsible for introducing the Access Card and overseeing the development of POI requirements and processes for card registration. Centrelink is one of the agencies contributing to the development of the Access Card. See paragraphs 3.25 and 3.26 for further discussion of the likely impact of the Access Card registration process on future POI arrangements for Centrelink customers.

1.17 The Access Card was being developed at the same time as this audit was undertaken. DHS was included in this audit and, during the course of the audit, the Australian National Audit Office (ANAO) discussed the findings of this audit and relevant aspects of the development of the Access Card with the Office of Access Card.

A whole-of-government approach to POI

1.18 Since 2003, Centrelink has been a member of a multi-agency Commonwealth Reference Group on Identity Fraud that is chaired by the Attorney-General's Department. The Reference Group jointly developed a Whole-of-Government Identity Framework that categorised documents used for identity purposes. The framework was subsequently endorsed by the Standing Committee of Attorneys-General in 2004 for use by relevant agencies in developing their own POI models. Centrelink's tiered POI model aligns with the Framework.

1.19 National strategies that are expected to impact on future POI developments in Centrelink are:

- the *National Identity Security Strategy*, announced by the Australian Government on 14 April 1995 to combat the misuse of stolen or assumed

³⁴ Advice from the Office of Access Card to the ANAO in September 2007.

identities in the provision of government services. This is a cross-jurisdictional, whole-of-government initiative;³⁵

- Australian Government funding of \$28.3 million provided in the 2006–07 Budget for a national *Document Verification Service* (DVS)—a secure electronic national online system that will allow approved agencies to check online in real time whether a document presented to them as proof of identity was issued by the relevant agency and that the details on the document are true and accurate.³⁶ Centrelink is one of a number of agencies contributing to the development of the DVS system for the Attorney-General’s Department. The new system is expected to play a significant role in verifying the validity of documents used by people to register for the planned Access Card; and
- the *Commonwealth Reference Group on Identity Security*, comprising 31 Australian Government agencies, working on various aspects of POI, was established to ensure coordination between all of these activities and the development of a broader national identity security strategy by the Council of Australian Governments.^{37 38}

Previous audits

1.20 The ANAO has not previously undertaken a detailed performance audit of Centrelink’s paper POI records for customers. However, the findings of a number of audit reports assisted the ANAO in defining the scope and objective of this audit.³⁹

³⁵ Australian Government Attorney-General’s Department, *Protecting Identity Security* [Internet]. Attorney-General’s Department, Canberra, 2007, available from <http://www.crimeprevention.gov.au/agd/WWW/ncphome.nsf/Page/Identity_Theft#> [accessed 26 March 2007].

³⁶ *ibid.*

³⁷ *ibid.*

³⁸ The Council of Australian Governments is comprised of the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association.

³⁹ Relevant previous audit reports:

- Australian National Audit Office 2006, *Assuring Centrelink Payments—The Role of the Random Sample Survey Programme*, Audit Report No.43 2005–06, ANAO, Canberra;
- Australian National Audit Office 2006, *Integrity of Electronic Customer Records—Centrelink*, Audit Report No.29 2005–06, ANAO, Canberra;
- Australian National Audit Office 2001, *Management of Fraud and Incorrect Payment in Centrelink*, Audit Report No.26 2001–02, ANAO, Canberra; and

Audit approach

1.21 The objective of the audit was to determine whether the POI information recorded by Centrelink accords with relevant policy and thereby effectively supports informed decision-making regarding eligibility for the payment of various benefits to Centrelink customers.

1.22 The ANAO assessed Centrelink's administration of POI requirements against three main criteria that can be summarised as follows:

- Centrelink has adequate POI policy/guidelines for establishing a customer's identity;
- Centrelink's customer POI information held on paper files is correct and sufficient to meet the requirements of the agency's policy and guidelines to establish the identity of Centrelink customers; and
- Centrelink's customer POI information held on paper files matches the POI information held in the agency's main electronic customer database (ISIS).

Audit methodology

1.23 Audit fieldwork was conducted from July 2006 to February 2007, and undertaken in four major stages, as illustrated in Table 1.2.

Table 1.2

Four stages of audit fieldwork: July 2006–February 2007

Key stage	Key activity
Stage 1 Research and ISIS data extract ^A	<p>The ANAO:</p> <ul style="list-style-type: none"> • examined relevant Centrelink external and internal documents relating to POI (including legislation, policy and guidelines); • researched the implementation of international models of POI for social service delivery; • piloted the sampling methodology recommended by the Australian Bureau of Statistics Statistical Consultancy Unit (ABS SCU);^B and, • negotiated a direct extract from ISIS of relevant POI records for all Centrelink customers currently receiving a payment of any type (on the day of the extract).

• Australian National Audit Office 2001, *Assessment of New Claims for the Age Pension by Centrelink*, Audit Report No.34 2000–01, ANAO, Canberra.

Key stage	Key activity
Stage 2 Random sample selection and customer file recall	<ul style="list-style-type: none"> From the ISIS extract, of approximately 5.5 million customers 4.3 million customers were identified as being in-scope. The ANAO selected a random sample of 1 200 current Centrelink customers from the in-scope population to test for POI on their paper files.^C The ANAO also randomly selected an additional 100 customers receiving payments that do not require POI in order to verify that POI was not being collected for these types of payments.^D All relevant customer files were then recalled to Canberra, from storage facilities around Australia, by Centrelink's Records Management Unit.
Stage 3 Sampling phase	<ul style="list-style-type: none"> The sampling phase involved a total of five working weeks and a team of three ANAO officers and one Centrelink officer. A second Centrelink officer, experienced with Centrelink's POI policies, was also available on-site as a contact point when the sampling team required further clarification of the POI guidelines. The sampling team assessed the POI held on the paper files that Centrelink was able to retrieve for each of the customer records in the ANAO's sample of 1 200 to determine whether it was sufficient, according to the relevant POI guidelines at the time of grant (see Table 2.1 for details of the four POI models used for social security payments). The ANAO also assessed a sample of 100 customer records not requiring POI. Another ANAO officer conducted a quality assurance process for the sampling team's data entry recording and decision-making work. At the end of this stage, the database results and photocopied customer records were transported to the ANAO for secure storage and analysis.
Stage 4 Post-sampling analysis	<ul style="list-style-type: none"> The ANAO sent the sample results, as de-identified data, to the ABS SCU for post-sampling verification of the results and final calculations. The results are discussed in Chapter 3 of this report. Using specialised data analysis software, the ANAO compared Centrelink's customer POI information held on paper files against the relevant customer's electronic POI information stored by Centrelink in ISIS. The results are discussed in Chapter 4. The ANAO also compared the POI data collected in this audit to earlier POI data from ISIS provided for Audit Report No.29 2005–06 <i>Integrity of Electronic Customer Records-Centrelink</i>. These results are also discussed in Chapter 4.

Notes: (A) ISIS—Income Security Integrated System—is Centrelink's main electronic customer database.

(B) The ANAO contracted the ABS SCU for independent expert advice on the sampling methodology and post-sampling verification of results (see Appendix 1).

(C) See Chapter 3 and Appendix 1 for details of the sample selection process.

(D) See Chapter 3 for details of the sample selection process.

Source: ANAO, 2007.

1.24 As noted in Table 1.2, the ANAO contracted the ABS SCU for independent expert advice on the sampling methodology and post-sampling verification of results. In addition, the ANAO engaged Resolution Consulting Services to assist with the sampling phase of audit fieldwork in late 2006. This audit was conducted in accordance with the ANAO Auditing Standards at a cost to the ANAO of \$731 500.

Report structure

1.25 There are three other chapters in this report:

- Chapter 2 examines Centrelink's current tiered POI Model;
- Chapter 3 presents and discusses the audit's quantitative and qualitative findings about Centrelink's customer records for POI; and
- Chapter 4 discusses and evaluates Centrelink's electronic recording of customers' POI data.

2. Centrelink's Current Customer Proof of Identity Model

This chapter evaluates the introduction and operation of Centrelink's current proof of identity requirements for accessing social security payments.

Introduction

2.1 Centrelink's current tiered proof of identity (POI) model forms part of the procedures established under the *Social Security (Administration) Act 1999* that are designed to minimise abuses of the social security system.

2.2 Following an overview of previous social security POI models, this chapter:

- examines the introduction in 2001 of the current tiered POI model in Centrelink;
- discusses Centrelink's business approach to POI;
- evaluates the current model's operational guidelines; and
- considers the effectiveness of the treatment of customers at-risk of not meeting standard POI requirements.

Proof of identity approaches—past and present

2.3 Administering POI requirements for social security customers has become increasingly sophisticated over time. This reflects a universal increase in the complexity of the operating environment for agencies managing the risk of identity fraud in relation to all types of Australian Government payments.

2.4 Centrelink has been the key agency responsible for delivering social security payments on behalf of the Australian Government since 1997. Predecessor agencies included the former Department of Social Security and the former Department of Social Services. While the approach to service delivery and the range of Australian Government services and payments provided has changed considerably over time, the obligation for people seeking access to such services and payments to provide appropriate POI has been a constant requirement.

2.5 Table 2.1 presents a brief history of the development of POI for social security payments.⁴⁰

Table 2.1

Brief history of proof of identity requirements for customers accessing social security payments in Australia

Time period	Responsible agency	Proof of identity model
Pre 23 September 1988	Department of Social Services (from 1939). ^A Department of Social Security (from 1972).	<ul style="list-style-type: none"> At first, POI document details were recorded by hand on standard forms. Following the introduction of photocopiers, customers' POI documents were photocopied and placed on a paper file.
23 September 1988–13 March 1995	Department of Social Security.	<ul style="list-style-type: none"> New POI system introduced based on customers providing Category A, B or C identity documents. A form was introduced to support indigenous customers in proving their identity.
13 March 1995–17 September 2001	Department of Social Security. Centrelink (from 1997).	<ul style="list-style-type: none"> July 1995: a new system of primary and secondary identity documents was introduced. Social Security Staff began entering identity document details into a mainframe computer system. A revised form was introduced to support indigenous customers in proving their identity.

⁴⁰ Additional historical information was sourced from the Parliament of Australia, Parliamentary Library, *History and Chronology of Welfare Law* [Internet]. Parliamentary Library, Canberra, 2006, available from <<http://www.aph.gov.au/library/intguide/law/welfarelaw.htm>> [accessed 23 March 2007].

Time period	Responsible agency	Proof of identity model
17 September 2001– current	Centrelink.	<ul style="list-style-type: none"> The then Department of Family and Community Services^B and Centrelink introduce the current tiered POI model. The new model is a risk-based system.

Notes: (A) The Department of Social Services became fully operative in 1941, taking over responsibility for social services from the Treasury.

(B) In 1998, the Department of Social Security was abolished and replaced by the Department of Family and Community Services (FaCS). FaCS became the Department of Families, Community Services and Indigenous Affairs (FaCSIA) following further changes to the Administrative Arrangements Orders announced on 24 January 2006.

Source: ANAO analysis, 2007 and Centrelink, 2006.

2.6 The table shows four time periods and corresponding POI models. Centrelink customers who are currently receiving an income support payment, or other benefit (such as a Low Income Health Care Card) for which POI is required, will have provided their POI under one of these four models.

Introduction of the current tiered proof of identity model

2.7 The ANAO reviewed Centrelink's current tiered POI model in terms of whether it:

- satisfies the requirements of the SSA Act and accords with the *FaCSIA Guide to Social Security Law*,⁴¹
- has been implemented efficiently and effectively; and
- provides assurance to the Parliament and policy departments on the integrity of outlays for social security payments.

Developing and introducing a new proof of identity model

2.8 The proposed implementation of a new POI system for Centrelink's customers from 1 July 2001 (subsequently delayed until 17 September 2001) was announced in the 2001–02 Portfolio Budget Statements (PBS) for the then Family and Community Services portfolio. Performance of the new POI model was to be measured through a reduction in the numbers of identity fraud and associated debt.

⁴¹ The Guide contains information on major social security legislation including the *Social Security Act 1991*, the *Social Security (Administration) Act 1999* and the *Social Security (International Agreements) Act 1999*.

2.9 The introduction of a new POI model for accessing social security payments is a major undertaking, with both policy and operational implications. Accordingly, to support the effective execution of this project, the ANAO expected to find detailed project proposals, planning, risk management, evaluation and reporting documents.⁴²

Planning

2.10 Although the ANAO identified a range of draft planning documents for the introduction of the tiered POI model on Centrelink's registry files, a final signed version of the Business Case does not exist.⁴³ A draft Business Case for the project describes the background to the proposal to introduce a new POI model as being:

- internal scrutiny and external (ANAO) critique of Centrelink's existing POI practices;⁴⁴ and
- the need to create a more stringent POI regime as a fundamental element of the 'Getting It Right' strategy (see paragraph 2.37 for details of the strategy).

2.11 Centrelink's *Annual Report 2001–02* explains that the new model was designed to:

- improve customer satisfaction;
- increase business assurance;
- simplify POI policies and procedures for staff; and
- improve Centrelink's capacity to attract new business.

2.12 Internal Centrelink documents also refer to the expectation that the implementation of the tiered POI model would result in an estimated 75 per cent reduction in identity related fraud.

⁴² Centrelink's approach to project management is articulated in the Centrelink Project Management Framework, which was introduced in 2000. Australian National Audit Office 2007, *Project Management in Centrelink*, Audit Report No.28 2006–07, ANAO, Canberra.

⁴³ A previous ANAO audit, *Project Management in Centrelink*, Audit Report No.28 2006–07, also found that project managers were not consistently adhering to the Centrelink Projects Office requirement to keep project records updated in the Centrelink Projects Register. If the relevant POI project documentation is not lodged in the Centrelink Projects Register this represents inadequate record keeping for the project when it was introduced.

⁴⁴ Australian National Audit Office, op. cit., Audit Report No.34 2000–01.

Consultation with business partners

2.13 The final Project Closure Report refers to Centrelink consulting with three departments in developing the new POI model:

- the then Department of Family and Community Services (FaCS)
- the then Department of Agriculture, Fisheries and Forestry Australia (AFFA); and
- the then Department of Education, Training and Youth Affairs (DETYA).

2.14 The proposal to introduce a new POI model was a Budget measure included in FaCS' PBS 2001–02. However, neither Centrelink nor FaCSIA, the successor department to FaCS, have a record of FaCS agreeing to the implementation of the POI model as developed as a result of the project undertaken to implement this Budget measure. In addition, Centrelink has no file record of its consultations with either AFFA or DETYA.

2.15 Centrelink and FaCSIA also have no record of FaCS supporting a significant policy decision that was taken at the time the current POI model was introduced in September 2001. This decision was that existing Centrelink customers as at September 2001 who were accessing payments that required POI, and who had acceptable POI records,⁴⁵ would automatically have those records 'converted' to the highest tier level of the new model.

2.16 That is, rather than requiring these current customers to produce POI to Centrelink that satisfied the new tiered POI model, the records of approximately 1.3 million customers were automatically updated to record them as meeting tier 3—the highest level of assurance under the tiered model.⁴⁶ These automatically 'converted' customers included customers whose POI details were not recorded in the Income Security Integrated System (ISIS⁴⁷)—Centrelink's main electronic customer database. This was because these customers had provided their POI to Centrelink before the introduction

⁴⁵ That is, Centrelink's main electronic customer database, the Income Security Integrated System (ISIS), recorded the customer as having provided adequate POI. This POI may have been collected under any of the three POI models in place prior to the introduction of the current tiered POI model.

⁴⁶ Centrelink advised the ANAO that in March 2007, 1 272 906 of the original conversion customers remained current Centrelink customers, and this number is continuing to reduce.

⁴⁷ ISIS is a suite of systems for recording customer claims, and processing Centrelink payments.

of POI screens in ISIS in 1995 and the details were not retrospectively entered into ISIS by CSAs.⁴⁸

2.17 There is no documented risk analysis in Centrelink's files supporting the policy decision taken in 2001 to automatically convert to tier 3 current customers considered to have provided sufficient POI to satisfy the requirements of previous POI models.

Project budget

2.18 FaCS' PBS 2001–02, under the heading, 'Compliance Package-Prevention', describes two projects that would enable the Government to: 'reduce fraudulent claims and better control incorrect payments of benefits'.⁴⁹ The first project referred to is the introduction of the tiered POI model. A total of \$2.946 million in Departmental funding was allocated to the measure. However, how much of the funding provided under the measure that relates to the new POI model project is not separately identified.

2.19 Final Budget costing, obtained by the ANAO from FaCSIA, show that the total departmental cost of the POI project component of the measure for FaCS was \$17 209 while Centrelink's departmental cost was \$1.225 million.

Evaluation

2.20 The ANAO noted that the most recent Centrelink internal evaluation report on the operation of the current tiered POI model, produced in November 2004, concluded that: 'Overall, the tiered POI model appears to be functioning well'.⁵⁰ However, the report went on to say that, in terms of the business case aims for the project:

There is no evidence to support a claim that the tiered POI model has led to improved customer satisfaction. Neither is there any evidence that the tiered POI model has helped to reduce identity fraud and clearly the expectation of a 75 per cent reduction in identity related fraud has not been achieved.⁵¹

⁴⁸ However, under the tiered POI model, customers that were receiving payments before the development of the POI screens in ISIS in July 1995, are required to provide POI at the appropriate tier level if they make a claim for a new payment. This enables Centrelink to enter and store current POI in ISIS against the customer's record for future reference.

⁴⁹ Department of Family and Community Services, *Portfolio Budget Statements 2001–02* [Internet]. FaCS, Canberra, 2001, p. 186, available from <<http://www.facsia.gov.au>> [accessed 25 July 2007].

⁵⁰ Centrelink, Risk and Business Assurance-Evaluation and Benchmarking Team, 'Tiered Proof of Identity Model. Evaluation Report', November 2004, p. 1.

⁵¹ *ibid.*

The report also noted that the new model did not appear to be any simpler for CSAs than the previous Department of Social Security model for POI. Further, no new business for Centrelink can be directly attributed to the introduction of the model.

Audit finding

2.21 Recordkeeping is fundamental to the operation of good government and is therefore a core responsibility for all Australian Government entities. The need to maintain complete, accurate and reliable evidence of business transactions has been well documented and there are many sources of advice for agencies.⁵²

2.22 The ANAO found that incomplete records for the project Centrelink undertook to develop and implement the tiered POI model are held in the relevant business area of Centrelink. In particular, Centrelink did not have records of:

- a final signed version of the Business Case for the project, although various draft documents were available;
- FaCS' agreement to the implementation of the tiered POI model as developed as a result of the project undertaken to implement a 2001–02 FaCS' Portfolio Budget measure;
- Centrelink's consultation with other business partners during the development of the tiered POI model—namely, the then Departments of Education, Training and Youth Affairs and Agriculture, Fisheries and Forestry; and,
- in relation to the policy decision to automatically convert existing customers⁵³ current as at September 2001 to tier 3 (the highest tier level of the new model):
 - any risk analysis undertaken to support this policy decision; or
 - FaCS' agreement to this significant policy decision.

⁵² For example, the National Archives of Australia assists agencies by developing policies, standards and guidelines, and providing training and advice about modern recordkeeping, details of which are available from their website at <<http://www.naa.gov.au>>. Additional guidance is available from the Australian National Audit Office 2006, *Recordkeeping including the Management of Electronic Records*, Audit Report No.6 2006–07, ANAO, Canberra, p. 9 and p. 13.

⁵³ Who were accessing payments that required POI, and who had acceptable POI records.

2.23 The ANAO considers that it is important that Centrelink ensure that, in future, adequate records are maintained for business projects, including any such projects relating to proof of identity requirements for customers applying for social security payments. Centrelink should also maintain appropriate records relating to the development and approval of key policy decisions, including of any consultation with purchaser departments and/or, where required, their approval of the implementation of the relevant policy decision.

Business approach to proof of identity

2.24 As previously discussed (see paragraph 2.11), part of Centrelink's aim in introducing the tiered POI model was to increase business assurance. This is at the core of Centrelink's business relationship with other Australian Government policy departments.

2.25 While Centrelink provides services on behalf of more than 20 entities, over 97 per cent of the agency's revenue in 2005–06 was derived from three major policy departments—FaCSIA, DEWR and DEST.⁵⁴ The departments purchase services from Centrelink, which delivers programme payments to customers on their behalf.

Business Assurance Framework

2.26 Centrelink's Business Partnership Agreement (BPA) with each of the three major policy departments includes a Business Assurance Framework (BAF).⁵⁵ The BAF is to provide: 'assurance on the integrity of outlays and to identify risks and the control frameworks that mitigate those risks'.⁵⁶ A BAF finalised with FaCS in 2001–02 included four pillars of payment correctness:

- right person (established by POI);
- right programme;
- right rate; and
- right date.⁵⁷

⁵⁴ Centrelink, *Annual Report 2005–06*, op. cit., p. 123.

⁵⁵ Centrelink also has BPAs in place with two other policy departments: Department of Agriculture, Fisheries and Forestry; and, Department of Health and Ageing. Centrelink, *Portfolio Budget Statements 2007–08*, op. cit., p. 75.

⁵⁶ Centrelink, *Annual Report 2005–06*, op. cit., p. 20.

⁵⁷ Centrelink, *Annual Report 2001–02*, Centrelink, Canberra, 2001, p. 87.

2.27 Centrelink advised the ANAO in April 2007 that the BAF was redeveloped in 2006. The revised BAF retains a focus on payment correctness (the four pillars) and maintaining the integrity of outlays.

2.28 The key mechanism used by Centrelink to provide assurance on payment outlays to FaCSIA, DEWR and DEST is the conduct of random sample surveys (RSS), as part of the BAF. Conducted by Centrelink, RSS are a point-in-time analysis for a random sample of customers of their circumstances that establish whether the customer is being paid correctly, including having satisfied the 'right person' pillar.⁵⁸ Accordingly, the RSS questionnaire includes POI-related questions.⁵⁹

2.29 Final results for the RSS reviews conducted in the 2004–05 financial year show errors relating to POI as one of six major reasons for error during the year. There were a total of 7 037 errors identified in the 10 048 RSS reviews conducted in 2004–05, with errors relating to the customer's POI accounting for 5.1 per cent (or 361 errors) of the total errors. The POI errors were apportioned as follows:

- 334 POI 'Administrative Errors' (that is staff/systems/legislative or operational guide error);⁶⁰ and
- 27 POI 'Customer Errors'.⁶¹

2.30 Similar RSS results for 2005–06 RSS record that POI accounted for 4.17 per cent (346 errors of the total errors 8 300 errors) as follows:

- 326 POI Administrative Errors (13.49 per cent), from a total of 2 415 errors in this category; and
- 20 POI Customer Errors (0.34 per cent) from a total of 5 885 errors in this category.⁶²

⁵⁸ Centrelink, *Rolling Random Sample Survey, Final Results, 2004–05*, Centrelink, Canberra, 2006, p. 7. Also see Australian National Audit Office, op. cit., Audit Report No.43 2005–06.

⁵⁹ Centrelink advised that in July 2007 there were, on average, nine POI-related questions in the RSS questionnaire customers were asked to respond to.

⁶⁰ There were a total of 7 037 errors identified in the 10 048 RSS reviews undertaken in 2004–05. Of these, 1 573 errors were allocated to the category of 'Administrative Error'. The 334 POI Administrative Errors represent 21.2 per cent of the Administrative Errors detected making POI was the most common administrative error reason. Centrelink, Compliance and Review, February 2006, 'Rolling Random Sample Survey Final Results, Quarter 4 of 2004–05', Tables 10a and b, Major Reasons for Error, p. 17.

⁶¹ Of the 7 037 total errors identified in the 2004–05 RSS reviews, 5 464 errors were assessed as belonging to the category of 'Customer Errors' but only 27, or 0.5 per cent, of these 5 464 errors related to customer errors in relation to POI. *ibid.*

⁶² Centrelink response to Section 19 proposed report 19 September 2007.

2.31 In 2006–07, as one of five major reasons for Administrative Error, the POI error rate was recorded as 21.3 per cent in Trimester 1 reporting, rising to 30.8 per cent during Trimester 2 of the reporting period.⁶³ However, Centrelink advised the ANAO in March 2007 that the RSS has only identified one instance of a 'right person' error (that is an error related to POI) with a dollar impact in the last three years of the survey.⁶⁴

Business cost structure for the tiered proof of identity model

2.32 Completing POI requirements for customers is considered to be part of the total claim process performed by CSAs. The activity is not a specifically costed element under the BPAs Centrelink has with FaCSIA, DEWR and DEST. However, Centrelink is being funded to provide overall assurance on the integrity of outlays (see paragraph 2.26) and an effective system for POI is an essential element of the control framework for social security payments.

2.33 In Chapter 3 the ANAO quantifies the level of assurance and accuracy that Centrelink has that POI requirements have been met and discusses the implications of these findings.

Operating guidelines for the tiered proof of identity model

2.34 The tiered POI model is a deterrent control measure designed to mitigate the risk of customers perpetrating identity fraud to obtain social security payments. If Centrelink's POI requirements are not well implemented by CSAs, including because of any inadequacies in the operational guidelines, the risk of fraud occurring increases.

Chief Executive Instructions and the 'Getting It Right' strategy

2.35 An agency's Chief Executive Instructions (CEIs) are:

the primary mechanism for a (*Financial Management and Accountability Act 1997*) agency chief executive to set out the processes to promote the proper use of Commonwealth resources, including public money and property, by officials in his or her agency.⁶⁵

⁶³ Centrelink, Audit Committee paper, 18 June 2007.

⁶⁴ Centrelink, 'POI Communication Strategy', provided by Centrelink 2 March 2007.

⁶⁵ Australian Public Service Commission, *Foundations of Governance in the Australian Public Service*, APSC, Canberra, 2005, p. 65.

2.36 All Centrelink officials are required to act in accordance with the CEIs.⁶⁶ Under the heading 'Getting It Right–Minimum Standards', CEI 19.01 enables the National Manager, Service Delivery Support Branch, to publish POI policy instructions and procedures establishing POI processes.⁶⁷

2.37 In September 2001, when Centrelink introduced the tiered POI model it was identified as fundamental to the 'Getting It Right' (GIR) strategy that had been introduced in 2000–01.⁶⁸ Following correct procedures for establishing POI was one of six GIR priority areas.⁶⁹

Current proof of identity operational guidelines for Centrelink staff

2.38 Centrelink's POI Team has issued 11 versions of a 'POI Document Coding Guide' for CSAs since the introduction of the tiered POI model in 2001.⁷⁰ From one to three versions of the guide have been circulated annually to CSAs. The current version contains 12 pages of detailed POI instructions for CSAs to follow, and contrasts with previous versions that have been up to 19 pages long. These compilation updates of the coding guide are supplemented between versions by ad hoc electronic advice to CSAs addressing specific issues that may have arisen from, for example, changes to the screen-based interface with ISIS or from contact with customers.

Current version

2.39 The current version of the 'POI Document Coding Guide'—Version 12, July 2006—follows a similar format to previous guides, but notes that up-to-date details are available from the 'On-Line POI Coding Guide' on Centrelink's intranet. The first few pages are reference material for CSAs addressing:

- examples of documents available online;
- when POI is required;

⁶⁶ The CEIs are issued by the Chief Executive of Centrelink in accordance with either Regulation 6 of the *Financial Management and Accountability Act 1997* or as directions under s. 13(5) of the *Public Service Act 1999*. Centrelink, 'Chief Executive Instructions', 14 March 2006, p. 3.

⁶⁷ *ibid.*, p. 39.

⁶⁸ The GIR strategy was one of several measures introduced that year to address some of the issues raised in an ANAO audit report, *Assessment of New Claims for the Age Pension by Centrelink*, Audit Report No.34 2000–01. Centrelink, *Annual Report 2001–02*, *op. cit.*, p. 82.

⁶⁹ Centrelink, *Annual Report 2000–01*, Centrelink, Canberra, 2001, p. 230.

⁷⁰ The POI Team has a three page record of document edits for the period from December 2003 to December 2005.

- the requirement that documents be originals;
- procedures for partners and care receivers for certain payments;
- customer's name details;
- general document coding advice;⁷¹
- coding of forms for internal use; and
- use of Alternative POI and Identity Review Periods (see paragraph 2.55).

2.40 The remaining part of the guide describes the documents that customers can use for POI. After documents are accepted by the CSA and photocopied for the customer's paper file, the guide specifies how document details are to be entered in to the customer's electronic record in ISIS.

Useability of the guidelines

2.41 During audit fieldwork the ANAO identified that POI Learning Needs Analyses (LNA) had been conducted with Centrelink staff for the tiered POI model. LNAs are part of the GIR strategy and assist Centrelink with planning training and development activities for the agency's staff by identifying skills gaps.⁷² The LNAs are conducted through an online, structured question and answer process.

2.42 The first POI LNA was conducted from 3–14 March 2003 and the second from 15–27 August 2005. The results from both LNAs are presented in Table 2.2.

⁷¹ 'Coding' refers to CSAs entering data in ISIS. Coding is used for the following information contained on POI documents: document type; registration/serial number on a document; date issued (under the tiered POI model for some documents this is replaced by the expiry date); country of issue; state of issue; and date arrived.

⁷² Centrelink, *Annual Report 2001–02*, op. cit., p. 173.

Table 2.2

Comparison of Centrelink proof of identity Learning Needs Analysis results from 2003 and 2005

POI Topic	March 2003 results: percentage correct		August 2005 results: percentage correct	
Abridged POI/transfers ^A	68	2 422 participants nationally.	59	3 197 participants nationally.
Alternative POI ^B	55		59	
Commencement of identity (proof of birth/arrival) ^C	45		89	
Identity Review Period ^D	56	Overall, percentage of correct answers nationally 55 per cent.	54	Overall, percentage of correct answers nationally 63 per cent.
POI coding ^E	56		61	
POI tiered model	56		71	

Notes: (A) 'Abridged POI' processes are a streamlined way for CSAs to authenticate that a person making a claim for payment (after a break in payment) is the same person who previously claimed and has already established their identity through a full identity verification process. Abridged POI is used by CSAs if a Centrelink customer wants to claim another payment or service that requires POI at the same or a lower tier level, and it is within 52 weeks of their last payment or service.

'Transfers' apply when a customer is transferring between service reasons at the same or a lower tier level. In this case, CSAs must verify the customer's existing recorded details (except if changes to those details are requested, then the CSA may ask for further identification). However, CSAs will require additional POI before transferring a customer from a current payment or service to a payment or service with a higher tier value.

(B) If the CSA is convinced the customer is who they claim to be, a CSA may grant a customer a payment using 'Alternative POI' if a customer has genuine difficulty in providing adequate identity documents within 28 days (see paragraph 2.56).

(C) Under the tiered POI model, the majority of Centrelink's customers are required to prove their commencement of identity in Australia by demonstrating either proof of their birth or arrival in the country.

(D) Where a customer is unable to provide all the required POI documents at the time of lodging a claim for payment, the CSA can, if convinced the customer is who they say they are, grant the payment using an 'Identity Review Period' where the CSA is sure the customer will return with all the remaining documents within 28 days (see paragraph 2.56).

(E) 'Coding' refers to CSAs electronically entering data in ISIS—Centrelink's main electronic customer database. CSAs are required to code specific information contained on POI documents, for example, the type of document and any registration/serial numbers.

Source: Centrelink LNA results from March 2003 and August 2005.

2.43 Table 2.2 shows an increase in the number of correct answers from CSAs in 2005 in four of the six POI topic areas and an overall increase in the percentage of correct answers nationally. Centrelink's analysis of the LNA 2005 results indicated that further staff training in POI is required and the supporting materials need to be reviewed to identify any potentially confusing content.

2.44 The ANAO considers that the LNA results can be seen as a partial proxy measure of the useability of the 'POI Document Coding Guide', which is one element of Centrelink's supporting materials for staff.⁷³ Therefore, part of the increase in the general level of POI knowledge identified in the August 2005 LNA (shown in Table 2.2) could have resulted from improvements to the 'POI Document Coding Guide' in the period between the March 2003 LNA and the August 2005 LNA.

2.45 The ANAO also noted that a draft Post Implementation Review Report for the introduction of the 'On-Line POI Coding Guide' states that:

Prior to the On-Line Coding Guide there was no way to measure how many (or even if) staff were using the Coding Guide in its paper form. There were suggestions that some staff were using out of date versions but all that was available was anecdotal evidence. Even now it is difficult to quantify the benefits that have been brought about by placing the Coding Guide on-line.⁷⁴

2.46 However, Centrelink advised the ANAO in July 2007 that a benefit accruing from the introduction of the 'On-Line POI Coding Guide' is that the document is: 'a more up-to-date reference product that can be readily accessed and updated quickly and version controlled'.⁷⁵

2.47 Over time, the various versions of the hard copy guide have set out different requirements relating to how CSAs were to code document serial/registration numbers in ISIS. As noted in paragraph 2.38 the guidance has changed regularly, 11 versions of the consolidated guidelines since September 2001 that have been supplemented by a range of ad hoc advice in between version releases. In these circumstances, considerable potential arose for CSAs to be confused about what guidelines to follow in coding POI documents and this seems to have affected the quality of coding in ISIS of some documents. For example the description of what to code for a Medicare card has changed four times and the ANAO found in relation to the coding of Medicare card numbers that only 73.7 per cent of the Medicare card details collected from photocopied POI on customers' files during the sampling phase of the audit matched customers' reciprocal ISIS records. (See Chapter 4 for a discussion of the quality of CSAs' coding work).

⁷³ Centrelink also provides the following POI training and education materials to staff: Centrelink Learning Library; Centrelink Education Network and Business Television Broadcasts; Quality On-Line Tool; Newsletters; e-Reference; Guide to Social Security Law; and, POI Centrenet page.

⁷⁴ The 'On-Line POI Coding Guide' was introduced in July 2006. Centrelink, 'On-Line POI Coding Guide. Post Implementation Review Report', Version 1, 24 November 2006, p. 6.

⁷⁵ Centrelink letter to the ANAO, 2 July 2007.

Audit finding

2.48 The tiered POI model is a deterrent control measure designed to mitigate the risk of customers perpetrating identity fraud to obtain social security payments. In particular, the tiered POI model is designed to manage the risk of not paying the right person by requiring customers to prove their identity in accordance with publicly available guidelines.

2.49 The ANAO found that the supporting operational guidelines provided to CSAs to implement the POI model are consistent with the model's aim and are therefore consistent with the requirements of the SSA Act—to establish procedures that seek to minimise abuses of the social security system. As discussed in paragraph 2.36, the ANAO also confirmed that, in accordance with Centrelink's CEI 19.01, policy instructions and procedures establishing POI processes have been issued to Centrelink officials administering POI requirements for social security payments.⁷⁶ The guidelines detail for CSAs the process required for collecting and recording a customer's POI documents.

2.50 The 'POI Document Coding Guide' is an essential part of the supporting material CSAs use to implement the tiered POI model. The ANAO found that the 'POI Document Coding Guide' has maintained a consistent presentation format even though 11 versions have been issued since September 2001 and supplemented by a range of ad hoc advice in between.

2.51 Prior to the introduction of an 'On-Line POI Coding Guide' in July 2006 Centrelink had no way to measure if CSAs were actively using the POI guidance provided. Centrelink tested CSAs' knowledge of POI requirements and procedures across the national network using an online skills test in March 2003 and again in August 2005. The overall percentage of correct answers by CSAs rose from 55 per cent for the March 2003 test to 63 per cent for the August 2005 test.

2.52 However, without any form of measurement in place Centrelink could not directly attribute the positive result to changes that had been made in updated versions of the coding guide. Also, Centrelink's analysis of the 2005 skills test results indicated that further staff training in POI was required and the supporting materials needed to be reviewed to identify any potentially confusing content. Overall, the useability of the guidelines and the usage rates by CSAs remains unclear (see paragraph 2.45).

⁷⁶ CEI 19.01 enables Centrelink's National Manager, Service Delivery Support Branch, to publish POI policy instructions and procedures establishing POI processes. Centrelink, op. cit.

2.53 Paragraph 2.38 notes that the 'POI Document Coding Guide' has had a number of iterations since its introduction in 2001. The ANAO also notes Centrelink's advice in paragraph 2.46 that the 'On-Line POI Coding Guide', introduced in July 2006, is an up-to-date reference product that can be readily accessed by CSAs, updated quickly and version controlled. Overall, the ANAO considers that making the guide available as an electronic reference for CSAs should make it easier to coordinate updates and avoid duplication or contradictions occurring in the document that could result in rework for CSAs or confusion for customers.

2.54 The ANAO is aware that the control framework for POI in Centrelink relies on both 'upstream' deterrent controls, and 'downstream' detective controls to mitigate the risk of fraud. Therefore, effective operational guidelines for the collection and verification of POI are essential as these processes are the primary deterrent control measure at the first point of decision-making for customer claims.

Non-standard proof of identity: Alternative POI and Identity Review Period for customers

2.55 Centrelink's customer base is broad and it is reasonable to anticipate that not all customers will be able to meet the same standard of POI. Centrelink has put arrangements in place under the tiered POI model that are intended to cater for different customer circumstances.

2.56 The 'POI Document Coding Guide' explains what CSAs are to do if customers cannot provide the necessary documents to achieve standard POI when applying for a social security payment. In terms of granting payment to customers unable to meet the standard requirements of the tiered POI model, the guide states the following:

If the CSA is convinced the customer is who they claim to be, the customer may still be granted by using:

- Alternative POI—where a customer has genuine difficulty in providing adequate identity documents within 28 days; or
- Identity Review Period—where the CSA is sure the customer will return with all the remaining documents within 28 days (payment is automatically cancelled on the 29th day).⁷⁷

⁷⁷ Centrelink, 'POI Document Coding Guide', Version 12, July 2006, p. 1.

2.57 Alternative POI procedures involve customers writing their details on one of three Centrelink forms designed to assist customers to access social security payments.⁷⁸ CSAs are required to verify all of the details on the forms by checking: against Centrelink records; referee or family details by phone; or, with Centrelink International Services. A copy of the final verified form is to be placed on the customer's paper file. Additionally, if it is obvious that customers need assistance, CSAs can help with obtaining additional POI documents or with verifying details.

2.58 Centrelink currently advises CSAs that:

Customers who typically benefit from using Alternative POI are: released prisoners; homeless people; people who are institutionalised; refugees; Indigenous people; severely disabled people; members of religious orders; and, migrants'.⁷⁹

Customers at-risk of not receiving entitlements

2.59 Centrelink records indicate that in 2002 the then Minister for Family and Community Services and Centrelink's then Chief Executive Officer were made aware by community welfare organisations, and through customer complaints, that CSAs were not correctly implementing Alternative POI and Identity Review Period (IRP) procedures. At the time, these welfare organisations claimed that the inconsistent application of policies and procedures between CSAs and Customer Service Centres (CSCs) disadvantaged vulnerable customers trying to meet the new POI requirements (that is, the tiered POI model introduced in September 2001).

2.60 Centrelink subsequently undertook a project in 2004–05 to address the issues relating to customers at risk-of not receiving their entitlement because they cannot meet Centrelink's standard proof of identity requirements under

⁷⁸ The forms to be used for granting Alternative POI are:

- SS230: contains questions that because of their personal nature are unlikely to be known to other people; or
- SS258: is used to verify details for someone who has arrived from overseas and does not have a proof of arrival document; or
- RA010: verification for Aboriginal or Torres Strait Islander people.

Centrelink, 'Tiered Proof of Identity, Study Guide: Comprehensive', 9 November 2005, pp. 25–26.

⁷⁹ Centrelink, *Alternative Proof of Identity – Overview* [Centrenet]. Centrelink, Canberra, 2006, p. 1, available from <<http://centrenet/initcont/10603420.htm>> [accessed 22 June 2006].

the tiered POI model.⁸⁰ A version of the management plan for the 'At-Risk Customers' project (stored electronically by Centrelink) estimated at the time that five per cent of Centrelink's customers would have difficulty in providing documents to meet the standard POI requirements.⁸¹

2.61 There is limited information about the project on Centrelink's files. Draft project documents indicated that it was carried out during the 2004–05 financial year and Centrelink's POI Team confirmed this.⁸² A draft Project Closure Report,⁸³ dated 30 June 2005, states that one of the success criteria for the project was to: 'Improve POI processes for at-risk customers.' The project deliverables included further training for CSAs, system changes in ISIS, and developing options to improve the POI processes for at-risk customers.

Project outcomes

2.62 A post-implementation review was not completed for the project. The ANAO noted that the draft Project Closure Report states that: 'due to a lack of baseline management information prior to the project, quantitative measurement on a before-and-after basis was not feasible'. The qualitative benefits to be achieved were: better customer service; better management information; and increased satisfaction by community organisations.⁸⁴

2.63 Centrelink relies, to an extent, on external community organisations to assist its customers to obtain social security payments to which they are entitled. 'At-risk' customers are likely to be among those customers receiving such assistance. In this circumstance, the ANAO considers that there may be benefit in Centrelink providing such community organisations with targeted educational and support activities on the ways customers can be assisted to meet Centrelink's POI requirements.

2.64 Following the closure of the 2004–05 project, ongoing work in relation to improving POI processes for at-risk customers was transferred to Centrelink's POI Team. This included responsibility for the further

⁸⁰ At-risk customers might include people who are: released prisoners; homeless people; people who are institutionalised; refugees; Indigenous people; people with severe disabilities; members of religious orders; and, migrants to Australia.

⁸¹ No final approved version of the project document was on Centrelink's files.

⁸² The project was conducted by a two-person team, at a total cost of \$368 736.

⁸³ Again, no final approved version of this document is included in Centrelink's files.

⁸⁴ Draft, 'POI Project, Project Closure Report', 30 June 2005, p. 10.

development of management information statistics as a basis for analysing CSAs' use of Alternative POI and IRPs.^{85 86}

2.65 Two months after the closure of the project in June 2005, Centrelink's analysis of the results of the POI LNA undertaken in August 2005 indicated that, despite a training focus in the previous twelve months on Alternative POI processes and the use of IRPs, there still appeared to be some confusion among CSAs about applying these processes (see Table 2.2).

Audit finding

2.66 The circumstances of some of Centrelink's customers put them at risk of being unable to meet, either in the short term or not at all, the current standard proof of identity requirements for accessing the social security payments they need. In 2004–05, Centrelink estimated some five per cent of its customers would have difficulty providing sufficient POI to satisfy the tiered POI model requirements.

2.67 The ANAO considers that the IRPs and Alternative POI procedures that Centrelink has established to assist such customers offer methods to deal with this issue. However, these procedures have not always been consistently applied by CSAs.

2.68 In 2004–05, in response to concerns raised by community welfare organisations and customer complaints about both the capacity of vulnerable customers to meet the requirements of the tiered POI model and associated inconsistent application of IRPs and Alternative POI procedures by CSAs, Centrelink undertook the 'At-Risk Customers' project. However, Centrelink's analysis of the results of the POI LNA undertaken in August 2005, two months after the closure of the project, indicated that, despite a training focus in the previous twelve months on the use of IRPs and Alternative POI procedures, there still appeared to be some confusion among CSAs about applying these processes (see Table 2.2).

2.69 The ANAO found that a post-implementation review was not completed for the 'At-Risk Customers' project. While Centrelink

⁸⁵ *ibid.*, pp. 12–13.

⁸⁶ Centrelink advised the ANAO in July 2007 that: Centrelink does have management information on the use of Alternative POI and Identity Review Periods in terms of numbers applied at grant, but it has not calculated the costs associated with the numbers. The ANAO notes that establishing the cost of these particular types of POI services, which are likely to be more resource intensive for Centrelink than standard POI processes, could be useful to the agency in the context of negotiating future business agreements with policy departments.

acknowledged that a lack of baseline management information meant quantitative measurement of the project's outcomes was not feasible, this would not impede an assessment of whether Centrelink had achieved the project's desired qualitative benefits: better customer service; better management information; and increased satisfaction by community organisations.

2.70 Without an evaluation of the outcomes from the 'At-Risk Customers' project, Centrelink cannot be sure that the original concerns of community welfare organisations and customers have been addressed. In this context, the ANAO notes that Centrelink does not have any measures in place to provide assurance that CSAs are now correctly implementing Alternative POI and IRP policies and procedures under the tiered POI model such that at-risk customers are not being disadvantaged by inconsistent treatment between CSAs and CSCs.

Recommendation No.1

2.71 The ANAO recommends that Centrelink undertake a post-implementation review of the 2004–05 'At-Risk Customers' project to:

- (a) provide assurance that Centrelink achieved its objective of improving its processes for customers at-risk of not receiving their entitlement because they cannot meet Centrelink's standard proof of identity requirements; and
- (b) identify further opportunities for improvement.

Centrelink response

2.72 Agreed. Centrelink will conduct a post-implementation review of the 'At-Risk' Customer group to assess possible avenues for future improvement.

Conclusion

2.73 Centrelink's requirement for customers to provide satisfactory POI is an essential element of the control framework for social security payments. This control relies on Centrelink administering the requirements of the current POI model effectively and efficiently to ensure that customers only receive payments (and/or services) if they have provided the required POI documentation. The application of Centrelink's tiered POI model provides assurance on the integrity of the related outlays for the three policy departments that together purchase the majority of services from the agency—FaCSIA, DEWR and DEST.

2.74 In examining the development process for the tiered POI model in Centrelink, the ANAO found that record keeping for the project was not adequate. Documentation of significant policy decisions, and associated risk analyses, were not maintained by Centrelink or the then Department of Family and Community Services. The ANAO considers that it is important that Centrelink ensure that adequate records are always maintained for business projects. Centrelink should also maintain appropriate records relating to the development and approval of key policy decisions, including of any consultation with purchaser departments and/or, where required, their approval of the implementation of the relevant policy decision.

2.75 Centrelink's 'POI Document Coding Guide'—an essential part of the supporting material CSAs use to implement the tiered POI model—is issued in accordance with the relevant Chief Executive Instructions and is consistent with both the aims of the tiered POI model and the SSA Act. However, the useability of the current POI guidelines remains unclear and Centrelink has been unable to assess if CSAs are actively using the POI support material. Centrelink's analysis in August 2005 of nationwide test results of CSAs' knowledge of POI indicated that further staff training in POI was required. This analysis also indicated that the supporting materials needed to be reviewed to identify any potentially confusing content.

2.76 The circumstances of some of Centrelink's customers put them at risk of being unable to meet, either in the short term or not at all, standard proof of identity requirements for accessing the social security payments they need. In 2004–05, Centrelink estimated some five per cent of its customers would have difficulty providing sufficient POI to satisfy the tiered POI model's requirements. Centrelink's Alternative POI and Identity Review Period procedures offer methods to deal with this issue for customers who are unable to meet, either in the short term or not at all, the standard requirements of the tiered POI model. However, these procedures have not always been consistently applied by CSAs.

2.77 Centrelink has not evaluated the outcomes from a dedicated 'At-Risk Customers' project conducted in 2004–05 to address the capacity of such customers to meet the requirements of the tiered POI model and the inconsistent application of Alternative POI procedures and IRPs by CSAs. The ANAO concluded that there would be benefit in Centrelink conducting a post-implementation review of the 'At-Risk Customers' project as this could inform any decision on whether, or the extent to which, to adopt Centrelink's current approach to handling POI for such customers when registering such customers

for the Access Card if it is introduced.⁸⁷ Accordingly, the ANAO recommended that Centrelink undertake a post-implementation review of the 2004–05 'At-Risk Customers' project.

⁸⁷ The Office of Access Card, within DHS, is responsible for introducing the health benefits, veterans' and social services access card and overseeing the development of POI requirements and processes for card registration.

3. Centrelink's Application of Proof of Identity Guidelines

This chapter discusses Centrelink's compliance with the agency's guidelines for the collection of customers' proof of identity information.

Introduction

3.1 In order to assess the extent to which Centrelink's staff are complying with the agency's proof of identity (POI) guidelines, the ANAO examined the POI information Centrelink stores on customers' paper files.

3.2 Specifically, this chapter discusses:

- the extent to which the POI documentation held on Centrelink's paper files sufficiently meets the required POI guidelines; and
- the extent to which the POI on a sample of customer records examined by the ANAO had been collected and stored in accordance with the relevant administrative guidelines.

Methodology

3.3 The major part of fieldwork for the audit was undertaking two random samples to generate findings about Centrelink's application of POI requirements for the agency's customers.

3.4 Based on the findings from previous ANAO audits (see paragraph 1.20 in Chapter 1), statistics contained in Centrelink documents, and the results from three pilot studies conducted during planning for this audit, the ANAO expected to find that a number of current Centrelink customers would have insufficient POI on their paper files to support their payment. That is, that the POI stored on the customer's file would not satisfy the requirements of the relevant social security agency⁸⁸ guidelines in place at the time the POI was collected.

3.5 The ANAO's random samples were selected from an electronic data extract of Centrelink's ISIS database provided to the ANAO by the agency. The extract contained records for approximately 5.5 million customers that were

⁸⁸ Centrelink was established on 1 July 1997. However, some of Centrelink's customers who are currently receiving payment produced their POI to the former Department of Social Security or Department of Social Services prior to Centrelink's establishment.

receiving a regular social security payment on the day the data was extracted in October 2006.⁸⁹ Approximately 4.5 million of those customers were required to provide POI before they could receive a payment and the remaining 1 million customers were not required to provide POI⁹⁰ (see Figure 1.1 and Table 1.1 in Chapter 1 for an explanation of the different POI requirements).

3.6 The primary random sample was selected in accordance with expert advice from the Australian Bureau of Statistics Statistical Consultancy Unit (ABS SCU) (see Appendix 1) and structured as follows:

- a sample of 1 200 current customers, requiring POI for payment.⁹¹

A second random sample was independently selected by the ANAO as follows:

- a sample of 100 customers, not requiring POI for payment.⁹²

3.7 A sampling team, consisting of three ANAO officers and one Centrelink officer, assessed the POI held on the paper files for each of the customer records in the ANAO's sample provided by Centrelink.⁹³ The sampling team assessed the POI to determine whether it was sufficient, according to the relevant POI guidelines applying at the time the customer provided their POI and was granted a payment (see Table 2.1 in Chapter 2 for details of the four POI models used for social security payments). Another ANAO officer conducted a quality assurance process for the sampling team's data entry and decision-making work. A Centrelink officer, experienced with Centrelink's POI policies, was available on-site as a contact point when the sampling team required further clarification of the POI guidelines.

⁸⁹ The data was extracted at some time during the weekend of 28–29 October 2006 and would have included data in use up to the close of business on Friday, 27 October 2006.

⁹⁰ That is the relevant guidelines do not require that the customer provide POI to receive the particular payment(s) or service(s) they were in receipt of.

⁹¹ A sample of 1200 current customers requiring POI for payment was selected. Based on past data, a sample of this size was expected to achieve a relative standard error of five per cent for a verification sample of the proportion of Centrelink's customers with insufficient POI documents to meet the requirements at the time the POI was collected.

⁹² Unlike the primary sample, the second sample was not designed to achieve a particular relative standard error or to be used to verify any characteristic relating to Centrelink's customers receiving a current payment that did not require POI to be collected. See paragraphs 3.54–3.60.

⁹³ Paragraph 3.14 explains that not all of the 1 200 records in the ANAO sample could be provided by Centrelink but that the agency was able to account for the whereabouts of the records relating to the 17 customers involved.

Sample results for current customers requiring proof of identity documentation for payment

Assessment of sufficiency of proof of identity

3.8 The starting point for the sampling phase work—data collection—involved an assessment of the POI documents on a customer's file, as collected by Centrelink. The audit did not look for identity fraud.

3.9 The sampling team assessed the customer records in the sample against the POI guidelines that applied at the time the customer was granted their social security payment. The pre-1988 POI guidelines required customers to provide POI in order to receive a benefit, but did not specify which documents were required. The sampling team assessed POI as sufficient to satisfy the requirements of this model if any type of POI documents were found on file or an official record was found on file which showed that POI documents had been sighted.

3.10 Each of the three POI models introduced subsequent to 1988 specified lists of documents that could be used as POI, the characteristics these documents must have, and the number of documents required for the POI to be considered sufficient.

3.11 To assess POI under these models, the sampling team first assessed each POI document held on the paper file, against the document criteria in the relevant guidelines. Only documents that met the criteria in the guidelines were counted as a POI document. The total number of acceptable documents was then tallied, to determine whether enough POI had been provided to comply with the guidelines. If there were enough acceptable documents to meet the requirements in the guidelines for all current payments the customer was receiving, the POI was considered sufficient.

3.12 The sampling team's results were stored in a database. At the end of the sampling phase the ANAO contracted the ABS SCU to perform post-sampling verification of the database results and statistical analysis of the key findings (see Appendix 1).

Customer records with insufficient proof of identity documents on their paper file

3.13 A key audit requirement was that the sampling and estimation methodologies for the main random sample had to be statistically sound, in order to produce unbiased estimates of the error rates for the in-scope

Centrelink population of 4 263 934 current customers' paper records and meet associated accuracy requirements.⁹⁴

3.14 As discussed in paragraph 3.6, the ANAO consulted the ABS SCU and selected a sample size of 1 200 current customer records for assessment. Centrelink recalled records for 1 183 of the customers in the ANAO sample (98.6 per cent of the sample) and accounted for the whereabouts of the records relating to the remaining 17 customers.⁹⁵

3.15 The sampling team assessed the 1 183 customer records recalled by Centrelink. There were approximately 2 864 physical files associated with these 1 183 customers. After sample loss was calculated by the ABS SCU, the ABS SCU analysed the results from 1 158 records.⁹⁶ All results in this section of the chapter are based on a total of 1 158 current Centrelink customer records.

⁹⁴ The scope of a survey is the population of units about which conclusions need to be drawn—the 'in-scope' population. Before the start of the sampling phase the in-scope population was determined by the ANAO to be all current Centrelink customers who had been receiving one or more tier 1, 2 or 3 payments for more than ten weeks. (Centrelink informed the ANAO that it can take up to ten weeks for a customer's paper file to be created after the customer begins receiving a benefit.) During the sampling phase certain subpopulations were identified that were out of scope. Therefore, the final in-scope population calculated by the ABS SCU was 4 263 934 current customer records.

⁹⁵ Of the 17 customer records not assessed by the sampling team:

- seven records did have files, but the files were unavailable because they were in active use by CSAs during the sampling phase of the audit and could not be released for assessment;
- eight records did not have a paper file registered on Centrelink's TRIM record keeping system at the time of the audit sample. Centrelink subsequently advised the ANAO that the affected customers' payments were all confirmed as bona fide claims for the Age Pension and a replacement paper file was created as per current Centrelink policy; and
- two records were too new for there to be a complete paper file. The customers these records belonged to had been receiving tiered benefits for less than 10 weeks. There were seven records in total in this group (see footnote 96).

⁹⁶ Sample loss refers to units that have been selected in the sample but for which information cannot be obtained. As explained in footnote 95, there were 17 files that the sampling team was unable to assess during the audit. The remainder of the sample loss (25 records) came from three different subpopulations that were discovered during the sampling phase. These subpopulations include:

- seven records in total that were out of scope because their only payment with assessable POI was granted less than ten weeks before the extract was run (two of these records are part of the files that were not assessed by the sampling team, discussed in footnote 95);
- 13 records were out of scope because they were records for customers in receipt of payment pursuant to an International Social Security Agreement. The responsibility for collection of POI for these customers lies with the partner country rather than with Centrelink; and
- seven records identified that had information stored on microfiche that could not be accessed during the audit period. This meant that the POI on these records could not be assessed as either sufficient or insufficient.

Final results

3.16 The ABS SCU estimated the proportion of in-scope Centrelink customers who did not have sufficient POI on file to meet the guidelines required at the time the POI was collected. Table 3.1 shows the ABS SCU analysis of this proportion based on the evidence collected during the ANAO’s fieldwork.

Table 3.1

ABS SCU estimate of customers with insufficient proof of identity on paper file

Customer records with insufficient POI to meet the guidelines required at the time POI was collected	Estimated 95 per cent confidence interval
Percentage of in-scope customers	15.5 per cent ± 2.1 per cent
Number of in-scope customers	662 788 ± 89 010 ^A

Note: (A) The ABS SCU reported the estimated proportion of customers with insufficient POI to three significant figures. The estimates of population size and the associated confidence interval were calculated using the unrounded values.

Source: ABS SCU analysis based on ANAO sampling results, February 2007.

3.17 The ABS SCU advised the ANAO that there is a 95 per cent probability that the true proportion of in-scope Centrelink customers with insufficient POI⁹⁷ on file was between 2.1 percentage points of 15.5 per cent, or between 13.4 per cent and 17.6 per cent.⁹⁸ Therefore, the ABS SCU estimates that between 573 778 customers and 751 798 customers in the in-scope population would have insufficient POI on file. This not an estimate of the number of customers perpetrating identity fraud to obtain social security payments from Centrelink. An investigation of identity fraud matters was outside the objective and scope of this audit.

⁹⁷ That is, insufficient POI to meet the requirements of the guidelines extant at the time the customer’s POI was collected.

⁹⁸ The ABS advised the ANAO that this is the estimate produced from the sample, and could be different to the true population value. There is a 95 per cent probability that this estimate is within approximately two standard deviations of the population value. This is equivalent to saying that there is a 95 per cent probability that the population value is within 2.1 per cent of the estimate of 15.5 per cent.

The results in context

3.18 The sample was undertaken to determine a response to the audit objective of determining whether the POI information recorded by Centrelink accords with relevant policy and thereby effectively supports informed decision-making regarding eligibility for the payment of various benefits to Centrelink customers. Since Centrelink has approximately 6 million current customers, it was impractical in this audit to check every customer's individual record. Accordingly, a sample of customer records was drawn and examined. From this sample, inferences were made about the entire population of current customer records.

3.19 The results do not provide evidence of identity fraud among Centrelink's customers or internal fraud by CSAs. The collection and storage on Centrelink's files of insufficient POI is not necessarily associated with identity fraud. This is because there can be a number of reasons why sufficient POI is not stored on a customer's Centrelink file. For example, the POI may have been originally collected but subsequently lost or mis-filed. Alternatively, the relevant CSA may have misunderstood the requirements of the relevant POI guidelines and so not requested sufficient POI from the customer.

3.20 It was estimated from the sample that the primary POI information on 15.5 per cent (\pm 2.1 per cent) of customers' paper files does not effectively support decision-making for granting payments. As discussed in Chapter 2, this result is a cumulative total arising from POI collected before and since the establishment of Centrelink in 1997. However, it does impact on the level of business assurance that Centrelink can provide under BPAs with the agency's three major purchaser departments—FaCSIA, DEWR and DEST.

3.21 The estimates indicate a weakness in Centrelink's control framework for social security payments and a risk to the integrity of outlays. This is because the ANAO's results indicate that, for 15.5 per cent (\pm 2.1 per cent) of the 4 263 934 current Centrelink customers required to provide POI, insufficient POI will be held on Centrelink's paper customer files to meet the requirements of the POI guidelines that are intended to mitigate the risk of identify fraud.

3.22 The ANAO notes that it is quite possible that, if asked to, affected customers could produce acceptable POI to meet the requirements for their payment. Conversely, the findings do not mean that there is no identity fraud being perpetrated by the approximately 85 per cent of customers with POI on their paper file that, on the face of it, satisfy the requirements of the relevant

POI guidelines. It is important to note, however, Centrelink does have a range of fraud control strategies in place to address this risk.

3.23 The ANAO has provided Centrelink with details for the 180 customers identified in the sample as having insufficient POI. Centrelink advised the ANAO that it has subsequently undertaken action in relation to these cases and is now satisfied that these customers have provided sufficient POI and this is stored on their paper file.

3.24 The audit results reported in Table 3.1 regarding the estimates of Centrelink customers with insufficient POI on their paper file to meet the POI guidelines in place at the time a payment was granted to them are based on a sampling exercise, rather than a check of all relevant records in the population of current Centrelink customer records. Accordingly, Centrelink is not able to readily identify particular customers falling into this group.

Impact of introducing the proposed Access Card

3.25 The ANAO recognises that the proposed introduction of the health benefits, veterans' and social services access card is intended to replace the current POI procedures in Centrelink, as well as those POI procedures currently in place in other relevant Australian Government agencies. As discussed in paragraphs 1.13–1.17, in order to receive an Access Card, individuals will need to apply and attend an interview at a registration outlet. The registration activity is currently programmed to commence within 18 months of the relevant legislation being passed by the Parliament.⁹⁹

3.26 In regard to the registration process and the impact this may have on existing Centrelink customers' POI, the ANAO was advised by the Office of Access Card in July 2007 that it is proposed:

applications can be submitted through a variety of options including online and paper forms. Centrelink, Medicare Australia, the Department of Veterans' Affairs and Australia Post will provide outlets across Australia where individuals will be interviewed for the Card. The interview will include examination of original proof of identity documents about the individual and their dependants, require a photograph to be taken and signature recorded. The proof of identity model to be used for the Access Card will be consistent with the Attorney-General's Gold Standard Enrolment Framework requiring evidence of a person's commencement of identity and their identity operating in the community. Relevant proof of identity documents will be verified as part of this process.

⁹⁹ Advice from the Office of Access Card to the ANAO in September 2007.

The Access Card registration design includes recognising Participating Agency¹⁰⁰ customers who have previously provided high levels of POI in claiming an agency service or benefit. In regard to Centrelink, customers included in this streamlined pathway are those customers who have previously provided tier 3 POI since the introduction of the tiered POI model in 2001.¹⁰¹

3.27 However, the Access Card is not currently planned to be a mandatory requirement for accessing Centrelink payments and services until up to three and a half years following the passage of the relevant legislation through the Parliament.¹⁰² Accordingly, in the meantime, it remains important that Centrelink effectively implements the current tiered POI model.

Customer records with no proof of identity documents on their paper file

3.28 Table 3.1 sets out the ABS SCU's estimate,¹⁰³ of the proportion of Centrelink customers who are required to provide POI but for whom insufficient POI is stored on their paper customer file—that is 15.5 per cent (\pm 2.1 per cent). The ANAO also found that, of those customers in its random sample with insufficient POI on their paper file, a subset of these actually had no POI at all on their paper file. Table 3.2 shows the ABS SCU's estimate of the proportion of Centrelink customers in the in-scope population¹⁰⁴ with no proof of identity on their paper file.

¹⁰⁰ Participating agencies include the DHS, the Department of Veterans' Affairs, Medicare Australia and Centrelink.

¹⁰¹ Advice emailed to the ANAO, Office of Access Card, DHS, 12 July 2007.

¹⁰² Advice from the Office of Access Card to the ANAO in September 2007.

¹⁰³ Based on the evidence collected during the ANAO's fieldwork in relation to a random sample of customer files.

¹⁰⁴ Before the start of the sampling phase the in-scope population was determined by the ANAO to be all current Centrelink customers who had been receiving one or more tier 1, 2 or 3 payments (see Figure 1) for more than ten weeks. During the sampling phase certain subpopulations were identified that were out of scope. Therefore, the final in-scope population calculated by the ABS was 4 263 934 current customer records.

Table 3.2

ABS SCU estimate of customers with no proof of identity on paper file

Customer records with no POI on paper file	Estimated 95 per cent confidence interval
Percentage of in-scope customers	2.5 per cent \pm 0.9 per cent
Number of in-scope customers	106 782 \pm 38 387 ^A

Note: (A) The ABS SCU reported the estimated proportion of customers with insufficient POI to three significant figures. The estimates of population size and the associated confidence interval were calculated using the unrounded values.

Source: ABS SCU analysis based on ANAO sampling results, February 2007.

3.29 The ABS SCU advised the ANAO that there is a 95 per cent probability that the true proportion of in-scope Centrelink customers who have no POI on their paper file is within 0.9 percentage points of 2.5 per cent or between 1.6 per cent and 3.4 per cent.¹⁰⁵ The ABS SCU estimates that between 68 395 customers and 145 169 customers would have no POI on their paper file. This is not an estimate of the number of customers perpetrating identity fraud to obtain social security payments from Centrelink. An investigation of identity fraud matters was outside the objective and scope of this audit.

3.30 The ANAO considers that there are a number of reasons why some customers' files do not have any POI stored on them at all:

- staff administrative error—CSAs could have requested the customer to provide POI and then entered the customer's document details directly into the ISIS system but have either not been aware of, or have forgotten, the requirements to photocopy the original documents;
- record management error—CSAs could have followed the POI operational guidelines, obtaining and photocopying POI, but the documents were either not attached to the customer's file or became separated from the file at a later date. Over time, entire customer files may have been lost or destroyed; and
- non-compliance—CSAs could have failed to comply with the POI guidelines and did not collect POI documents from the customer.

¹⁰⁵ See footnote 98 for an explanation of the 95 per cent confidence level for the results.

3.31 The sample results in Table 3.1 and Table 3.2 show that when process errors occur in a control framework, such as those listed in paragraph 3.30, this can lead to an outcome error. In this case, insufficient POI for customers leads to an increased business risk for Centrelink.

Audit finding

3.32 Establishing a customer's identity is critical to Centrelink's business relationship with FaCSIA, DEWR and DEST and directly impacts on the level of assurance Centrelink can provide on the integrity of outlays for social security payments.

3.33 Centrelink's POI guidelines describe the type and amount of documentation required for a customer to sufficiently establish their POI with Centrelink. Failure to comply with the POI guidelines reduces the level of confidence Centrelink can have that it has paid the 'right person' and weakens the control framework for social security payments.

3.34 The ANAO did not test the capacity of Centrelink's POI procedures to establish an individual's identity, and cannot make inferences about the likelihood that non-compliance with the POI guidelines is an indication of identity fraud. Equally, the presence on a customer's file of sufficient POI to satisfy the requirements of Centrelink's POI guidelines does not mean an absence of identity fraud. Rather, the ANAO assessed the sufficiency of customers' POI against the POI guidelines established by successive social security agencies, concluding with Centrelink's current requirements.

3.35 Based on the result of the ANAO's assessment of a sample of current Centrelink customer records, the ABS SCU estimated that there is a 95 per cent probability that between 573 778 (13.4 per cent) and 751 798 (17.6 per cent) of the approximately 4.3 million Centrelink customers who are required to provide POI before they are granted payment¹⁰⁶ have insufficient POI on their paper file to meet the POI guidelines in place at the time a payment was granted to them. These audit results indicate a weakness in Centrelink's control framework for social security payments and a risk to the integrity of outlays because, for customers with insufficient POI on their paper file, there is an increased risk that Centrelink may be making payments to which the recipients are not entitled.

¹⁰⁶ That is those customers who are required to provide POI before they are granted a payment and who were in-scope for the ANAO's sample (see footnote 94 and footnote 95).

3.36 The ANAO also found that, of those customers in its random sample with insufficient POI on their paper file, a subset of these actually had no POI at all on their paper file. The ABS SCU advised the ANAO that there is a 95 per cent probability that the true proportion of in-scope Centrelink customers who have no POI on their paper file is within 0.9 percentage points of 2.5 per cent or between 1.6 per cent and 3.4 per cent.¹⁰⁷ The ABS SCU estimates that between 68 395 customers and 145 169 customers would have no POI on their paper file.

3.37 The ANAO considers that there are opportunities for Centrelink to mitigate, over time, this risk to the agency's business assurance and the integrity of outlays. Implementation of Recommendation No.2 (paragraph 3.88) would assist in achieving this through an increased focus on CSAs' compliance with the operational guidelines for the current tiered POI model in order to limit the number of Centrelink customers with insufficient POI and effectively support informed decision-making regarding eligibility for the payment of various benefits.

Trends identified in the sample results for current customers requiring proof of identity documentation for payment

3.38 A key audit requirement was that the sampling and estimation methodologies had to be statistically sound, in order to produce unbiased estimates of the error rates for the total population of current Centrelink customers' paper records and meet associated accuracy requirements. The sample was not stratified according to the POI model used to assess the payment or by the type of payment a customer was in receipt of.¹⁰⁸ Accordingly, the results discussed in the following sections represent the ANAO's findings in relation to the final sample group of 1 158 records¹⁰⁹ that were assessed by the ANAO and, while they indicate possible trends in the data, these results cannot be extrapolated with any confidence to the entire in-scope population of approximately 4.3 million customers.

¹⁰⁷ See footnote 98 for an explanation of the 95 per cent confidence level for the results.

¹⁰⁸ This is because the ANAO was primarily interested in producing statistically significant results that would reflect the entire population of current Centrelink customers. A stratified sample, able to generate statistically significant results at the same level of confidence as that achieved for a simple random sample, would have required a larger overall sample size. The ANAO assessed that any additional benefits from stratifying the sample were outweighed by the additional resources and costs the assessment of the larger sample would have involved for both Centrelink and the ANAO, particularly as statistically significant results on these issues (POI models and payment types) were not required for the ANAO to form a conclusion against the audit objective.

¹⁰⁹ See Appendix 1 for an explanation of how the final sample size was determined.

Results under current and past proof of identity models

3.39 The ANAO found during the audit that there can be a complex relationship between a customer's POI and their payment history. The relationship becomes complicated if the customer has received a number of different kinds of payments over a period of time or has an irregular payment history with periods of non-payment. The ANAO also found that there is the potential for individual customers to have multiple file parts stored in different locations, containing multiple copies of the same POI documents collected at different times.

3.40 Therefore, the ANAO agreed with Centrelink that, in assessing the customer records in the ANAO's sample, the sampling team would use a combination of factors to determine which POI model to use when assessing the sufficiency of POI on each customer record including:

- the grant dates for current payments;
- the dates that POI documents were recorded in ISIS; and
- information about previous payments the customer had been receiving.

3.41 This led to some customer records being assessed using more than one POI model. The most common scenario encountered by the sampling team where this was required was where a customer was receiving two current payments—for example, one granted under the 1988–1995 POI model and a second granted under the tiered POI model. In these cases, the POI used to support each payment was checked using the guidelines applicable to the POI model in place at the time the particular payment was granted and an overall assessment of the sufficiency of the customer's POI on file was made. The POI for all current payments had to be established, in accordance with the relevant guidelines, before the customer's record was assessed as having sufficient POI. In such cases, 'combination' was recorded as the model used for assessment (see Table 3.3).

Final results

3.42 Table 3.3 details the number of records assessed under each model and the number of customer records considered to have sufficient or insufficient POI.

Table 3.3**Assessment of the sufficiency of customers' proof of identity record according to model**

Model	Total records assessed		Sufficient POI	Insufficient POI	Percentage of customer records with insufficient POI
Combination	93	(8 %)	74	19	20.4%
Pre-1988	130	(11.2 %)	111	19	14.6%
1988-1995	167	(14.4 %)	135	32	19.2%
1995-2001	303	(26.2 %)	251	52	17.2%
Current tiered model	465	(40.2 %)	407	58	12.5%
All models	1158	(100 %)	978	180	15.5%

Source: ANAO analysis of a sample of 1 158 Centrelink customer records, 2007.

3.43 Table 3.3 shows that customers in the audit sample who required assessment using a combination of POI models¹¹⁰ made up only eight per cent of customers in the ANAO's sample, but this category of customers had the highest proportion assessed as not having sufficient POI on their paper file to support their current payments, some 20 per cent. As paragraph 3.41 explains, the POI for these customers needed to fulfil the requirements of a minimum of two sets of POI guidelines before the overall assessment could record the customer as having achieved 'sufficient POI' status. The fact that better results were found in relation to customers who needed to be assessed under only one of the various POI models that have applied over time underscore the complexity of the relationship between a customer's POI and their payment history.¹¹¹

3.44 Table 3.3 also shows that the largest category of customers in the ANAO's sample was made of customers to whom only Centrelink's current tiered POI model applied—40.2 per cent of customers. However, the results of

¹¹⁰ Because they were in receipt of two, or more, current payments that had been granted separately, and under a combination of different POI models.

¹¹¹ The reasons why the POI of customers requiring assessment under a combination of POI models may be assessed as having insufficient POI included that, over time, additional payments might be granted to a customer based on POI that was not collected appropriately in the first instance or the customer's POI for the first payment they were granted is sufficient, but additional payments were subsequently granted for which the required level of POI had not been successfully established.

the ANAO's analysis indicate that customers in this category were also the least likely to have insufficient POI on their paper file—some 12.5 per cent.

3.45 These results suggest that CSAs are following the guidelines for the current model more accurately than the guidelines applying under previous models have been followed. The ANAO identified this higher level of compliance with the requirements of the current POI model as compared to all previous models despite the current POI model being the most demanding in terms of the level of POI documentation required from customers and increased requirements for CSAs entering customers' POI details into ISIS.

3.46 The pre-1988 model was less prescriptive than any other models that have followed it. Notwithstanding this, around 14.6 per cent of customers in the ANAO's sample to whom the pre-1988 model had been applied did not have sufficient POI on file to satisfy the requirements of this model.

3.47 For the model applying between 1988 and 1995, which was more prescriptive than the pre-1988 model, 19.2 per cent of customers in the ANAO's sample to whom this model applied were found to have insufficient POI to satisfy the requirements of the model. However, for each of the two models succeeding this one (the 1995–2001 model and the current tiered POI model), the proportion of customers with insufficient POI was lower (17.2 and 12.5 per cent respectively), indicating improvement over time in Centrelink's application of POI models notwithstanding that each successive model has had stricter requirements.

3.48 Despite this downward trend, the ANAO considers that Centrelink needs to maintain a focused effort in this business area. As discussed in Chapter 2, POI procedures are a key deterrent control measure to address the risk of identity fraud. Even for those current customers in the ANAO's sample, to whom the current tiered POI model had been applied, 12.5 per cent had insufficient POI on file. If Centrelink's POI requirements are not adhered to by CSAs, the risk of fraud occurring increases.

Insufficient proof of identity by type of payment

3.49 Six major income support payments account for approximately 89 per cent of Centrelink's outlays to customers requiring POI for payment.¹¹² They are, in descending order, from the highest to lowest proportion of social security outlays:

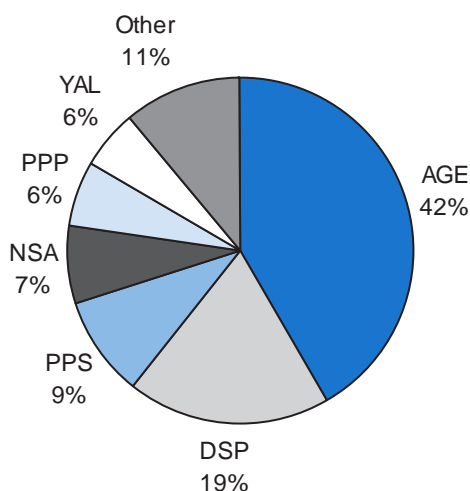
¹¹² Centrelink advice to the ANAO, 9 August 2007.

- Age Pension (AGE);
- Disability Support Pension (DSP);
- Parenting Payment Single (PPS);
- Newstart Allowance (NSA);
- Parenting Payment Partnered (PPP); and
- Youth Allowance (YAL).

3.50 The ANAO analysed the sample results to identify the number of customers in the sample with insufficient POI according to their primary payment type. Figure 3.1 presents the results.

Figure 3.1

Percentage of customers with insufficient proof of identity by major payment type



Source: ANAO analysis of a sample of 1 158 Centrelink customer records, 2007.

Audit finding

3.51 The ANAO compared the sample results in Figure 3.1 with the distribution of customers by payment type in the in-scope population of approximately 4.3 million customers. The ANAO found that customers with insufficient POI were not skewed toward any particular payment type. Rather,

the primary payment types of customers found to have insufficient POI was representative of the distribution of these payments in the full population.

3.52 Accordingly, Age Pension recipients, as Centrelink's largest group of social security payment recipients required to provide POI before payment can be granted, also constituted the largest number of customers with insufficient POI on their paper file. In the *Intergenerational Report 2007*, the Treasurer advised that projections of government spending over the next 40 years indicate that the strongest growth in income support payments will be income payments to the aged including age pensions.¹¹³ The ANAO considers that the trend identified by the Treasurer is reinforced by the Government's decision to halve the pension assets test taper rate from 20 September 2007.¹¹⁴

3.53 Centrelink advised the ANAO that Age Pension is usually a long term payment that is reviewed, based on risk profiles of customers' circumstances, over time. Generally, payments to Age Pension customers are: 'reviewed less often [as compared to other payment types] based on the level of risk associated with customers' profiles, as agreed with FaCSIA'.¹¹⁵ The ANAO noted this advice and considers that it is important for CSAs to accurately apply the existing POI requirements for this large, and growing, group of customers.

Sample results for current customers not requiring proof of identity documentation for payment

3.54 The ANAO undertook a second random sample to verify that CSAs were following the operational guidelines for the tiered POI model. As described in paragraph 3.6, the ANAO reviewed a random sample of 100 records for customers whose only involvement with Centrelink was to receive payments that did not require POI. These payments were predominantly Family Assistance Office (FAO) payments assigned to tier 0 in the tiered POI model.¹¹⁶

¹¹³ The Treasury, *Intergenerational Report 2007* [Internet]. The Treasury, Canberra, 2007, p. xv, available from <http://www.treasury.gov.au/documents/1239/PDF/IGR_2007_final_report.pdf> [accessed 13 April 2007].

¹¹⁴ These policy changes were announced in the 2006–07 Federal Budget as part of the Government's *A Plan to Simplify and Streamline Superannuation*.

¹¹⁵ Centrelink letter to the ANAO, 2 July 2007.

¹¹⁶ For example, Family Tax Benefit Part A and Part B payments, Child Care Benefit and Maternity Payment.

3.55 All 100 of the records in this second ANAO sample were examined to determine whether POI was present or not on customers' files, and if POI was present, was it obvious from the file that the POI had been collected for a tier 0 payment. The type of POI collected, if present, was also recorded.

3.56 The ANAO found that four customers' files (four per cent) contained POI which appeared to relate to a tier 0 payment (all FAO cases). The types of documents found included Australian and overseas passports, child and sibling's birth certificates, an Australian entry visa and a non-government marriage certificate.

3.57 The ANAO discussed the general findings with Centrelink. Centrelink's POI Team advised the ANAO that to qualify for FAO payments proof must be presented to verify residency and the child's date of birth. The POI Team confirmed that most of the documents found by the sampling team in paragraph 3.56 would have been used for that purpose. Centrelink does not consider the documents to be POI for Centrelink purposes and there is no requirement for CSAs to enter the details into the POI fields in the ISIS database. However, if a tier 0 payment recipient later claimed a higher tier level payment, the proof of residency and birth documents could be re-presented to Centrelink to be coded into ISIS as POI.

Audit finding

3.58 By undertaking a second random sample, the ANAO sought to verify that Centrelink staff were correctly applying the operational guidelines for the tiered POI model and were not collecting POI from customers applying for payments to which tier 0 applies.

3.59 In the ANAO's sample of 100 current customers receiving a tier 0 payment, the ANAO identified that four per cent of those customers had documents on file that could be used for POI for Centrelink payments. However, Centrelink explained that, if connected to a FAO payment (which they were) these documents were needed to satisfy other requirements (to qualify for FAO payments proof must be presented to verify residency and the child's date of birth). When such documentation is provided in support of applications for FAO payments they are not considered to be POI for Centrelink purposes and there is no requirement for CSAs to enter the details of the documents into the POI fields of the ISIS database.

3.60 The results from the verification sample cannot be extrapolated with any confidence to the entire population of approximately one million tier 0

customers. However, the ANAO concluded from the sample results for the 100 tier 0 customers that: it was unlikely that there was systematic collection of unnecessary POI that could be an issue from a privacy perspective for customers; there was unlikely to be an unnecessary burden placed on tier 0 customers to provide POI not required under the tiered POI model; and, there was no indication that Centrelink's resources were unnecessarily used to collect POI not required under the tiered POI model.

Staff administrative error

3.61 In addition to collecting sufficient POI from customers to comply with POI guidelines, Centrelink's CSAs are also required to follow other administrative guidelines that specify how they are to certify¹¹⁷ and code POI document information in ISIS.¹¹⁸ The coding of POI documents is discussed in Chapter 4.

3.62 The sampling team considered whether the certification of POI was in accordance with administrative guidelines when assessing each record in the sample of 1 158 customers. The ANAO did not consider non-compliance with these guidelines significant enough to render the POI for a particular customer insufficient. However, the level of compliance or non-compliance with these requirements does affect the overall integrity of the POI process. The following section discusses issues identified with the certification of POI documents for customers included in the ANAO sample.

Certification of proof of identity documents

3.63 A Centrelink 'Must Do', as defined under the GIR strategy, is a customer service process determined by the relevant National Manager as having a special status. CSAs' discretion when following a 'Must Do' procedure is either completely removed, limited or subject to certain conditions being met.¹¹⁹

¹¹⁷ See paragraph 3.64 for an explanation of the certification process for POI documentation.

¹¹⁸ 'Coding' refers to CSAs entering data in ISIS. Coding is used for the following information contained on POI documents: document type; registration/serial number on a document; date issued (under the tiered POI model for some documents this is replaced by the expiry date); country of issue; state of issue; and, date arrived.

¹¹⁹ Centrelink, 'Initial Contact/Sighting, copying, certifying and returning original documents', [Centrenet]. Centrelink, Canberra, 2006, available from <<http://centrenet/corp/initcont/10600510.htm>> [accessed 22 June 2006].

3.64 The certification of POI documents is a Centrelink 'Must Do'. Centrelink guidelines provide the following instruction about the certification process:

Certification involves the copying of the document and providing the following information on the copy:

- 'Original Sighted and Returned' or 'OS&R';
- CSO's [now called CSAs] name or logon;
- CSO's signature;
- Customer Service Centre or location; and
- Date.¹²⁰

3.65 During the sampling phase of the audit, for those customer records where POI was stored on file,¹²¹ the sampling team recorded whether each POI document contained the required certification information on the copied document, and made an overall assessment of the quality of the photocopying of POI documents on customers' files.

'Original Sighted and Returned'

3.66 The certification of copied POI documents with 'Original Sighted and Returned' or 'OS&R' is an important mechanism to verify that the documents held on Centrelink's paper files are copies of original documents that were sighted by a CSA. This process is a deterrent control for both internal fraud and the customer and acts as a starting point for any later inquiry into the customer's record or the CSA's actions. Part of the certification process is to record the collection date of the document.

3.67 The sampling team recorded for the majority of customer records in the ANAO's sample whether the documents on file, and used as POI, had been certified with OS&R.¹²² The ANAO found that 82 per cent of the customer

¹²⁰ *ibid.*

¹²¹ The ANAO found that 29 customer records in the sample had no record of POI on the paper file(s).

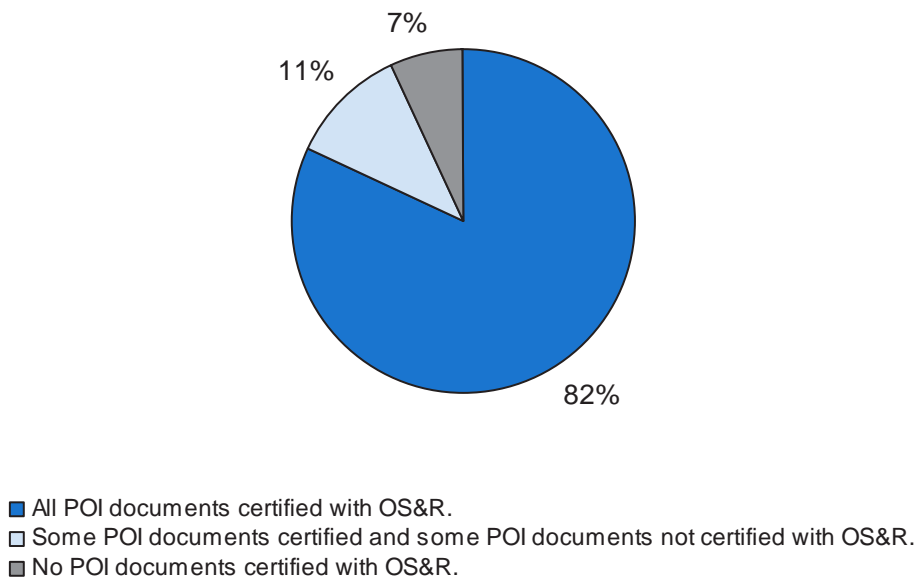
¹²² Before analysing the number of records that had been certified with OS&R correctly, the ANAO first removed from the sample any records that had not been assessed for OS&R certification during the sampling phase. A total of 82 records were removed from the sample of 1 158 customer records. This occurred because the sampling team found:

- 29 records that had no POI on file. These records were automatically excluded from the assessment of OS&R certification because there was no documentation on file that could have been certified; and

records assessed had the OS&R certification on all POI documents stored on the customer's file. Of those that did not have certification on all POI documents, 11 per cent of customer records had some POI on file that was certified with OS&R, and 7 per cent of customer records had no POI on file certified with OS&R. Figure 3.2 shows the findings of the ANAO's assessment of the certification of POI documents with OS&R.

Figure 3.2

Percentage of individual customer records with proof of identity documents certified with 'Original Sighted and Returned'



Note: See footnote 122 for an explanation for the exclusion of 82 customer records in the ANAO's sample of 1 158 customer records from this analysis.

Source: ANAO analysis of a sample of 1 076 Centrelink customer records, 2007.

3.68 Figure 3.2 suggests that the usefulness of the OS&R certification, as a deterrent control measure against internal fraud and a starting point for any later inquiry into the customer's record or the CSAs' actions, may be limited by the extent of its application by CSAs—up to 18 per cent of customers' POI records assessed by the ANAO did not have reliable OS&R certification.

- a further 53 records contained either handwritten records of POI on file and no photocopied documents (this was mostly POI collected before 1988), or documents that had been photocopied and certified by a CSA for POI purposes, but were not in fact acceptable POI documents according to the relevant POI model guidelines in place at the time of their collection.

However, the ANAO considers that there is the potential for Centrelink's Quality On-Line (QOL) tool¹²³ to contribute to ensuring that CSAs comply with the document certification requirements for POI.¹²⁴ The QOL checker has available to them the customer's photocopied POI that can be physically checked for the relevant CSA's OS&R certification. The ANAO discusses the potential role of QOL checking, and CSAs' coding of customers' POI in ISIS, in paragraphs 3.84–3.86 below, and paragraphs 4.21–4.23 in Chapter 4.

Photocopy quality

3.69 An essential part of the certification process is photocopying of customers' original POI documents. Photocopies of POI documents have been retained on customers' paper files since the 1970s.¹²⁵ Between 1970–1995 photocopies of POI documents were the only record of POI a customer had provided because the coding of POI documents into an electronic database had yet to be introduced.

3.70 Since 1995, details of documents used as POI, such as any unique serial number, have primarily been entered into ISIS from the photocopy of the original POI document. Therefore, the quality of the photocopy is an important factor in enabling CSAs to accurately enter data relating to POI documentation.

3.71 The ANAO made an overall assessment about the quality of photocopied POI documents for those customer records in the ANAO's sample where that documentation had been collected under the three most recent POI models.¹²⁶ The ANAO found that, of the 920 individual customer records

¹²³ A checking system that is used to monitor the quality of CSAs' work, including processing of customers' POI.

¹²⁴ Quality On-Line is Centrelink's on-line quality assurance tool, where either five per cent or 100 per cent of a CSA's work, depending on his/her experience, is referred to a qualified officer, who checks for completeness and accuracy.

¹²⁵ Centrelink's POI Team advised the ANAO that before the 1970's identity documents were sighted by government officers and the details of the documents were recorded by hand on standard forms.

¹²⁶ The 920 customer records assessed by the ANAO for photocopy quality contained documents collected by CSAs under the current tiered POI model; the 1995–2001 POI model; or the 1988–1995 POI model. A number of records were excluded from the assessment for the following reasons:

- there were 15 additional records assessed by the ANAO under one of the three models, however, they were not assessed for photocopy quality because either the record had no POI on file to assess, or the only POI found on file was an RA010 form (verification for Aboriginal or Torres Strait Islander people), which is an original signed form and does not need to be photocopied;
- the copy quality of POI collected under the pre-1988 POI model was not assessed because in some instances under this model POI was noted on file rather than photocopied; and
- the photocopy quality of POI documents recorded under a combination of POI models was also not assessed because these records do not assist in understanding the trend for photocopy quality between each POI model.

assessed on the quality of their photocopied POI documents, 84 records, or 9.1 per cent of the total, had POI on file that was assessed by the sampling team as being poorly photocopied—that is, the quality of the photocopy undermined the usefulness of the documentation collected as POI.¹²⁷

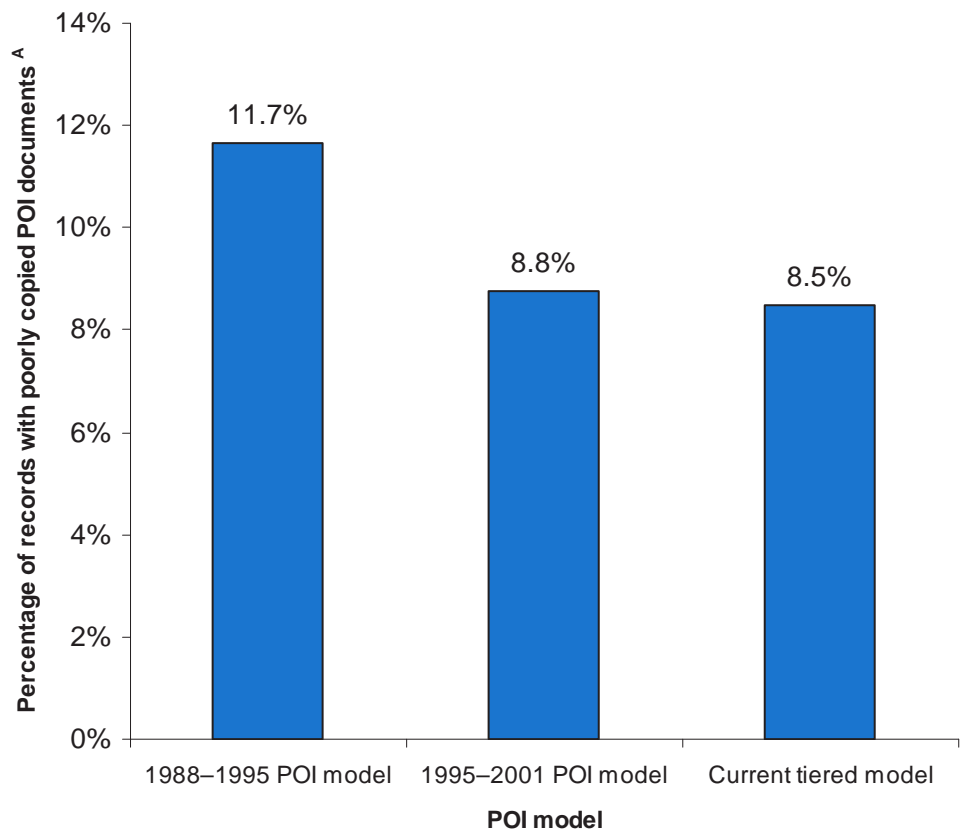
3.72 The ANAO grouped the photocopy quality results according to the POI model used to assess the record. Figure 3.3 shows the percentage of records found to contain poor photocopies for the three most recent POI models.

¹²⁷ Some examples of poor photocopying of POI found by the ANAO included:

- identity photos that were illegible or only partially copied; and
- expiry dates of documents not being copied.

Figure 3.3

Percentage of individual customer records found to contain poorly copied proof of identity documents grouped by proof of identity model



Notes: (A) The sampling team made an overall assessment of all the copied POI documents on file that related to the customer's current benefit. The sampling officer considered the quality of individual documents and made a final assessment of the extent that the quality of the photocopying undermined the useability of the record.

See footnote 126 for an explanation for the exclusion of 238 customer records in the ANAO's sample of 1 158 customer records from this analysis.

Source: ANAO analysis of a sample of 920 Centrelink customer records, 2007.

3.73 Figure 3.3 shows that some 11.7 per cent of the photocopies collected under the 1988–1995 POI model were of poor quality. Although, the quality of copying of original POI documents has improved since then, under both the 1995–2001 and the current tiered POI model, the percentage of customer records with poorly copied POI on file has been between 8 per cent and 9 per cent. Given the straightforward nature of the administrative task involved, it is not clear why this proportion of customers in the ANAO's sample would have poorly copied POI on file.

3.74 Centrelink undertakes periodic reviews of the electronic POI data stored in ISIS to identify occurrences of miscoding of POI details. An internal email in October 2006 between two Centrelink officers highlighted that the results of one such review found a number of records with 'Unknown' or 'Not Copied' coded instead of the document serial number, as required under Centrelink's guidelines. The email identified the potential that this may be due to the [poor] quality of the copying of information by Centrelink's staff at reception points, and that there may be a need for the importance of clear photocopying to be reiterated to staff.

3.75 Centrelink advised the ANAO in July 2007 that future training updates will address the issue identified in paragraph 3.74. The training will aim to ensure that a more detailed reason is provided for why the POI was 'Not Copied' or was 'Unknown' and what other action was taken.

3.76 The ANAO recognises that the planned introduction of the health benefits, veterans' and social services access card may involve changes to how a Centrelink customer will establish their identity from the commencement of the registration process for the Access Card. This could include a move to electronically scanning and storing customers' POI documents. Such changes would remove the issue of the quality of photocopying. However, in such circumstances, as the records will still be used for similar purposes, it will remain important that agencies involved in the registration process for the Access Card ensure the quality of the relevant POI collection processes.

Audit finding

3.77 The certification by CSAs that photocopied POI documents on a customer's file are a true copy of an original document sighted by the CSA is an important deterrent control measure against fraud. Accordingly, Centrelink

has mandated this process as a 'Must Do' for CSAs.¹²⁸ This increases the integrity of the process for establishing a customer's POI.

3.78 The ANAO assessed the extent to which the POI documents stored on the files of the Centrelink customers in its sample met the administrative requirements specified in the operational guidelines for CSAs' collection of POI. The ANAO found that seven per cent of the customer records reviewed during the audit did not have an OS&R certification on any of the POI documents stored on the customer's file and a further 11 per cent of customer records only had some POI on file that was certified with OS&R.

3.79 An essential part of the certification process is photocopying customers' original POI documents. During the audit 84 records, approximately nine per cent of the Centrelink customer records reviewed, were found to have some POI documentation that was poorly photocopied. The ANAO considers that this presents a risk that Centrelink's CSAs cannot then use the photocopied POI documents to verify the customer's identity at a later date, or accurately enter data into the customer's ISIS record, which is accessed more frequently than the customer's paper file. An inability to accurately process the record has the potential to compromise the integrity of current, and previous, Centrelink customers' POI in ISIS.

3.80 It is noted that the planned introduction of an Access Card involves changing how future Centrelink customers establish their identity from the commencement of the registration process for the Access Card, possibly including a move to electronically scanning and storing customers' POI documents. It will remain important that agencies involved in the registration process for the Access Card ensure the quality of the relevant POI collection processes.

Options for mitigation of the risk presented by insufficient proof of identity—under current arrangements

3.81 There is an increased risk to the agency's business assurance and the integrity of outlays presented by the estimated 15.5 per cent (\pm 2.1 per cent) of the 4 263 934 current Centrelink customers who do not currently have sufficient POI on their file. As noted in paragraph 3.24, Centrelink is not able to readily identify particular customers falling into this group, and so putting

¹²⁸ CSAs' discretion when following a 'Must Do' procedure is either completely removed, limited or subject to certain conditions being met.

resources into retrospective 'clean-up' work to redress this issue may not be cost-effective.

3.82 The largest category of customers in the ANAO's sample was made of customers to whom only Centrelink's current tiered POI model applied—40.2 per cent of customers—this category also had the lowest proportion of customers with insufficient POI on their paper file—some 12.5 per cent.¹²⁹

3.83 There has been a downward trend in the proportion of customers with insufficient POI on their file over the models introduced from 1988 onwards. However, the ANAO considers that Centrelink needs to maintain a focused effort in this business area given that even for those current customers in the ANAO's sample, to whom the current tiered POI model had been applied, 12.5 per cent had insufficient POI on file.

3.84 However, the ANAO considers that Centrelink could cost-effectively reduce, over time, the proportion of current customers with insufficient POI by putting in place strategies to improve future performance. For example, the ANAO considers that there is the potential for Centrelink's Quality On-Line (QOL) tool to contribute to ensuring that CSAs comply with the POI guidelines in certain circumstances, such as when a new customer applies for a Centrelink payment.

3.85 In these cases, the QOL checker has available to them the customer's photocopied POI and so can physically check that:

- sufficient POI has been collected to meet the requirements of the POI model;
- the photocopying of the documentation is of the required quality such that they are useful for Centrelink's purposes (data entry and verifying a customer's identity in the future);
- the photocopies have been certified OS&R; and
- the serial numbers of the customer's POI documentation have been correctly coded into ISIS, see paragraphs 4.21–4.23).

3.86 In addition to taking advantage of the opportunity offered by the QOL process (for those cases where a QOL check is conducted), to identify and

¹²⁹ This compares with 14.6 per cent of customers in the Pre-1988 model category, 19.2 per cent of customers in the 1988–1995 model category, 17.2 per cent of customers in the 1995–2001 model category and 20.4 per cent of customers in the category of customers who had to satisfy a combination of POI models (see footnote 111 for the reasons why some customers were in this category).

rectify any deficiencies in the collection and coding of a customer's POI, further opportunities to improve CSAs' compliance with the operational guidelines for the current tiered POI model may be offered by improvements in training and guidance provided to CSAs.

3.87 Given Centrelink's improved performance in applying the current model over earlier models, over time, existing customers permanently ceasing their payment will also reduce the proportion of current customers with insufficient POI.

Recommendation No.2

3.88 The ANAO recommends that Centrelink improve the application of the current POI model by:

- (a) ensuring that, where it is available to them, QOL checking officers examine the customer's photocopied POI to check that:
 - sufficient POI has been provided to satisfy the POI requirements;
 - the photocopying of the documentation is of the required quality such that they are useful for Centrelink's purposes (data entry and verifying a customer's identity in the future); and
 - the photocopies have been certified 'Original Sighted and Returned (OS&R); and
- (b) improving CSAs' compliance with the POI operational guidelines by reviewing the current training and guidance provided to CSAs.

Centrelink response

3.89 Agreed. In paragraph (a) Centrelink interprets the words 'where it is available to them' to mean that when a QOL checking officer is presented with copies of the POI as part of the existing checking process they will ensure that sufficient POI is provided for the customer's circumstances at the time and that the administrative requirements for the quality and certification of the copies of POI are examined. The additional focus in this area will be reviewed after a relevant period to assess whether this methodology has improved the quality of POI administrative processes undertaken. In paragraph (b) Centrelink will review the current training and guidance provided to CSAs.

Conclusion

3.90 The primary random sample for this audit was selected in accordance with expert advice from the Australian Bureau of Statistics Statistical Consultancy Unit (ABS SCU) (see Appendix 1). The ANAO also engaged the ABS SCU to calculate sample loss¹³⁰ from the ANAO's initial sample of 1 200 customer records and to analyse the ANAO's results from its examination of the remaining 1 158 records in the ANAO's sample. Based on the result of the ANAO's assessment of this sample of current Centrelink customer records, the ABS SCU estimated that there is a 95 per cent probability that 15.5 per cent (± 2.1 per cent), or between 573 778 (13.4 per cent) and 751 798 (17.6 per cent), of the approximately 4.3 million Centrelink customers who are required to provide POI before they are granted a payment¹³¹ have insufficient POI on their paper file to meet the POI guidelines in place at the time a payment was granted to them.

3.91 These audit results indicate a weakness in Centrelink's control framework for social security payments and a risk to the integrity of outlays because, for customers with insufficient POI on their paper file, there is an increased risk that Centrelink may be making payments to which the recipients are not entitled. Implementation of the recommendations contained in this report will go some considerable way to reducing that risk.

3.92 The audit results reported in paragraph 3.90 regarding the estimates of Centrelink customers with insufficient POI on their paper file to meet the POI guidelines in place at the time a payment was granted to them are based on a sampling exercise, rather than a check of all relevant records in the population

¹³⁰ Sample loss refers to units that have been selected in the sample but for which information cannot be obtained. As explained in footnote 95, there were 17 files that the sampling team was unable to assess during the audit. The remainder of the sample loss (25 records) came from three different subpopulations that were discovered during the sampling phase. These subpopulations include:

- seven records in total that were out of scope because their only payment with assessable POI was granted less than ten weeks before the extract was run (two of these records are part of the files that were not assessed by the sampling team, discussed in footnote 95);
- 13 records were out of scope because they were records for customers in receipt of payment pursuant to an International Social Security Agreement. The responsibility for collection of POI for these customers lies with the partner country rather than with Centrelink; and
- seven records identified that had information stored on microfiche that could not be accessed during the audit period. This meant that the POI on these records could not be assessed as either sufficient or insufficient.

¹³¹ That is those customers who are required to provide POI before they are granted a payment and who were in-scope for the ANAO's sample (see footnotes 94 and 95).

of current Centrelink customer records. Accordingly, Centrelink is not able to readily identify particular customers falling into this group.

3.93 However, the ANAO has provided Centrelink with details for the 180 customers identified in the audit's sample as having insufficient POI. Centrelink advised the ANAO that it has subsequently undertaken action in relation to these cases and is now satisfied that these customers have provided sufficient POI and this is stored on their paper file.

3.94 While the sample results indicate a weakness in Centrelink's control framework for social security payments, the results do not provide evidence of identity fraud among Centrelink's customers or internal fraud by CSAs.¹³² The outcome of action taken by Centrelink to review those customers in the audit sample, which were identified by ANAO as having insufficient POI on their file, demonstrates that the results do not necessarily mean that customers found to have insufficient POI on file have received payments to which they are not entitled.

3.95 The estimated number of Centrelink customers with insufficient POI on their paper file is, in part, a legacy of the application of previous POI models in Centrelink's predecessor agencies including the former Department of Social Security (1972) and the former Department of Social Services (1939). Centrelink has been the main agency responsible for delivering social security payments on behalf of the Australian Government since 1997.

3.96 The sample results suggest that CSAs are following the guidelines for the current tiered POI model introduced in 2001 more accurately than the guidelines applying under previous.¹³³ However, some 12.5 per cent of customers in the sample, who had provided their POI under the current tiered POI model, had insufficient POI on file to satisfy the current requirements. This impacts on the level of business assurance that Centrelink can provide to the agency's three major purchaser departments—FaCSIA, DEWR and DEST.

3.97 Age pensioners make up Centrelink's largest group of social security payment recipients required to provide POI before payment can be granted. Reflecting this, Age Pension customers were the largest proportion of

¹³² An investigation of identity fraud matters was outside the objective and scope of this audit and, in the course of reviewing the records of the 1 158 Centrelink customers included in the ANAO's sample, the ANAO did not come across evidence of identity fraud by customers or of internal fraud by CSAs in relation to these records.

¹³³ The results of the ANAO's analysis indicate that customers in this category were the least likely to have insufficient POI on their paper file (see Table 3.3, paragraph 3.42).

customers in the ANAO's sample with insufficient POI on their paper file. This situation highlights the importance of CSAs accurately applying the existing POI requirements for this large, and growing, group of Centrelink customers.

3.98 Results for a second ANAO sample of 100 tier 0 customers¹³⁴—customers whose only involvement with Centrelink was to receive payments that did not require POI—indicated that:

- it was unlikely that there was systematic collection of unnecessary POI that could be an issue from a privacy perspective for customers;
- there was unlikely to be an unnecessary burden placed on tier 0 customers to provide POI not required under the tiered POI model; and,
- there was no indication that Centrelink's resources were unnecessarily used to collect POI not required under the tiered POI model.

3.99 The 'Original Sighted and Returned' (OS&R) certification verifies that the documents held on Centrelink's paper files are copies of original documents that were sighted by a CSA. The ANAO found that up to 18 per cent of customers' POI records, from a total of 1 076 customers,¹³⁵ did not have reliable OS&R certification. The ANAO suggested that Centrelink use the existing QOL checking process as a mechanism for improving, over time, CSAs' compliance with the document certification requirements for POI. This would increase the effectiveness of the OS&R process as a deterrent control measure against internal fraud and as a starting point for any later inquiry into the customer's record or the CSA's actions.

3.100 Approximately nine per cent of the customers' records in the ANAO's sample had some POI documentation on file that had been poorly photocopied and, as a result, was less useful for Centrelink's purposes (data entry and verifying a customer's identity in the future). It is noted that, the planned introduction of an Access Card involves changing how future Centrelink customers establish their identity the from the commencement of the registration process for the Access Card, possibly including a move to electronically scanning and storing customers' POI documents. It will remain

¹³⁴ The payments were predominantly Family Assistance Office payments. For example, Family Tax Benefit Part A and Part B payments, Child Care Benefit and Maternity Payment.

¹³⁵ See footnote 122 for an explanation for the exclusion of 82 customer records in the ANAO's sample of 1 158 customer records from this analysis.

important that agencies involved in the registration process for the Access Card ensure the quality of the relevant POI collection processes.

3.101 The ANAO recommended (Recommendation No.2) that Centrelink improve the application of the current POI model by ensuring that, where possible, QOL checking officers examine POI for compliance with the current POI guidelines, and by reviewing current training and guidance provided to CSAs on compliance with POI operational guidelines.

4. Centrelink's Electronic Recording of Proof of Identity Data

This chapter explains the operational guidelines used by Centrelink to electronically record customers' proof of identity data, discusses Centrelink's compliance with these guidelines and reports the ANAO's findings about the electronic data integrity of recent proof of identity records entered into ISIS.

4.1 In Chapter 3, the ANAO discussed Centrelink's compliance with operational and administrative guidelines for the initial collection of customers' POI information.

4.2 This chapter completes that analysis by examining Centrelink's application of operational guidelines for entering details electronically in ISIS. The second part of the chapter reports findings about the electronic data integrity of recent POI records entered in ISIS.¹³⁶

Matching document serial numbers

4.3 The coding of customers' POI documents into the ISIS database was introduced on 13 March 1995 in conjunction with the introduction of the 1995–2001 POI model.¹³⁷ The requirements were introduced by the then Department of Social Security in response to concerns about the opportunity for identity related fraud.

4.4 The accurate coding of POI documents electronically is important to Centrelink for a number of reasons. Centrelink relies on the accuracy of the information stored electronically in ISIS for thousands of daily business transactions with the agency's customers. The same data is used as part of measures to detect social security payment fraud by: analysing the data internally within Centrelink to identify inconsistent customer records; and, carrying out reliable external data matching activities with other government agencies such as the State and Territory Registrar-General's Offices.

¹³⁶ The ANAO has updated some of the POI analysis from an earlier report, ANAO Audit Report No.29 2005–06 *Integrity of Electronic Customer Records*, in Centrelink.

¹³⁷ 'Coding' refers to CSAs entering data in ISIS. Coding is used for the following information contained on POI documents: document type; registration/serial number on a document; date issued (under the tiered POI model for some documents this is replaced by 'Expiry Date'); country of issue; state of issue; and, date arrived.

Testing compliance with proof of identity coding guidelines

4.5 To test the extent to which customers' POI data stored in ISIS has been entered accurately by CSAs and in accordance with the relevant coding guidelines, the ANAO compared the data collected from photocopied POI on customers' files during the sampling phase of the audit with customers' reciprocal ISIS records.¹³⁸

4.6 Similar to the results reported in the second half of Chapter 3, the following sections discuss the results from a subset of customer records from the random sample group of 1 200 customer records initially selected by the ANAO for testing.¹³⁹ The findings indicate possible trends in the data, but the results cannot be extrapolated with any confidence to the entire in-scope population of approximately 4.3 million customers (see paragraph 3.38).

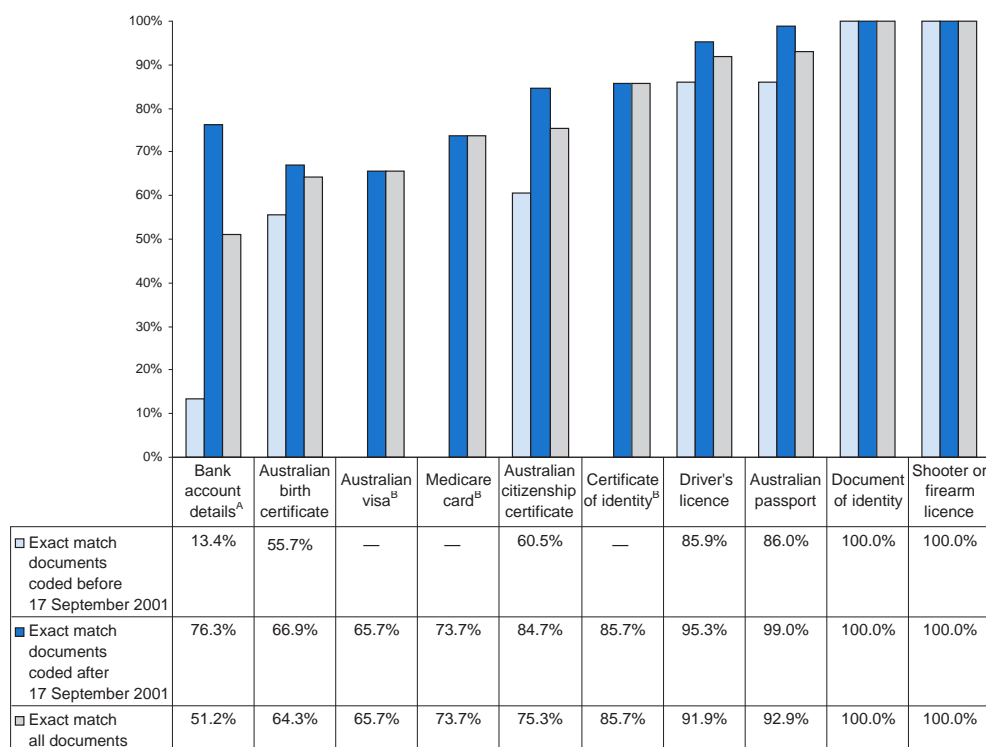
4.7 The ANAO focused on assessing the level of data matching between the unique serial numbers for ten key types of document stored in ISIS and the unique serial number of the corresponding document found on customers' paper files (see Figure 4.1 for a list of the selected types of documents). The ANAO selected these ten types of documents because they have a high point value under the current tiered POI model and/or they are a document commonly used as POI.¹⁴⁰

4.8 To enable a comparison between different POI models, the ANAO categorised the document serial number matching results according to whether the document was provided before or after 17 September 2001—the date the tiered POI model and new coding requirements were introduced. Figure 4.1 shows the percentage of serial number matches for each type of document assessed.

¹³⁸ Two POI models have operated for social security customers since 1995 (see Chapter 2 for details). The current coding guidelines are contained in the 'POI Document Coding Guide' Version 12, July 2006, for CSAs.

¹³⁹ As discussed in Chapter 3, the ANAO selected 1200 current Centrelink customers to sample for their POI stored on paper files. However, as explained in that chapter, the ANAO's analysis was based on 1 158 customer records (footnotes 95 and 96 explain the sample loss). In this chapter, the results are also based on a subset of the 1 200 records, which varies according to the number of customer records that were found to contain the types of documents that matched a particular test criteria.

¹⁴⁰ Under the tiered POI model, all documents which can be used as POI are assigned a point value which ranges from a maximum of 70 points for documents considered to have a high level of integrity and are difficult to obtain to a minimum of 10 points for documents which are more easily obtained.

Figure 4.1**Percentage of serial number matches for ten key types of proof of identity documents**

Notes: (A) 'Bank account details' refers to bank account cards provided under the tiered POI model and accounts held with financial institutions (including ATM or credit cards, account statements or current bankbooks) provided under the 1995–2001 POI model.

(B) 'Australian visa', 'Medicare card' and 'Certificate of identity' were introduced as POI documents under the tiered POI model and hence do not appear in the 'Exact match documents coded before 2001' category.

Source: ANAO analysis, 2007.

4.9 For all of the types of documents that were used as POI both pre and post–September 2001, the level of serial number matching between the hard copy on file and the ISIS electronic record for each document type was higher for documents coded after 17 September 2001 than before. This indicates that CSAs' compliance with operational guidelines, and/or their accuracy in recording serial numbers, has improved since the introduction of the tiered POI Model.

4.10 Bank account details (which include bank account cards under the tiered POI model, and documentation or cards from accounts held with financial institutions under the 1995–2001 POI model) are a common type of POI provided by customers. However, bank account details had the lowest overall matching rate, with only 51.2 per cent matching of serial numbers between the hard copy documentation stored on the customer's file and the ISIS electronic record.¹⁴¹

4.11 In contrast, in 100 per cent of cases where a customer had provided as POI a document of identity,¹⁴² or a shooter's licence, the serial numbers on the hard copy documents matched with the ISIS record. However, there were few instances of these types of documents found in the sample: nine customers had provided a shooter's licence; and six had provided a document of identity.

Coding Australian birth certificates and Australian visas

4.12 As well as collectively assessing the level of serial number matching for documents coded both before and after the introduction of the tiered POI model, the ANAO also separately assessed the level of serial number matching for documents coded only after the introduction of the tiered POI model. Figure 4.1 shows that, when assessing only documents that were coded after the introduction of the tiered POI model, the two document types that had the lowest level of matching were Australian birth certificates which had a 67 per cent match and Australian visas which had a 66 per cent match.¹⁴³

4.13 The ANAO considers that one possible reason for the poor coding of Australian birth certificates could be that these documents contain both birth registration numbers and certificate or application numbers, making it more difficult for CSAs to find the unique numbers referred to in the operational guidelines.

¹⁴¹ The overall matching rate of 51.2 per cent can be broken down as follows. Bank account details coded before 17 September 2001 had a matching rate of only 13.4 per cent between the serial numbers appearing on the hard copy documentation stored on the customer's paper file and the ISIS electronic record. The matching rate rose to 76.3 per cent for documents coded after 17 September 2001.

¹⁴² A 'Document of identity' is issued by the Department of Foreign Affairs and Trade to Australian citizens, or a person who possess the nationality of a Commonwealth country, for travel purposes.

¹⁴³ The ANAO notes that Budget Paper No. 2 *Budget Measures 2007–08* sets out the Government's intention to develop a real-time link between Centrelink and the Department of Immigration and Citizenship that will allow Centrelink to confirm residence and visa-related eligibility requirements before granting social welfare payments and concessions. The measure will cost: '\$55.4 million to administer and lead to savings of \$41.0 million over four years, and further ongoing savings beyond the forward estimates', p. 266.

4.14 In February 2004, Centrelink introduced scanned samples of common POI documents to the POI home page on Centrelink's intranet for CSAs to use for reference when coding POI details into ISIS. Figure 4.2 shows two sample Australian birth certificates available to CSAs as online references.

Figure 4.2

Online examples of proof of identity documents on Centrelink's intranet used to assist Customer Service Advisors

Australian Birth Certificate issued in New South Wales

Birth Registered in the District of **St Leonards** No 685952

at **St Leonards** in the State of New South Wales

by **Serial No. 1** (circled in blue) **Serial No. 1** (circled in blue)

Child: **Serial No. 2** (circled in blue)

3. Sex: **Serial No. 2** (circled in blue)

4. Date of Birth: **Serial No. eg: 286/1955** (circled in blue)

5. Date of Issue: **Date of Issue** (circled in blue)

6. Name: **Serial No. 1** (circled in blue)

7. Date of Birth: **Serial No. 2** (circled in blue)

8. Date of Issue: **Date of Issue** (circled in blue)

9. Date of Issue: **Date of Issue** (circled in blue)

10. Date of Issue: **Date of Issue** (circled in blue)

11. Date of Issue: **Date of Issue** (circled in blue)

Australian Birth Certificate issued in Western Australia

BIRTH IN THE STATE OF WESTERN AUSTRALIA

Serial No. 1 (circled in blue)

Serial No. 2 (circled in blue)

Date of Issue (circled in blue)

Serial No. 1 (circled in blue)

Serial No. 2 (circled in blue)

Date of Issue (circled in blue)

Serial No. 1 (circled in blue)

Serial No. 2 (circled in blue)

Date of Issue (circled in blue)

Serial No. 1 (circled in blue)

Serial No. 2 (circled in blue)

Date of Issue (circled in blue)

Source: Centrelink, 2006.

4.15 More recently, in a separate exercise, Centrelink launched its 'On-Line POI Coding Guide' on 17 July 2006. The guide enables CSAs to check POI coding rules online rather than using a hardcopy version of the guide when coding POI documents. However, Centrelink's post implementation review of the introduction of the 'On-Line POI Coding Guide' found it difficult to quantify the benefits from placing these operational guidelines online.¹⁴⁴ Additionally, no specific assessment was made of whether introducing the scanned document samples in 2004 was effective in improving the quality of CSAs' coding of document details, including serial numbers, in ISIS.

¹⁴⁴ Centrelink, 'On-Line POI Coding Guide. Post Implementation Review Report', Version 1, 24 November 2006, p. 6.

Centrelink's 'On-line POI coding Guide' is also discussed in paragraphs 2.39–2.47.

Categories of error in the data entry of document serial numbers

4.16 During an internal review of payment correctness errors in 2002–03, Centrelink attributed the reasons for POI payment correctness errors as being: 'violation of procedures, system or process design, and simple mistakes or short term lapses due to time pressure'.¹⁴⁵ During fieldwork for this audit, the ANAO examined the instances where there was no match between the document serial number recorded in ISIS and the serial number recorded by the ANAO from customers' files in order to analyse the different types of errors in CSAs' coding work that led to these mis-matches.

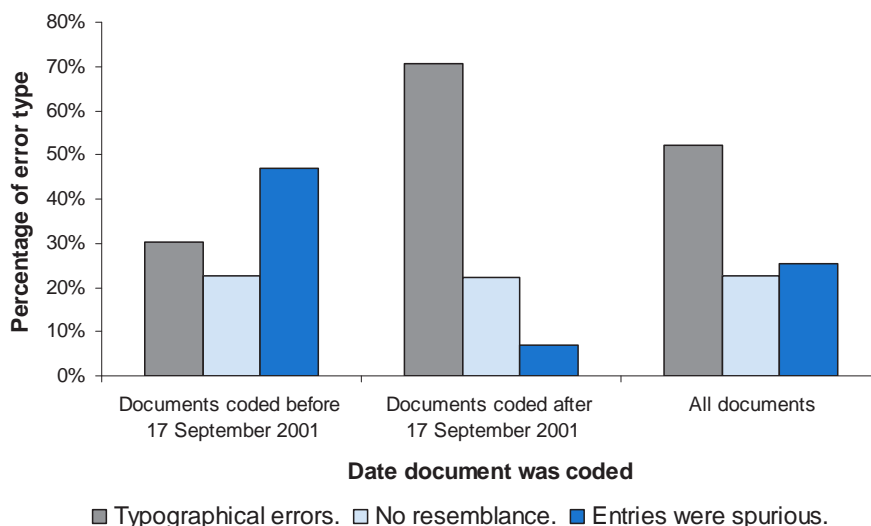
4.17 The ANAO identified three distinct categories of error when customers' photocopied POI document serial numbers and the ISIS electronic record did not match. The categories were:

- serial numbers that appeared to have typographical errors in ISIS;
- serial numbers that did not resemble the serial number on the photocopy of the document; and
- serial number entries that were obviously spurious or dummy entries.¹⁴⁶

4.18 Figure 4.3 collectively shows the three categories of serial number data entry errors for the ten key document types examined by the ANAO (see paragraph 4.7).

¹⁴⁵ Centrelink, 'Tiered Proof of Identity Model, Evaluation Report', November 2004, p. 11.

¹⁴⁶ An entry was considered a spurious or dummy entry if it did not resemble a serial number at all. Examples of spurious entries found by the ANAO were: 'AUST CITIZEN', 'ON SYS' and '999999'.

Figure 4.3**Percentage of different data entry error types made by Customer Service Advisors when coding serial numbers**

Source: ANAO analysis, 2007.

4.19 Figure 4.3 shows that typographical errors made up the largest category of CSA coding error overall, and for documents coded after 17 September 2001. However, the number of spurious entries made by CSAs when coding dropped from 46.9 per cent before the introduction of the tiered POI model on 17 September 2001 to 6.8 per cent after Centrelink introduced new coding guidelines in September 2001. The ANAO found that the coding guidelines for the tiered POI model were more specific and detailed, which may have contributed to an improvement in CSAs' coding practices.

4.20 Since November 2003, Centrelink's POI Team has requested a six monthly report [from Centrelink's data services area] on the results from a number of controls that had been introduced to improve the quality of CSAs' coding of POI document details in ISIS.¹⁴⁷ The report covered six months of customer claim processing and included data matching results that identified duplicate data entries made by the same CSA when entering customers' POI. Since commencing this checking process in November 2003, Centrelink's POI Team has refined its selection criteria for choosing customer records to review

¹⁴⁷ Centrelink advised the ANAO in late September 2006 that the timing for the data matching report had moved from regular six monthly intervals to ad hoc.

in order to try and efficiently identify records that are likely to contain potential miscodes. This activity enables Centrelink to: identify teams or individuals who may be unaware of the current coding requirements; and, address any issues. This review process may also have contributed to a reduction in spurious data entries by CSAs since the introduction of the current tiered POI model.¹⁴⁸

The role of Quality On-Line in improving Customer Service Advisors' coding of document details in ISIS

4.21 Centrelink has an opportunity to identify a proportion of POI coding errors made by CSAs as part of the Quality On-Line (QOL) process—a checking system that monitors the quality of CSAs' work. As discussed in Chapter 3 (paragraphs 3.68 and 3.84–3.86) new CSAs are required to have 100 per cent of their work checked through QOL and proficient CSAs have five per cent of their work QOL checked. The QOL checker, as they are known, has available to them the customer's photocopied POI that can be physically checked against the CSA's document coding work in ISIS.

4.22 The ANAO considers that there is the potential to improve CSAs' coding of POI documents using the existing QOL process. Centrelink could focus additional emphasis on checking for typographical errors and the coding of serial numbers for common POI documents that CSAs are generally coding less accurately. For example, Australian birth certificates (see paragraphs 4.12–4.15).

Recommendation No.3

4.23 To increase the likelihood that QOL checking officers will detect and rectify errors made by Customer Service Advisors (CSAs) when entering proof of identity document details into Centrelink's ISIS system, the ANAO recommends that Centrelink:

- (a) reinforce with QOL checking officers, through relevant training, the importance of CSAs correctly entering proof of identity information in ISIS; and
- (b) review, and amend as appropriate, the current proof of identity questions in the Quality On-line (QOL) process to determine whether they enable QOL checking officers to effectively identify coding errors made by CSAs.

¹⁴⁸ Centrelink advised the ANAO in July 2007 that the need for a Learning Needs Analysis, in relation to document coding requirements, was being considered.

Centrelink response

4.24 Agreed. Centrelink will continue to review and improve its training for staff including those involved in the quality checking processes and integrate changes over time. It should be recognised that there are significant numbers of staff involved in both the POI and checking processes and therefore Centrelink will need to balance the need to train large numbers of staff with a more intense focus on POI while still balancing the operational needs of service delivery. Any review of the questions relating to the QOL process, which may result in changes to the system, will need to be considered in the light of the overall business priorities and available Information Technology capacity for the organisation when assessing a suitable time to implement any changes identified.

Audit finding

4.25 The accurate coding of POI documents electronically is important to Centrelink for a number of reasons. Centrelink relies on the accuracy of the information stored electronically in ISIS for thousands of daily business transactions with customers. The same data is used as part of measures to detect social security payment fraud by: analysing the data internally within Centrelink to identify inconsistent customer records; and, carrying out external data matching activities with other government agencies.

4.26 The ANAO's analysis of data collected from the results of a random sample of customers' paper and electronic records indicates that there has been an overall improvement in the electronic coding of POI documents in ISIS since the introduction of the tiered POI model on 17 September 2001.

4.27 However, the ANAO's analysis also identified a noticeable variation in the accuracy of CSAs' coding for different types of POI documents under the current tiered POI model. CSAs' accuracy rate for data entry of the unique serial number on photocopies for a number of types of POI documents ranged from 100 per cent to 66 per cent. However, the document types for which the ANAO identified a 100 per cent matching rate between the hard copy documents on file and the ISIS record were infrequently used POI documents such as shooters' licences and documents of identity, issued by the Department

of Foreign Affairs and Trade.¹⁴⁹ Whereas, a commonly used document type such as Australian birth certificates¹⁵⁰ recorded the second lowest rate of accurate data entry at 67 per cent.¹⁵¹ Figure 4.2 illustrates the potential complexity of coding this type of document, which varies in format between the eight different Australian States and Territories and includes different versions being issued by each government over the years.

4.28 The ANAO's analysis indicated typographical errors were the major reason for inaccurate electronic coding of POI documents by CSAs overall, and for documents coded after 17 September 2001. However, an opportunity exists to correct a proportion of this type of error using Centrelink's existing QOL process. By ensuring that QOL officers check the serial numbers entered into ISIS by CSAs against the serial number found on the paper copy of customers' POI documents, typographical errors of this kind can be identified and corrected where a QOL check is performed.

4.29 The ANAO recommended that Centrelink reduce the impact of typographical errors made by CSAs entering inaccurate POI document details into Centrelink's ISIS system by focussing increased emphasis on this aspect of the QOL process.

Electronic data integrity for recent proof of identity documents

Previous audit analysis: *Integrity of Electronic Customer Records*

4.30 The ANAO assessed the integrity of Centrelink's ISIS database in ANAO Audit Report No.29 2005–06 *Integrity of Electronic Customer Records - Centrelink* (the previous audit). The previous audit analysed selected documents used by Centrelink's customers for POI that contained unique

¹⁴⁹ Only nine shooter's licence serial numbers were assessed in the sample for serial number matching between ISIS and the photocopied documents. Of those, eight were coded by CSAs after the tiered POI model was introduced and one was coded before the tiered POI model was introduced. There were six document of identity serial numbers assessed in the sample for serial number matching between ISIS and the photocopied documents. Of those, two were coded after the tiered POI model was introduced and four were coded before the tiered POI model was introduced.

¹⁵⁰ There were 375 Australian birth certificate serial numbers assessed in the sample for serial number matching between ISIS and the photocopied documents, of those, 287 were coded after the tiered POI model was introduced and 88 were coded before the tiered POI model was introduced.

¹⁵¹ Of the documents coded under the tiered POI model, the document type with the lowest matching rate was the Australian visa. There were 23 Australian visa documents in the sample assessed for serial number matching between ISIS and the photocopied documents, all were coded after the introduction of the tiered POI model. The ANAO found that 65.7 per cent for these documents matched between ISIS and the paper document. See Figure 4.1.

identification numbers that CSAs were required to enter into ISIS (see Chapter 5 of the previous audit report). The previous audit reported the percentage of serial numbers for each document analysed that were found to be unique, and the percentage of serial numbers that were entered more than once for separate customer records in ISIS—non-unique.

4.31 The previous audit found that:

up to 30 per cent of customer 'proof of identity' (POI) information recorded on ISIS (as at September 2005), was insufficient or unreliable in terms of uniquely identifying or substantiating the identity of customers.¹⁵²

4.32 The audit also noted:

that Centrelink had introduced a number of controls to improve the quality of POI data entered into ISIS, and that the most recent POI data should be of a significantly higher quality than that recorded in the past. However, ANAO could not confirm this proposition, as the dataset provided by Centrelink did not contain the date on which the POI information was entered into ISIS.¹⁵³

4.33 The previous audit analysed 8 291 181 electronic customer records.¹⁵⁴ Of those, 4 078 415 (49.2 per cent) related to customers receiving a current payment on the day Centrelink generated the relevant extract from the ISIS system. For a proportion of those customers, their electronic record would also have included details of historical POI documents that were not being relied upon to meet the requirements for a current payment. This differs from the current audit's analysis described below.

4.34 The ANAO considered using the previous audit's findings as a benchmark for all of the data integrity analysis conducted for the current audit. However, given the two ISIS data extracts were obtained for different purposes and were not fully comparable, this was not possible.

Current audit analysis

Subset of recent data

4.35 For the current audit, the ANAO used an electronic data extract from ISIS that contained different information to the data extract provided for the previous audit. A number of date fields were included in the current audit's

¹⁵² Australian National Audit Office 2006, *Integrity of Electronic Customer Records - Centrelink*, Audit Report No.29 2005–06, ANAO, Canberra, p. 15, paragraph 11.

¹⁵³ *ibid.*, p. 96, paragraph 5.52.

¹⁵⁴ *ibid.*, p. 87, paragraph 5.10.

extract, including the commencement date for each current payment a customer was receiving, and the date CSAs entered POI document details in ISIS.

4.36 With the additional information contained in the second data extract, the ANAO was able to precisely select a subset of data to analyse containing customer records that:

- only included payments granted after 15 February 2006 (the tabling date of the previous audit in the Federal Parliament); and
- only included POI documents in ISIS that were all collected for the first time after 15 February 2006.

4.37 The subset of data selected contained electronic records for customers' POI documents that were first collected in a period of eight months between the tabling of the previous audit in February 2006 and the day the second ISIS extract was run in late October 2006.¹⁵⁵ There were 136 428 ISIS customer records in this ISIS extract that met the two criteria. The ANAO used these records to test Centrelink's proposition put in the previous audit that more stringent data entry controls and data quality monitoring procedures have led to an improvement in the quality of the most recent customer POI data stored in ISIS.¹⁵⁶

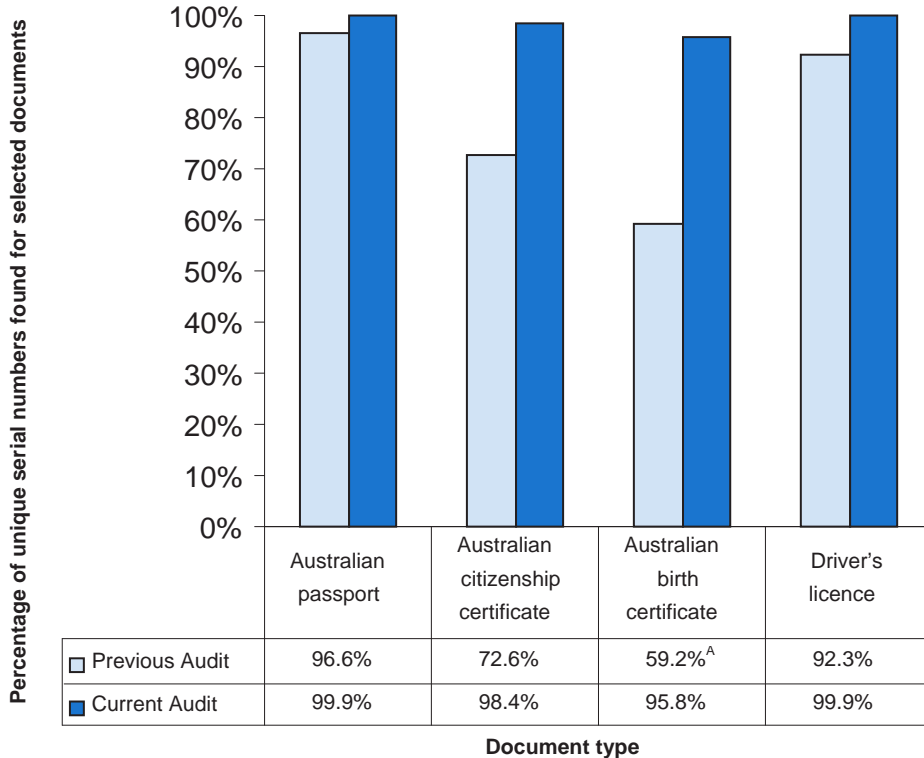
Analysis of unique document serial numbers

4.38 In ISIS, the 'serial number' field for POI documents should contain a number that uniquely identifies a document and differentiates it from other documents of the same type. The previous audit examined the extent to which the serial numbers for a selected group of documents were unique. The current audit replicated this analysis using the POI data in the ISIS extract provided to the ANAO by Centrelink for this audit, which had been entered into ISIS during the eight months following the tabling of the previous audit in February 2006.

4.39 Figure 4.4 shows the percentage of unique entries for four types of documents assessed in the previous audit and the current audit. The documents assessed were: Australian passport; Australian citizenship certificate; Australian birth certificate; and driver's licence.

¹⁵⁵ The data was extracted by Centrelink some time during the weekend of 28–29 October 2006 and would have included data in use up to the close of business on Friday, 27 October 2006.

¹⁵⁶ Australian National Audit Office, op. cit., p. 96, paragraph 5.52.

Figure 4.4**Percentage of unique serial numbers for four types of proof of identity documents**

Note: (A) The previous audit assessed 'Australian birth certificates' and 'Australian birth extracts' separately because under the earlier POI models the two types of certificate were coded differently. Under the current tiered POI model, there is no distinction drawn between the two types of certificate. For ease of comparison, the results for 'Australian birth certificate' and 'Australian birth extract' from the previous audit have been combined under 'Australian birth certificate' in Figure 4.4.

Source: ANAO analysis, 2007.

4.40 The ANAO found that each of the four types of documents selected for analysis had a higher percentage of unique serial numbers recorded in the more recent subset of data than that found by the previous audit. The results indicate that the integrity of the serial numbers of the four types of documents assessed in the eight months after the previous audit was tabled is greater than the data that was assessed by the ANAO in September 2005. Indeed, for two of these (Australian passport and driver's licence) nearly 100 per cent of the serial numbers entered were unique and for both the other two document types (Australian citizenship certificate and Australian birth certificate) there had

been very substantial improvement with the proportion of these documents having unique serial numbers rising from 72.6 per cent to 98.4 per cent and from 59.2 per cent to 95.8 per cent, respectively.

4.41 The ANAO considers that this result supports Centrelink's view that increased controls for data entry have improved the quality of the more recently coded data (see paragraph 4.31).

Spurious or dummy data entries

4.42 The previous audit also reported finding instances of spurious or dummy entries in customers' ISIS records where CSAs should have entered a unique document serial number. The audit reported the top six most frequent instances of spurious entries for each of the four document types that were assessed in Figure 4.4.

4.43 The ANAO replicated the previous audit's analysis using the more recent subset of data. The ANAO found a total of 30 instances of multiple spurious or dummy entries in the serial number fields of the four document types.

4.44 Of those, 23 entries were in the serial number field for Australian citizenship certificate. Table 4.1 shows a comparison between the examples of spurious data entries reported for Australian citizenship certificates in the previous audit and the number of those entries found in the current audit's subset of data.

Table 4.1**Spurious or dummy serial numbers for Australian citizenship certificates**

Characters found in ISIS serial number field for Australian citizenship certificates ^A	Previous audit results ^B	Current audit results
CITIZENSHIP	3 046	2
UNKNOWN	2 959	7
AUST CITIZENSHIP	2 010	2
1	1 582	2
99999	1 112	0
123456	489	0

Notes: (A) The previous audit reported the top six examples of spurious entries for each document.

(B) As discussed in paragraph 4.33, the previous audit's results are for a greater number of Centrelink customers and include customers' current and historical POI documents. The current audit results only refer to new and current customers' POI recorded during an eight month period in 2006.

Source: ANAO analysis, 2007.

4.45 The ANAO also observed the following instances of entries for Australian citizenship certificate:

- 4 instances of the entry 111;
- 2 instances of the entry 11111111;
- 2 instances of the entry AUSTRALIA; and
- 2 instances of the entry NOT COPIED.

4.46 The remaining seven instances of spurious or dummy entries found in the subset of data were identified in the field where an Australian birth certificate serial number should be stored. This included two instances of the entry 'B/CERT'. There were also five instances of 'BIRTH CERT'. By comparison, the previous audit found 5 858 entries for 'BIRTH CERT', which was one of the top six most frequent spurious entries for this document type.

4.47 Even though the ANAO found that CSAs made coding errors when entering document serial numbers for Australian passports and drivers' licences (see Figure 4.1), no recent instances of obviously spurious or dummy

entries were found in the serial numbers entered for these document types in the subset of data. The ANAO noted that under the tiered POI model Centrelink has modified the specifications for data entry fields in ISIS where CSAs enter Australian passport details. These changes force the entry of Australian passport serial numbers to meet a standard format and do not allow CSAs to enter any other descriptions for documents. However, the prescribed data entry format for Australian passports does not prevent typographical errors occurring when a CSA enters the serial number from an Australian passport, nor does it prevent officers from coding a fictitious serial number entry that fits the standard Australian passport format. For this reason, the ANAO suggests that Centrelink monitor, on an ongoing basis: the accuracy of CSAs' coding of POI in ISIS; and, whether the need might arise for targeted training on coding for CSAs.¹⁵⁷

Effect of scriptors on customers' electronic proof of identity record

4.48 In order to standardise and automate the processes used by CSAs when entering customers' data into ISIS, Centrelink has developed workflow tools called 'scriptors'.¹⁵⁸ A number of the scriptors routinely used by CSAs, particularly for processing new social security benefit claims from customers, have embedded in them Centrelink's procedural requirements for collecting customers' POI. The scriptors prompt CSAs through the claim process, thus ensuring that all of the required POI information is collected from the customer and entered appropriately into the customer's electronic record.

4.49 The ANAO has previously found that the use of online scriptor tools generally provides significant gains in the efficiency and correctness of Centrelink's work processes.¹⁵⁹ However, in this instance, the ANAO identified a potential drawback to the way scriptors currently affect the processing of customers' POI in ISIS.

¹⁵⁷ This finding is consistent with Recommendation No.1 from ANAO Audit Report No.29 2005–06 *Integrity of Electronic Customer Records*, which recommended that Centrelink improve the usefulness and effectiveness of its data integrity reporting system, p. 24.

¹⁵⁸ Australian National Audit Office 2004, *Management of Customer Debt*, Audit Report No.4 2004–05, ANAO, Canberra, p. 9.

¹⁵⁹ Australian National Audit Office 2002, *Age Pension Entitlements*, Audit Report No.17 2002–03, ANAO, Canberra; Australian National Audit Office 2004, *Management of Customer Debt*, Audit Report No.4, 2004–05, ANAO, Canberra; and, Australian National Audit Office 2007, *Administration of Complex Age Pension Assessments*, Audit Report No.26 2006–07, ANAO, Canberra.

4.50 There are a number of reasons why Centrelink's customers provide POI to the agency:

- first time customers are required to provide POI to access payments and/or services;
- existing customers, who have previously provided sufficient POI, might provide new or updated POI documents to support a change in their circumstances and/or payment; and
- previous customers seeking to restart a payment and/or service might be required to provide additional POI to Centrelink to authenticate their identity, that is, that the person claiming now is the same person who previously claimed.

4.51 The ANAO was advised by Centrelink that when customers, for whatever reason, present POI to a CSA, CSAs are instructed not to refuse the documents. The ANAO did not observe a written policy or operational procedure to support this practice in Centrelink.

4.52 Notwithstanding, when the new POI document details are processed, CSAs can elect to use a scriptor that will take them through the appropriate screens in ISIS. However, if the customer's ISIS record shows that sufficient POI already exists, the existing POI document details will not appear in the sequence of screens.¹⁶⁰ When this occurs, there is no prompt available for CSAs to review or update the customer's existing POI in ISIS to reflect any new POI documents that have been received. CSAs will also not have an opportunity to progressively replace spurious or inaccurate POI information, such as that identified in the previous audit, using the document details they have before them.¹⁶¹ See paragraphs 4.42–4.44 for examples of the types of spurious customer POI data the ANAO has found recorded in ISIS.

4.53 Centrelink informed the ANAO that CSAs will only know what POI documents have been recorded for a customer in ISIS if they manually select the relevant POI screen to view before running a scriptor. The ANAO considers that, while the use of scriptors facilitates procedural consistency by

¹⁶⁰ When a POI document is entered into ISIS, details contained on the document such: document type; registration/serial number on a document; date issued or expiry date; country of issue; state of issue; and date arrived are entered for the document.

¹⁶¹ In part (b) of Recommendation No.4 in ANAO Audit Report No.29 2005–06 *Integrity of Electronic Customer Records*, p. 98, the ANAO recommended that Centrelink 'progressively replaces spurious or inaccurate POI information, currently recorded in ISIS with accurate information, when processing new claims or undertaking major reviews of eligibility for existing customers'. Centrelink agreed to implement this recommendation.

CSAs across Centrelink's national network, the screen flow in ISIS that occurs as a result of using the scriptors in their current form, might make it difficult for CSAs to proactively review and update customers' electronic POI records to reflect the most up-to-date POI available for an individual customer. This results in a lost opportunity for Centrelink to improve the integrity of its ISIS database by replacing outdated, spurious or inaccurate POI data for current customers.

4.54 The ANAO recognises that if relevant scriptors were to be changed to ensure that CSAs are prompted to take the opportunity to review or update customers' POI details in ISIS each time the customer provides POI, careful consideration would need to be given to where the changes would occur, and what the implications might be for the efficiency of those workflow processes. Accordingly, the ANAO suggests that Centrelink identify those scriptors with an element of POI embedded in them and review the current screen flow when entering data into the ISIS system to ensure that an opportunity is not being lost to review the electronic data integrity of current customers' POI records.

Audit finding

4.55 In 2005–06 the ANAO assessed the integrity of Centrelink's ISIS database in ANAO Audit Report No.29 2005–06 *Integrity of Electronic Customer Records – Centrelink* (the previous audit). The previous audit analysed selected documents used by Centrelink's customers for POI that contained unique identification numbers that CSAs were required to enter into ISIS. At the time, Centrelink advised the ANAO that the introduction of more stringent data entry controls and data quality monitoring procedures had led to an improvement in the quality of the most recent customer POI data stored in ISIS. In 2007, the ANAO used a subset of ISIS data from the current audit to test this.

4.56 The ANAO analysed the electronic POI records in ISIS for 136 428 current Centrelink customers. For four key types of POI documents, the ANAO found a higher percentage of unique POI document serial numbers recorded in ISIS in the eight months after the previous audit was tabled in February 2006. While having a unique serial number entered in ISIS did not necessarily mean that the serial number was entered correctly by CSAs, it did indicate that a lower number of instances of obviously spurious or dummy data were entered into ISIS under Centrelink's more recent POI coding guidelines.

4.57 The ANAO found a total of 30 instances of multiple entries of the same spurious or dummy data. The majority of those entries were found in the serial number field for Australian citizenship certificates. Thus, less than one per cent of documents in the four POI document types assessed by the ANAO had data recorded in ISIS by CSAs with data that obviously bore no resemblance to the correct serial number for the documents.¹⁶²

4.58 The ANAO concluded that additional controls in ISIS introduced by Centrelink have increased the integrity of more recent customers' POI data and improved CSAs' performance when entering customers' POI data for the first time into ISIS. However, to the extent that it is possible, mandating the format of data fields is not on its own sufficient to ensure the quality and accuracy of Centrelink customers' POI details entered into ISIS by CSAs. Controlling the standard entry format of a particular data field does not prevent errors occurring where a CSA enters into the system an incorrect serial number that appears to fulfil the required format. For this reason, the ANAO suggests that Centrelink monitor, on an ongoing basis: the accuracy of CSAs' coding of POI in ISIS to assist in assessing the need for future targeted training on coding for CSAs.¹⁶³

4.59 The ANAO found that, while the use of scriptors facilitates procedural consistency by CSAs across Centrelink's national network, the way some scriptors currently operate might also be a disincentive to CSAs' proactively reviewing and updating customers' electronic POI records to reflect the most up-to-date POI available for an individual customer. Accordingly, the ANAO suggests that Centrelink identify those scriptors with an element of POI embedded in them and review the current screen flow when entering data into the ISIS system to ensure that an opportunity is not being lost to review the electronic data integrity of current customers' POI records.

Conclusion

4.60 Centrelink relies on the accuracy of the information stored electronically in the ISIS—Centrelink's main electronic customer database—for thousands of daily business transactions with customers. Centrelink also uses customers' POI data contained in the agency's main database (ISIS) to assist

¹⁶² The ANAO analysed a total of 201 801 documents.

¹⁶³ This finding is consistent with Recommendation No.1 from ANAO Audit Report No.29 2005–06 *Integrity of Electronic Customer Records*, which recommended that Centrelink improve the usefulness and effectiveness of its data integrity reporting system, p. 24.

with the detection of social security payment fraud, including carrying out data matching activities with other government agencies.

4.61 There has been an overall improvement in CSAs' electronic coding of POI documents in ISIS since the introduction of the tiered POI model in September 2001. However, the ANAO found a variation in the accuracy of the coding for different documents, with the accuracy rates of documents coded after September 2001 ranging from 100 per cent (for infrequently used POI documents, such as shooters' licences) to 67 per cent for more commonly used document types such as an Australian birth certificate.

4.62 Typographical errors made by CSAs were the major reason for inaccurate electronic coding of customers' POI documents overall, and for documents coded after 17 September 2001, assessed in the ANAO's sample of customer records. The ANAO recommended that Centrelink use an existing quality review process—Quality On-Line (QOL)—to identify and reduce the impact of typographical errors made when CSAs' inaccurately enter customers' POI document details in ISIS.

4.63 Additional controls in ISIS have increased the integrity of more recent POI data and improved CSAs' performance when entering customers' POI data for the first time into ISIS. Less than one per cent of documents in the four key POI document types assessed by the ANAO had data recorded in ISIS by CSAs that obviously bore no resemblance to the correct serial number for the documents.

4.64 The ANAO suggested that Centrelink continue to monitor the accuracy of CSAs' coding of POI in ISIS to assist in assessing the need for future targeted training on coding for CSAs.¹⁶⁴ Mandating the format of data fields in ISIS has assisted in improving the recording of POI document details. However, it is not on its own sufficient to ensure the quality and accuracy of Centrelink customers' POI data entered by CSAs. Controlling the standard entry format of a particular data field does not prevent errors occurring where a CSA enters into the system an incorrect serial number entry that appears to fulfil the required format.

¹⁶⁴ This finding is consistent with Recommendation No.1 from ANAO Audit Report No.29 2005–06 *Integrity of Electronic Customer Records*, which recommended that Centrelink improve the usefulness and effectiveness of its data integrity reporting system, p. 24.

4.65 The ANAO examined the impact on current customers' POI data integrity in ISIS of CSAs using workflow tools such as scriptors.¹⁶⁵ The ANAO suggested that Centrelink identify those scriptors with an element of POI embedded in them and review the current screen flow when entering data into the ISIS system using the scriptor to ensure that an opportunity is not being lost to review the electronic data integrity of current customers' POI records.



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Auditor-General

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3 October 2007

¹⁶⁵ A workflow tool developed by Centrelink that aims to standardise and automate processes used by the agency's officers to enter customer data into the Centrelink online systems.

Appendix

Appendix 1: Advice from the Australian Bureau of Statistics Statistical Consultancy Unit

A large component of the audit involved assessing the sufficiency of Centrelink customers' POI information held on a sample of paper files and comparing this information with the customers' POI information held in Centrelink's main electronic customer database—ISIS. A key audit requirement was that the sampling and estimation methodologies had to be statistically sound, in order to produce unbiased estimates of the error rates for the total population of current Centrelink customers' paper records and meet associated accuracy requirements.

The ANAO sought advice from the Australian Bureau of Statistics Statistical Consultancy Unit (ABS SCU) throughout both the planning and sampling phases of the audit in order to maintain the integrity of the methodology and the results produced from the sample. At the end of the sampling phase, the ABS SCU completed estimations on a de-identified set of sample results.

Calculating a suitable sample size

As requested by the ANAO, Centrelink provided the ANAO with an extract from its customer database of only those customers that were receiving a regular monetary payment on the day the extract was run. The extract contained approximately 5.5 million current customer records.

The extract included both customers that required POI in order to receive their benefit (tier 1, 2 and 3 customers) and customers that did not require POI to receive their benefit (tier 0 customers). The in-scope population was defined as all current customers that were receiving at least one tier 1, 2 or 3 payment type on the day the extract was generated.¹⁶⁶

The ABS SCU advised the ANAO to use the National Statistical Service sample size calculator to determine an appropriate sample size.¹⁶⁷ The sample size

¹⁶⁶ The scope of a survey is the population of units about which conclusions need to be drawn—the 'in-scope' population. Given that there are millions of Centrelink customers, it is impractical to assess the POI for every customer. The ANAO assessed a random sample of Centrelink's customer records in order to make inferences about the entire in-scope population of current customers. The in-scope population for the ANAO's survey included Centrelink customers who met the following criteria:

- customers receiving at least one current Centrelink payment;
- the payment was granted at least ten weeks before the ISIS extract was provided to the ANAO; and
- the payment required proof of identity documentation to be provided to tier 1, 2 or 3 under Centrelink's current POI model.

¹⁶⁷ The sample size calculator is available from <<http://www.nss.gov.au/nss>>.

calculator contained a number of required fields that were used to determine a sample size that would meet the accuracy requirements of the audit.

Based on ABS SCU advice, the confidence level was set at 95 per cent. This means that there are about 19 chances in 20 that the sample estimate will be within two standard errors of the true population value. The relative standard error (the ratio of the standard error to the value of the estimate) was set at five per cent.

The sample size generated by the calculator was 1 200. The ABS SCU reviewed the ANAO's use of the sample size calculator and confirmed that a sample size of 1 200 customer records would be appropriate to generate results about Centrelink's current population of customers.

Sample loss and the final in-scope population

While 1 200 Centrelink customer records were selected for the sample, at the end of the sampling phase there was a sample loss of 42 records. The sample loss did not affect the validity of the final results. See footnote 96, in Chapter 3.

Once the out of scope records were removed from the initial in-scope population, the final in-scope population was 4 263 934.

ABS SCU analysis of results

At the end of the file sampling process, the results were presented in a de-identified data set to the ABS SCU to calculate numerical results. The ABS SCU used standard methods of number raised estimation to produce estimates of proportion and total as well as associated estimates of standard error, RSE percentage and confidence intervals.

The ANAO's analysis of the results is discussed in Chapter 3 of this report.

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